Billions in oil revenue is controlled by a cartel that touches the armed forces, says Patrick **Dele Cole**

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Law set to be a 'game-changer'

Experts say legislation falls short of its aims, but investors will know where they are. reports Xan Rice

he oil and gas industry is booming across sub-Saharan Africa. To the east, large new have announced in Mozambique, Kenya and Tanzania, while Uganda is close to starting com-

mercial production of crude. On the opposite side of the continent, oil has been struck off the coasts of Sierra Leone and Liberia, raising hopes they can emulate Ghana, where petroleum began flowing in

The accompanying excitement is understandable, both for the countries, for whom the looming windfalls are potentially transformative, and for the explorers and producers, which stand to make large profits.

But, in terms of the scale of resources, the new kids on the oil block have nothing on the region's hydrocarbon granddaddy: Nigeria.

Despite more than 50 years of production, and minimal exploration in recent years, Nigeria still has proven reserves of more than 37bn barrels of oil – nearly three times more than Angola, its nearest challenger.

Nigeria's sweet, light crude is also of the highest quality, and fetches top prices on international markets.

Natural gas reserves of about 190tn cubic feet are also unrivalled on the continent.

"When you look at the resources, oil and gas compa- investment in maintenance and nies should be having a love exploration is dropping.



Hands on: a Nigerian man shows his oil covered hands near an abandoned well. Nigeria's output is still only between 2m and 2.5m b/d, roughly the same as a decade ago

affair with the country," says Duncan Clarke, head of petroleum consultancy Global Pacific & Partners, and author of Africa: Crude Continent. "But they are not. Nigeria is sleeping while the other countries are

getting on with it." Despite the long-desired goal of producing up to 4m barrels of oil a day, Nigeria's output is still only between 2m and 2.5m b/d, roughly the same as a decade ago.

Deep-pocketed multinationals such as Shell, ExxonMobil, Chevron, Eni and Total are all on the ground or offshore, yet

The government has not held a licensing round for five years. There are numerous reasons for the malaise, including inse-

curity in the Niger delta region, corruption, and the dysfunction of the state-run oil company, Nigerian National Petroleum Corporation (NNPC). But the main obstacle to growth in the oil and gas sector has been regulatory uncertainty.

Legislation designed to introduce sweeping changes to the industry, including fiscal terms, has been sitting with the government for four years without ever being approved.

Oil companies have refused to commit fresh money to existing

result and stagnation has set in. Bayo Odubeko, a partner at the law firm Norton Rose, who has extensive experience in oil and gas transactions in Nigeria, estimates that the country has lost \$40bn in potential onshore and offshore investment because of the lack of clarity about the legal framework.

But the cost of the failure to reform the sector - and stop the rot in the related state institutions – extends far beyond stunted oil production and missed signature bonuses, and has even touched on the country's stability this year. Just as the NNPC has been

and prospective projects as a mismanaged, so the four refiner- and partially remove it. The ies mandated to supply the domestic market with petrol have been neglected and operate well below 50 per cent capacity. The demand for imported fuel has soared, and with it the scale of corruption, since Nigeria heavily subsidises petrol at the pump and makes large payments to oil marketers who bring in the refined product. The cost of the subsidy alone in 2011 was \$16bn by some estimates.

> When Goodluck Jonathan, the president, tried to abolish the subsidy in January it caused an outcry and a nationwide strike. and he was forced to backtrack

rationale for getting rid of the subsidy may have been clear, but so was the public's response: clean up the oil sector first before inflicting pain on us. Mr Jonathan appears to have

listened. He set up multiple committees designed to speed The most crucial of those are

related to the Petroleum Industry Bill (PIB), the wide-ranging legislation that is intended, among other things, to introduce a tax and royalty regime, increase the participation of local producers, stimulate

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Flaring Volumes of gas burnt off into the atmosphere have fallen but Nigeria



is still the world's biggest flarer after Russia Page 2

Local groups The emergence of homegrown companies has big implications for production

Gas Poor domestic pricing has held back development, but things are beginning to change **Page 2**

Bunkering Towns in the Niger delta are at the heart of a thriving trade in stolen oil Page 3

Petroleum Industry Bill



Analysts who have seen the latest version of the bill say vested interests appear to

have diluted its goals Page 4

Multinationals An end to violence in the delta has been welcomed, but there are other problems to contend with Page 4

