

**A MEMORANDUM SUBMITTED BY COALITION OF CIVIL
SOCIETY ORGANISATIONS WORKING ON
ANTI-CORRUPTION AND EXTRACTIVES TO THE HOUSE
OF REPRESENTATIVES AD-HOC COMMITTEE ON
CRUDE OIL THEFT IN NIGERIA
DATE: 11-12 March, 2020**

SECTION ONE: INTRODUCTION: BACKGROUND AND CONTEXT

There has been an upsurge in the activities of oil theft in Nigeria. That upsurge reverberated more tragically in August 2019 when the National Economic Council (NEC) headed by Vice President Yemi Osinbajo alleged that 22.6 million barrels of oil estimated at \$1.35 billion were ‘stolen’ between January and July 2019. NEC, as alleged by its federal committee on pipeline vandalism headed by Governor Godwin Obaseki of Edo State, drew attention to Nigeria’s potential risk of losing \$2.7 billion worth of oil in two years. Two profound studies by the Nigeria Natural Resource Charter (NNRC) and the Nigeria Extractive Industries Transparency Initiative (NEITI) have also put the country’s loss to oil theft at N4.57 trillion between 2015 and 2018 and \$41.9 billion between 2009 and 2018 respectively. While there is clarity on what is covered in the figures above, there are a whole lot of other dimensions and trends that were not taken into account when counting the loss to oil theft in Nigeria.

As occupants of the space between public domain of government and the private realm of the family, the coalition of Civil Society Organisations hereby represented in this memorandum see this public hearing organised by the House of Representatives Ad-Hoc Committee on Crude Oil Theft in Nigeria as an opportunity to beam the searchlight on those other sources of leakages with a view to redressing the drain that oil theft has become on the Nigerian economy.

This memorandum is organised into six parts. This introduction, which provides context and background to the issue, is followed by a section on the dimensions and characters of oil theft. Section three presents the players in the nefarious business, the markets and instruments of conveyance of stolen oil. Section four speaks to the divergent figures often bandied around, including the most profound and recent data. This is followed by a section on the impacts and opportunity costs of Nigeria’s loss to oil theft. The last section presents conclusion and solutions aggregated from lessons learned from the experiences of other countries and what has failed in past efforts in redressing the problem in Nigeria.

SECTION TWO: DIMENSION AND CHARACTER OF OIL THEFT IN NIGERIA

Beyond the usual tendency to view oil theft from a single lens, a critical assessment of the Phenomenon in Nigeria has revealed clear dimensions and characters as presented in the table below:

No	Categorization	Manifestations	Remark
	Large scale	Over-lifting of crude oil above officially approved quantities with use of forged bills of lading as cover	In 2016, the Federal Government filed a suit against Agip Oil Company Ltd and Total E&P Nigeria Ltd demanding \$490,517,280 and \$145,848,102 respectively (approximately N2.5 trillion) being alleged missing revenues from over 57 million barrels of crude oil shipments that were believed to have been shortfall/undeclared/under-declared crude shipments by these oil companies to the United States between 2011 and 2014. Similar suits have also been filed against Chevron and ExxonMobil.
	Medium scale	This pattern of oil theft involves direct tapping of crude from the oil companies' pipelines which are then connected to barges hidden in creeks with mangrove forest cover; illegal bunkering in the process of loading of stolen crude oil into barges and ships in the high sea for export	Stolen crude is sold to registered oil trading firms or their proxies
	Small scale	The pilfering of condensates and petroleum products meant for the Nigerian market; including illegal artisanal refining activities; bursting of pipelines to steal refined products	Stolen products are sold in both open and black petroleum products market.
	Other patterns	There are observed differences within and across states (including non-Niger Delta are like Idiroko-Seme Border route in Lagos and Ogun States axis; Gembu-Mbamnga-Bang-Sabon Gari in Taraba in the Northeast enroute Cameroon)	Mainly petroleum products from officially refined and/or improperly refined

Despite the categorization above, what has happened in Nigeria over the years is the tendency to focus attention on the very small scale manifestations of oil theft in Nigeria at the expense of the bigger industrial scale leakages. This has had serious implications on the economy.