Environment Long-term damage in Ogoniland is still to be rectified Page 6

Amnesty Militants have put down their arms in return for payment. but the deal may have set a dangerous precedent Page 7



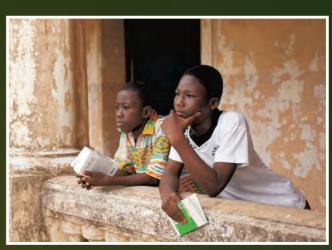


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Legislation suggests better prospects for local groups

Indigenisation

Guy Chazan finds a new confidence in homegrown operators

When it comes to explaining his mission, Austin Avuru does not pull his punches. "We believe we're leading a revolution," he

The claim may smack of hyperbole, but change is clearly in the air. Mr Avuru is chief executive of Seplat, a small Nigerian oil company that symbolises the new confidence of the country's fast-growing local operators. "The climate for indigenous companies is better than it's ever been," the geologist and petroleum ent, says Nigeria still has

is still small, with local in its shallow waters -

per cent of the country's output. Much of that is in fields operated by larger companies.

to grow, driven partly by government policy aimed at putting an expanding share of output into domestic operated production to quadruple by the end of next year, if all the others achieve what we have," Mr Avuru says.

The emergence of companies such as Seplat has big implications. Osman Shahenshah, CEO of Afren, an Africa-focused independ-9bn barrels of oil reserves The homegrown oil sector left to produce onshore and

for just 100,000 barrels a day mature or too difficult to of production - less than 5 develop. If the smaller companies take them over, he says, output could rise from 2.5m b/d to 4m b/d, making it the world's sixth largest But the figure is expected producer.

Mr Shahenshah says locals are becoming more alive to that opportunity. "There seems to be a genuhands, and moves by the ine desire to develop a real western majors to divest oil sector in Nigeria that's their mature, onshore not just the preserve of the fields. "I expect indigenous- five majors," he says. "Local companies are making real investments, organising themselves to list in following in our footsteps London and Singapore and taking a longer-term view."

Sceptics say, however, predictions of a domestic oil boom have never panned out. "The whole process of giving indigenous companies more access has been very slow," says Dragan Trajkov, an oil analyst at Renaissance Capital. "Everyone's dissatisfied, and has independents accounting areas the majors consider been for a long time.

launched the indigenisation policy in the early 1990s when, for the first time, blocks awarded to local companies. But most of these were small outfits that typically sold stakes in the blocks to foreign groups for big signature bonuses, and played

little role in operations. In 2004, the government assigned 30 marginal fields that the majors had failed to develop, bundling them into 24 contracts and auctioning them off to local entities. By 2010, however. only about six of them were in production.

A big problem was local companies' inability to raise sufficient funds to develop the assets. "It's a constant battle to

get the kind of capital we require," says Wale Tinubu, CEO of Oando, one of the biggest local groups. "Our enterprise value is \$1.2bn,

raise \$260m of equity since we started the business." Oando has been forced to rely on short-term loans charged at 18 per cent interest. he says.

For some, the solution has been to team up with

Government policy is aimed at putting an expanding share of output into domestic hands

wealthy foreign companies. That has advantages for both sides: the local groups get access to long-term capital. while the foreigners can tap vast reserves while complying with strict local content rules.

Seplat is a good example. It was formed in 2009 when two small local producers,

came together to try to acquire some of Shell's onshore fields.

muscle, they brought in Maurel & Prom, the French oil company, which took a 45 per cent stake in their new vehicle, Seplat. "It was a near perfect fit," says Mr

Maurel & Prom has substantial onshore experience in Africa and the right corporate governance framework, he says, while Sheba and Platform had the local expertise and a small domestic production base. "It was much easier for the fused entity to raise funds and put together a technical team." Ever since, he says, "others have been trying to replicate our model".

A deal was finally struck in 2010, with Seplat acquiring stakes in three of Shell's Niger delta licences. Since then, it has more

from the properties, to 43,000 b/d. Shell went on to sell its stake in another To boost their financial block, OML26, to local group First Hydrocarbon Nigeria (FHN), an affiliate of Afren. Last year it sold its stake in another block, OML42, to Neconde Energy,

a local consortium.