SECTION THREE: UNDERSTANDING THE KEY PLAYERS, MARKET AND INSTRUMENTS OF CONVEYANCE

The oil theft in Nigeria has clearly established different levels of actors and players in the illegal business as much as different instruments of conveyance. This includes the following:

Level	Players	Market	Instruments of Conveyance
Domestic low level	<ul style="list-style-type: none"> • Militants, vandals. • Refined products sellers, truck drivers, community persons • Serving/retired oil workers (including laid off contract staff) • Serving/retired security/public servants 	<ul style="list-style-type: none"> • Refining scenes in the bush • Proxies of small buyers in the creeks 	<ul style="list-style-type: none"> • Jerrycans and drums in speed/Cotonou boats • Heavy duty tankers
Domestic (powerful high level but less visible players)	<ul style="list-style-type: none"> • Politicians/politically exposed persons (PEPs) • Transnational actors in financial and legal institutions; including lawyers • Crude oil traders • Security agents 	<ul style="list-style-type: none"> • International waters outside the 200 nautical miles from Nigeria (West African Coast) • Rottadam • Eastern Europe (especially Eastern Europe) • Asia 	<ul style="list-style-type: none"> • Daughter-to-mother ship loading • Forged bills of lading • Escort by security operatives
Foreign actors	<ul style="list-style-type: none"> • Ship crews, • Operators of oil trading firms • Financiers 	<ul style="list-style-type: none"> • International waters outside the 200 nautical miles from Nigeria (West African coast) • Rottadam • Eastern Europe (especially Eastern Europe) • Asia 	<ul style="list-style-type: none"> • Daughter-to-mother ship loading • Forged bills of lading • Escort by security operatives

There are diverse and cross-cutting domestic, regional and international markets (informal and formal) for stolen oil, with instruments for conveyance such as illicit businesses/money laundering.

SECTION FOUR: NIGERIA'S LOSSES TO OIL THEFT

Since it became an issue of national concern, attempts to quantify Nigeria's loss to oil theft has resulted in divergent data and figures both between and within government and outside government circles. Among the most recent figures derived from research are as follows:

a. NEITI

- Conservative estimates from some IOCs (SHELL, Chevron & Agip) self-reporting indicates that Nigeria lost between 150,000b/day – 400,000b/day (7.5%-20% of total production of 2mbd) amounting to \$10.9billion to oil theft from 2009-2011
- Nigeria lost \$41.9billion between 2009–2018 averaging \$11.47million/day, \$349million/month and \$4.19billion annually (NEITI, 2019).

Details are as follow:

- ❖ Crude losses - \$1.56bn (NNPC)
- ❖ Refined products losses - \$1.84bn (NNPC)
- ❖ Crude losses - \$38.54bn (Companies)

b. NNRC

N4.57 trillion 2015-2018

c. NEC

22 million barrels valued at \$1.35bn

While the above figures largely represent figures collected from official sources (presumably obliged by oil companies), they do not necessary capture other different sources of leakages already identified in this memorandum. Those sources include industrial scale over-lifting and other pilfering that happen through official channels.

SECTION FIVE: IMPACT AND OPPORTUNITY COST

1. IMPACT OF OIL THEFT

➤ Economic Impact

- Loss of revenue
- Loss of investment
- Inflation

➤ Environmental Impact

Environmental degradation has been a major predicament in the Niger Delta since the extraction of oil began in the region. Negligence by oil extractors and the federal government, poor infrastructure management, and oil theft have led to:

- Loss of 7,500km of rain and mangrove forest¹.
- Oil spillage via pipeline drilling, conventional spill and bush refineries, have poisoned the water with carcinogen benzene at levels around 900²

¹Unrepresented Nations and Peoples Organisation (UNPO) (2017) *Movement for the Survival of the Ogoni People (MOSOP)*. Online at:<http://unpo.org/downloads/2339.pdf><http://unpo.org/downloads/2339.pdf>

²UN Environment (2017) *Nigeria Launches \$1 Billion Ogoniland Clean-up and Restoration Programme*. Online at:<https://www.unenvironment.org/news-and-stories/story/nigeria-launches-1-billion-ogoniland-clean-and-restoration-programme><https://www.unenvironment.org/news-and-stories/story/nigeria-launches-1-billion-ogoniland-clean-and-restoration-programme>

- Water pollution considerably higher than the World Health Organisation (WHO) approved level for drinking water which is 10.
- Pollution has also left soil dead up to depths of 5m³ making it infertile.
- Poor refining techniques and nonchalant disposal of waste into streams and creeks further pollute the air and the environment.
- Bush refineries are also susceptible to fires due to poor techniques and the absence of any kind of safety checks.

➤ **Social Impact**

- Decline in school enrolment figures in the Niger Delta as many young people have abandoned formal education to become refiners, product marketers, security guards and transporters of stolen crude⁴. This has been backed up by the National Bureau of Statistic (NBS) 2013 and 2014 school registration report.
- Risk to health associated with close proximity to oil theft has terribly impacted the lives of the people. The Niger Delta's public health profile is abysmal in comparison to other regions; life expectancy is just 40 years compared to 54.5 years national average.
- Social vices such as drug abuse, alcoholism, prostitution have increased over the years as a result of activities around crude theft and refining settlements.
- Security risks as militant groups are involved in kidnappings, pipeline vandalism and oil theft.