But Seplat, FHN and Neconde's success has been the exception rather than the rule. Shell's decision to run auctions for its remaining blocks slowed its divestment programme. And the bidding process proved controversial: Conoil, another big local group, tried and failed to buy Shell's OML30 block last year for \$1.1bn. In the end, it was acquired in June by another Nigerian outfit, Shoreline Natural Resources, backed by the UK-listed explorer Heritage Oil, for \$850m.

Shell's negotiations with potential buyers were com-

The authorities first but we've only been able to Platform and Shebah E&P, than doubled production plicated by the desire of its joint venture partner, the government-controlled NPDC, to take over the role of operator in the fields Shell wants to sell - a condition that Conoil rejected.

Local oilmen hope the Petroleum Industry Bill will give a fresh boost to indigenisation and give locals preferential rights to acreage. The proposed reforms of NNPC will also help.

"We will get a national oil company that will be commercialised and [publicly] listed, with which we'll be able to do joint ventures and co-finance projects, says Mr Tinubu.

With the bill's passage increasingly likely, the outlook for local independents is improving, says Mr Trajkov. "The PIB has been a real catalyst [for indigenisation]," he says. "This year it's looking much better.'

Slow to exploit power supply

But privatisation is starting to change things, says **Guy Chazan**

aying a gas pipeline in the middle of Lagos, Africa's most populous city, is not for the faint-hearted. Plans of the city's underground wiring and plumbing are often misleading, so holes are dug in the wrong place. "There's a lot of improvisation," says Wale Tinubu, chief executive of Oando, one of Nigeria's biggest oil groups.

But the chaos did not stop Oando building a 100km planned for the south. pipeline system that is

customers to replace expengas-fired power plants and reduce their energy costs by more than 50 per cent.

Oando is one of the first companies in Nigeria to pipe gas directly traditionally been the preserve of the federal government and the western majors. Already the largest fuel distributor, it is emerging as a big gas supplier. It has just completed a second pipeline system in the east of the country, which involved nine river crossings, and has a third one

delivering natural gas to world's ninth largest says Phillip Ihenacho, CEO 120 companies in a city that reserves of natural gas - of Seven Energy, a fastaccounts for 60 per cent of about 180.5tn cubic feet, Nigeria's industrial capac- enough to meet the EU's ity. The pipe has enabled needs for 11 years. But it has been slow to exploit sive diesel generators with this valuable resource. For decades, much of the gas it produced in the course of extracting crude oil was simply flared - burnt or

vented into the atmosphere. Later, it built one of the to consumers, a job that has world's largest liquefied natural gas plants on Bonny Island near Port Harcourt: the plant, NLNG, exports 22m tonnes a year of supercooled gas to international markets. Nigeria is now the largest producer in the Atlantic Basin, with 8 per cent of global sales last year. But little of its gas has been developed for the domestic market, "Nigeria Nigeria sits on the has a huge gas resource,"

growing indigenous gas group. "It should be using it domestically instead of exporting it.

Because it has failed to exploit the gas for domestic use, and particularly in power generation, Nigeria has among the lowest energy consumption rates per capita in Africa. It has between 3.5 and 4 gigawatts of installed power capacity working at the moment, compared with 8GW in New York City alone, according to one foreign executive. "The gap between power supply and demand in Nigeria is larger than anywhere else in the world,' Mr Ihenacho says.

Previously, were deterred from developing gas reserves because of

poor domestic pricing. But that is beginning to change as the authorities privatise the power sector and move to liberalise gas prices. "The government knows it will have to har-

ness the private sector to fill the power generation gap," says Mr Ihenacho. To do that it needs to implement a pro-private sector regime. If that comes off, it will be one of the biggest opportunities for the power sector in the world." Founded in 2004 as a divi-

sion of Weatherford International, the oil services company, Seven was bought out by management three years later and has since established a strong position as one of the few independent gas producers in Nigeria.

It has two gasfields in the Niger delta – Uquo and Stubb Creek - and plans to create a local network of gas-processing and transportation facilities in the region, capable of delivering more than 1tn cubic feet of reserves. It has entered gas sales agreements with power plants and built pipelines to supply them.

Oando has gone a step further and started building power stations. Its first was for the Lagos Water Corporation, a small, 12.15MW plant backed by the World Bank that is connected to Oando's Lagos pipeline system. "It has both a social and commercial return, because it helps to provide water to the city, reducing the risk of waterborne diseases," Mr Tinubu says.

While domestic gas infrastructure is improving, Nigeria also has plans to expand its export capacity.

A collection of tin shacks about 100km

north-west of Port Harcourt, Ebocha is

skin diseases, of the constant noise

have long understood the need to

eradicate flaring. As well as being a

serious source of climate-warming

greenhouse gases, it is also a huge

metres (bcm) of gas are flared and

waste of resources. According to World

Bank statistics, more than 150bn cubic

vented annually around the world. The

annual 35 bcm of gas flared in Africa

alone is equal to half the continent's

natural gas plant on Bonny Island in

the 1990s, Nigeria has been exporting

some gas. Satellite data collected by

Administration in the US, shows its

flared volumes fell from 16.3 bcm in

the world's worst flarer after Russia.

be using the gas to power local

the premises of the oil companies,

they have electricity round the clock,

but in their homes there is darkness,"

says Inemo Saniama of Stakeholder

Democracy Network, a local NGO.

2007 to 14.6 bcm in 2011. But it is still

Campaigners say companies should

communities. "People complain that, in

the National Oceanic and Atmospheric

Since the launch of a huge liquefied

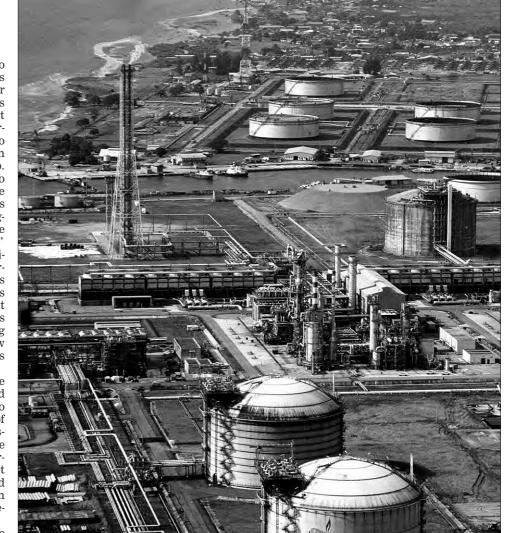
power consumption.

and heat from the flames and acid rain

Governments - Nigeria's included -

burning day and night.

that corrodes their rooves.



Gas exporter: Bonny Island, near Port Harcourt, sends 22m tonnes a year of LNG abroad AFP

The partners in NLNG intend to build a seventh "train", as the liquefaction facilities are known, on Bonny Island. There are plans for another plant, Brass LNG, backed by ENI of Italy, ConocoPhillips, Total of France and the company NNPC, state which will be built near the Brass oil terminal on the Another project, Olokola LNG, is backed by

Shell, Chevron and others,

but is still far from sanction.

But Brass LNG was originally designed to sell large volumes of gas to the US. That reckoned without the North American shale gas boom that has turned the US from a gas importer to an exporter. It is unclear into what market Brass will

There are also fears that tax and other changes to be

Industry Bill could make big investments in LNG projects uneconomic - especially at a time when several gas liquefaction developments around the world are competing for the same pool of funding. "You need to create the right conditions for exports to be competitive, especially against the backdrop of reduced LNG imports into the US,' says Ciro Antonio Pagano, introduced in the Petroleum ENI's head of Nigeria.

FINANCIAL, PHYSICAL, PROCESS AUDIT OF THE

Extractive Industries Transparency

NIGERIAN EXTRACTIVE INDUSTRY SECTOR: OIL AND GAS 2012 AND SOLID MINERALS 2011 - 2012

REQUEST FOR EXPRESSIONS OF INTEREST

BACKGROUND

The Nigeria Extractive Industries Transparency Initiative (NEITI) is mandated by law to promote transparency and accountability in the management of Nigeria's oil, gas and mining revenues. NEITI is the national version of the Extractive Industries Transparency Initiative (EITI), which is a global movement aimed at ensuring that extractive resources aid sustainable development.

NEIT

Pursuant to the above, NEITI intends to apply part of the proceeds allocated to it by the Federal Government of Nigeria for the procurement of Auditors/Consultants for the continuation of its annual audits covering Financial, Physical and Process aspects of the Oil and Gas and Solid Minerals sectors.