2. **OPPORTUNITY COST OF OIL THEFT**

Using the top-end estimate of lost crude at 300,000 bpd, our assessment puts the projected annual loss due to oil theft for 2018 at N995.2 billion based on the current exchange rate price of N305 to US\$1⁵. This includes the losses due to direct oil theft, sabotage, and spillage.



³Ibid

⁴Ibid

⁵ This is based on the assumption that operations are otherwise functioning optimally, and production is ongoing for everyday of the year.

UNBOXING CRUDE OIL THEFT IN NIGERIA

ALTERNATIVE USE OF THE YEARLY AVERAGE CRUDE OIL THEFT LOSS



PRIMARY HEALTH CARE CENTRES

99,500

PRIMARY HEALTH CARE CENTRES WOULD'VE BEEN BUILT AT A UNIT COST OF N10 MILLION



PRIMARY SCHOOLS

49,800

PRIMARY SCHOOLS WOULD'VE BEEN BUILT AT A UNIT COST OF N20 MILLION



2-LANE PAVED ROAD

10,551KM

OVER 10,000 KILOMETRES OF 2 LANE PAVED ROAD WOULD'VE BEEN BUILT AT A UNIT COST OF N94.3 MILLION PER KILOMETRE



ELECTRICITY

1831 MW

OVER 1,800 MEGA WATTS WOULD'VE BEEN GENERATED AT A UNIT COST OF \$1.5 MILLION DOLLARS

N995 BILLION



ACCESS TO PORTABLE WATER

10.8 MILLION

HOUSEHOLDS WOULD'VE HAD ACCESS TO CLEAN PORTABLE WATER GENERATION AT A UNIT COST OF N92,000 PER CONNECTED HOUSE



LOW COST HOUSING

142,000

LOW COST HOUSES WOULD'VE BEEN BUILT AT A UNIT COST OF N7 MILLION

SECTION SIX: CONCLUSION AND SOLUTIONS

Oil theft in Nigeria is a menace to both the economic and survival of Nigeria. While the government has been focused on dealing with the challenges it poses for a long time, what is known is that such efforts have proved unsuccessful, thus requiring more comprehensive and innovative pathways. The coalition of civil society organisations that have submitted this memorandum are of the view that the failure of past efforts in addressing the problem of oil theft in Nigeria is premised on a non-comprehensive conceptualisation of the diverse dimensions and manifestations of the problem which puts the small scale players in focus at the expense of big time criminals with propensity for industrial scale stealing of the country's oil. It is against the backdrop of the following that the under-signed coalition of civil society working on anti-corruption and extractives is putting forward a combination of lessons learned from the experiences of other countries to complement the myriads of ideas for a possible resolution of the problem in Nigeria. They include:

- Adoption of advanced technology
 - Surveillance drones to monitor pipeline vandalization and movement of crude oil
 - Technology for pro-active leak detection
 - Generic finger printing
 - Molecular markers for products to detect genuine products from stolen products.
 - Investment in metering infrastructure across wellheads, flow-stations and export terminals
- Promotion of community development programmes and access to refined petroleum products, especially in coastal communities.
- Partnership with community stakeholders for surveillance
- Stiffer legislation and strengthening of existing laws. E.g. PIB, EFCC, ICPC, etc.
- Economic diplomacy through partnership, bilateral and multilateral engagement with international community
- Diplomacy with destination countries of international traders, financial institutions and governments.

SIGNED

1. Civil Society Legislative Advocacy Centre (CISLAC)
2. Centre for Democracy and Development (CDD)
3. Zero Corruption Coalition (ZCC)
4. Centre for Information, Technology and Development (CITAD)
5. Advocacy Centre
6. National Procurement Watch Platform (NPWP)
7. Say No Campaign
8. Niger Delta Budget Monitoring Group (NDEBUMOG)
9. Centre for Advanced Social Science (CASS)
10. Praxis Centre
11. State of the Union (SOTU) Coalition
12. Augustinian Centre
13. Social Development Integrated Centre (Social Action)
14. Good Governance Team (GGT)
15. New Nigeria Foundation
16. Initiative for Community Development and Advancement of Social Orientation (ICODASO)
17. Media Awareness and Justice Initiative (MAJI)
18. Community Life Project
19. Borno Coalition for Democracy and Progress (BOCODEP)
20. Tax Justice Network Nigeria
21. Environmental Rights Action, Friends of the Earth Nigeria (ERA/FoEN)
22. Women In Nigeria (WIN)
23. African Centre for Media Literacy (AFRICMIL)
24. Community for Popular Participation (CAPP)
- 25.