1. SCOPE OF WORK

A. OIL AND GAS INDUSTRY AUDIT 2012

The scope of services includes the following:

- Report payments by companies and receipts by relevant government agencies duly reconciled in accordance to the EITI requirements Report on the quantities of hydrocarbons (oil and gas
- and refined products, including condensates where appropriate) produced, exported and imported Validate all payments by companies and government agencies to determine accuracy and completeness
- and report all underpayments and balances payable to the Federation Review the policies and procedures on collection, custody and management of funds and make recommendations that will enhance the efficiency

B. SOLID MINERALS INDUSTRY AUDIT 2011 AND 2012

The scope of services includes the following: Report payments by companies and receipts by

and transparency of the sector.

- relevant government agencies duly reconciled in accordance to the EITI requirements.
- Report on the quantities of solid minerals produced (extracted and mined) exported and imported
- Validate all payments by companies and government agencies to determine accuracy and completeness and report all underpayments and balances payable
- Review the policies and procedures on collection, custody and management of funds and make recommendations that will enhance the efficiency and transparency of the sector.

The consultants would be required to carry out the assignments within a period of nine (9) months.

Accordingly, NEITI invites Expressions of Interest from suitably qualified Auditors /Consultants with experience in Financial, Physical and Process Audit for the assignments.

Track record in EITI processes will be added advantage and International Consultants must partner with local counterparts to enhance their bid.

PRE QUALIFICATION REQUIREMENTS

Expression of Interest from eligible Consultants should include the following information as basis for prequalification.

- Evidence of Registration with Corporate Affairs
- Profile of firm/consortium including ownership
- Names and Curriculum Vitae of the firm's top executives who will work on this assignment, including qualification and individual experience in handling similar assignments, preferably in EITI countries:
- Details of similar assignment executed in the last five
- Evidence of VAT Registration and Payment of Tax for the past three (3) years
- Audited Financial statements for the last five years; Evidence of compliance to the Pension Reform Act
- For firms applying as consortium, evidence of alliance/partnership between consortium members;

Consultants will be selected under Quality and Cost Selection Method (QCBS) in accordance with the provisions of the Procurement Act 2007.

SUBMISSION OF EOL

One original + five copies (and a softcopy on CD ROM) of the Expression of Interest must be submitted in a sealed envelope clearly marked "Expression of Interest for the Oil and Gas Industry Audit 2012 and Solid Minerals Industry Audit 2011 To 2012" as applicable. The EOI must be delivered not later than 17.00 hrs (GMT 16.00hrs) on 15 August 2012 at the address indicated below:

The Executive Secretary Nigeria Extractive Industries Transparency Initiative 4th Floor Murjanatu House 1, Zambezi Crescent Off Aguiyi Ironsi Street Maitama, Abuja

Attention: Procurement

Tel: +234 9 290 6545 E-mail: procurement@neiti.org.ng Web site: http://www.neiti.org.ng Only short-listed applicants will be issued Requests for Proposal [RFPs]

Uchenna Ekwem has learnt to live with the gas flares but they are a constant irritant."It stings your eyes, and stains your shirt black," the 19-year-old says. 'When the rain falls, we can't drink the water." Oil companies in Nigeria still burn off much of the natural gas that comes up with the oil they produce - a practice banned in many other countries. Nowhere is it more visible than in Ebocha, Uchenna Ekwem's village, where the Italian company ENI has been pumping crude since the 1960s.

overshadowed by two flare stacks Women sit near a gas flare fire Villagers complain of respiratory and

But despite repeated initiatives, it has persisted. Flaring dipped during the wave of violence in the delta over the past decade as militant attacks forced oil companies to curb onshore production. Since an amnesty that encouraged the rebels to lay down their weapons, production is back up and so is flaring.

Flaring: a practice that persists, despite initiatives and best intentions

NGOs place most of the blame on the government rather than the major oil companies. It set a 2008 "no flare" deadline, but failed to enforce it. And the state-controlled Nigerian National Petroleum Company, which dominates all joint ventures with foreign producers, rarely comes up with its share of financing for reduction

programmes. The majors say they are committed to stamping out the practice. ENI started harnessing associated gas in 1985 at its Obiafu Obrikom facility, reinjecting it to improve oil recovery. Later, it began using the gas at its remote flow-stations to power pumps in its oil wells.

But by far its most ambitious effort is its Okpai power plant, It is 16km from Kwale, a facility that collects oil from nearby wells and separates it from the associated gas. The gas is then piped to Okpai, on the Niger

River, which supplies 480 megawatts of electricity to the national grid. The logistical difficulties posed by building such a plant deep in the malaria-infested jungle were huge.

ENI spent \$471m on the project, and operational costs are high: constant breakdowns of the national grid damage components, necessitating regular overhauls that cost \$60m a

But Okpai is crucial to ENI's plans. The company says it is flaring 15 per cent of the gas it produces, down from 31 per cent in 2007. It hopes to get that down to 5 per cent by 2014.

Shell has also made big strides. In 2000 it started installing gas-gathering infrastructure at sites across its area of operations. But the uprising in the delta intervened and 18 of the facilities were either vandalised or not commissioned. In May 2010, Shell revived the programme, repairing sites and starting work at 17 new ones. Shell says that between 2002 and 2010, flaring at its SPDC joint venture

fell by more than 60 per cent. Like ENI, Shell has also branched into power generation. In 2008, SPDC started producing electricity from the Afam VI plant to provide power for millions of people in the delta.

Mutiu Sunmonu, Shell's Nigeria country chairman, says the company has approved a \$4bn-plus project designed to fix the remaining sites where gas is flared. In five years' time, "our flaring performance will be one of the best in the world," he says.

NGOs acknowledge improvements but think more should be done. Edward Obi, head of a group called Gas Alert, points to the flares at Ebocha as proof the problem remains acute. "Oil companies are making efforts to harness the gas," he says. "But whether enough is being done,

I'm not sure."

Guy Chazan

Nigeria Oil & Gas

'We have to track down the oil thieves'

Guest column

PATRICK DELE COLE

It seems the Nigerian government is finally waking up to the financial impact illegal theft and sale of crude oil is having on our nation, as well as on the oil producing Niger delta region.

Last month the minister of finance said she believes up to 17 per cent of the country's production was lost in April. This means we could be losing up to 400,000 b/d.

About \$9bn of revenue, equivalent to almost a third of the Federal budget, is thus under the control of a criminal cartel with tentacles that stretch from the Niger delta, through the armed forces into the heart of organised crime and out into the rest of the world.

After years of ignoring the fact that we lose billions of dollars every year, it is a sign of progress that the government is acknowledging the scale of the problem and announcing steps to tackle

Unfortunately, when we take a detailed look at the structures behind oil theft and the amounts of money involved, the scale of the challenge becomes clear and the ability of the government to deal with

this issue alone is called into question.

The taskforce announced by the minister of petroleum consists of representatives from the international oil companies, the armed forces and the government. They have been mandated to identify ways to deal with the issue. But there is a problem built into this attempt at a solution.

How can we expect our armed forces to proactively seek to put an end to a trade that makes many in their ranks rich? Four years ago I wrote: "It is said in the Nigerian military that you will never find a poor admiral."

If anything, the situation has worsened since that time. The Niger delta is now a much sought-after posting in the military. It is also questionable whether the government has understood the level of resources required and the action necessary to have an impact. Oil theft is facilitated by the people of the Niger delta because they do not have an alternative. Real and visible development is a pre-requisite for this to change, but it will take time, effort and huge resources. The resources available to those involved in oil theft are astronomical and must be met with an equal response, backed by

Up the creek: in a canoe ferrying containers used to transport oil siphoned from pipelines. The Niger delta is now a much sought-after posting in the military

government and

We need to look beyond our borders for help that can make a difference. The recipients of the stolen oil are refineries in eastern Europe, Africa, Asia and perhaps even the US. The money used to finance the largest transactions moves from bank to bank in these regions. This money can, and should, be tracked. The mechanisms exist already through antiterrorism and money laundering legislation. If we can make it more difficult for oil theft to be financed, we can begin to make progress towards a long-term solution.

The scale of the theft means that large ships are used to transport stolen oil to the refineries that process it overseas. International governments own and control the satellite tracking technology that can provide the evidence to prove complicity. They should provide the

international security organisations with access to this tool.

The end user of the fuel that is refined is often the western consumer who, while struggling with austerity, is also conscious of the origin of the products that he or she buys. We must raise awareness of the scale and consequences of oil theft and seek to turn the discerning consumer into an ally.

In my village in Abonnema, the social and environmental impact of oil theft is obvious and immediate. The constant

sheen of oil on the surface of the river, the boats lined up on its shores that have been "arrested" by the taskforce for being outside their "approved window of

Satellite tracking technology could provide evidence to prove complicity

operation" and the distressing lack of girls over the age of 14 in secondary education because they are pregnant with the babies of soldiers are just some of the ways

in which this trade has an impact on our society and environment.

The lack of development in the delta, the impact of the oil industry on the environment and the social decay associated with poverty and conflicts have been debated for years. What is less clear to international audiences is the fact that oil theft sits at the centre of these problems. The social impact on young men offered immediate riches over education is obvious. The riches are offered by militant groups. The environmental damage in the delta is known

worldwide, but cleaning up the region today is pointless without a policy to end the theft that contributes significantly to the damage done. What is cleaned up today will be achieved.

spilled again tomorrow. If you are able to tackle holistically the issue and demonstrate the political will and desire for a longterm solution, then a campaign that seeks to end the illegal trade of oil, combined with a genuine programme of development, can provide the foundation for a solution that has a chance of working. Tracking the

money and the ships are

just the first weapons we have in our armoury, we must work together to develop others while ensuring that our ultimate goal, development, is

We need the rest of the world to provide the support, pressure and the targeted solutions that are needed. We have to stop the theft.

Patrick Dele Cole is a businessman and politician from Rivers State. He was a founding member of the ruling PDP party and a special adviser to President Olusegun Obasanjo between 1999 and 2001.

Vested interests have too much to lose

Bunkering

William Wallis looks at theft that costs billions in lost revenues

The buccaneering spirit that characterised the early days of the Niger delta's interaction with global commerce has returned with a vengeance. Towns such as Abonnema – founded in the late 19th century on a river island by a string of warlord chiefs whose wealth originated in the slave and later palm oil trade – are at the heart of a thriving trade in stolen oil that is costing the state and multinational companies billions of dollars in lost revenues.

According to Ngozi Okonjo-Iweala, the finance minister in charge of economic policy, oil theft led to a 17 per cent fall in official sales in April, or about 400,000 b/d. That is a quantity entering world markets illegally that is greater than official production in all but two sub-Saharan African producers, Angola and Sudan.

world price of \$121 per barrel, this implies a loss of \$1.2bn a month.

Ms Okonjo-Iweala says that, together, theft from pipelines and wellheads and fraud in the allocation of a controversial fuel subsidy may have cost the state \$14bn in 2011.

Because of its illegal nature, there are no consistent estimates for the scale of "bunkering" – a term used elsewhere to refer to the supply of anchored ships, which in Nigeria has been corrupted to describe the trade in stolen oil. However, the finance ministry figures for April illustrate what oil companies, state agencies and inhabitants of the delta all say has been a surge over the past year.

In 2011, the state agency regulating pipelines recorded 4,468 pipeline break-ins compared with an average 1,746 between 2001 and 2010. Inhabitants of Abonnema, just one town where bunkering is thriving, say that a growing number of people are impli-

cated in one way or "They have been sponsor-another. "Every family has ing local government chairsomeone involved," says one young businessman with peers in the trade.

Deploying the navy and army, as President Goodluck Jonathan – like his predecessors – did, ended up complicating matters instead of helping. As oil NNPC said this year. prices have soared, the money has become too alluring. As volumes of oil sold through the bunkering network have risen, so too has the number of Nigerians with an interest in keeping it going.

Bunkering became big business during an uprising in the 2000s by militants demanding a greater share of revenues from oil. They

As the trade has grown, senior military and political figures are taking a big role

sometimes justified the theft – and do still, even after an amnesty has curbed associated violence as a means of taking ownerwhich the region has benefited little.

As the trade has grown, so it has infected all levels military and political figures staking out a leading role in a pattern that mirrors the corrosive effects that the narcotics trade has had on Latin American states.



Ngozi Okonjo-lweala: thefts led to fall in official oil sales

"They have been sponsormen. The chairmen have also been sponsoring governors. These people, if not checked, will one day produce the president of Nigeria," Austin Oniwon, the former managing director of the state oil company,

Nor is the state oil company itself entirely innocent. Bunkering comes in several forms. The first involves small canoes such as those found lined up on Abonnema's shores. The gangs that crew them navigate the maze of rivers and creeks that make the delta so hard to police, puncturing pipelines and siphoning crude into small tanks. They sell this on to illegal refineries that have mushroomed across the delta to supply kerosene and diesel to the domestic market at half price. Or sell to larger coastal barges for export.

Where they can, these barges fill up directly from well heads and punctured pipelines.

They carry the crude to ocean-going tankers waiting to supply refineries at a discount as far afield as South Africa, Ukraine, China, At the April average ship of a resource from India and the Rotterdam spot market, according to members of a taskforce set up by the president to recommend ways of curtailing government, with senior fraud and theft in the energy sector.

There is a third form of "white-collar" bunkering. This involves tankers filled directly at export terminals, where metering systems are manipulated to conceal outflows

All three forms of bunkering require collaboration between politicians, security forces and criminal gangs.

In the case of white- col-lar bunkering, oil company employees are almost certainly involved as well, according to consultants investigating the trade.

The president's taskforce is headed by Nuhu Ribadu, the no-nonsense former anti-corruption tsar who says he will deliver recommendations by next month. But as yet no effective measures have been taken to stem a trade eating into Nigeria's main revenue



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Flawed bill will bring clarity to frustrated industry

Legislation

Xan Rice considers prospects for better transparency

eforming Nigeria's notoriously opaque oil industry was never going to be easy. Few expected it to be quite so difficult. Nearly four years after it was first presented to parliament, the Petroleum Industry Bill (PIB), a wide-ranging piece of legislation intended to transform the sector radically, remains a work in progress. It has been rewritten so many times, and by so many people, that there are countless draft versions in circulation. Promises of its imminent passage come every few months, but have never been kept.

All the while, uncertainty over the proposed laws has put tens of billions of dollars of potential investment by oil companies on hold and prevented the government from being able to selling off new oil blocks or renew contracts.

But is there now a genuine push to get the PIB through? In January, President Goodluck Jonathan established a committee to fast-track the bill. A

Iweala, the respected finance ment more revenue. The stateminister, told the FT that the law would pass by the end of 2012 and that progress would be visible in "two to three months". Five months on and a fresh draft of the bill has indeed been presented to Mr Jonathan and approved by his cabinet. Last week it was presented to lawmakers for assent.

Some experts believe this could finally be the year when the law is passed. "I do think that this time the bill will go through, even if only because of fatigue over this issue," says Ronke Onadeko, an oil and gas consultant, in Lagos. "But the

Analysts say it appears as though the vested interests have significantly diluted the bill's original goals

real question is, are we going to get a 'good bill'?"

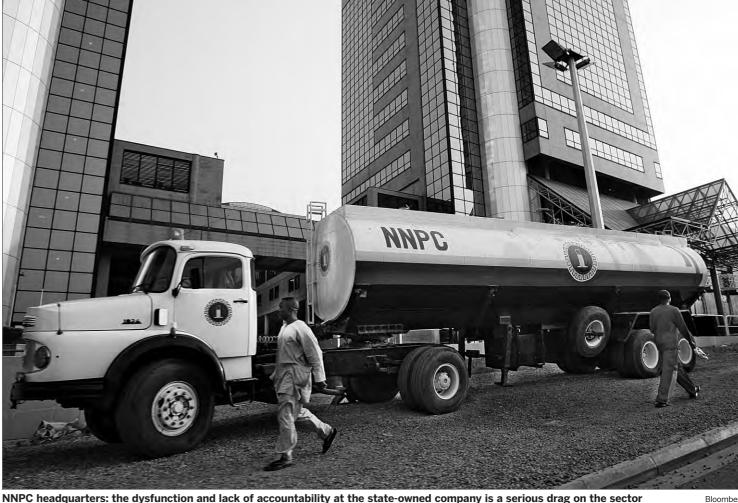
It is a concern widely echoed in the industry. The original idea behind the PIB was that it would bring the sector into line with global standards. The fiscal terms of oil and gas production, which are more generous to petroleum companies than in many other countries, were to

owned Nigerian National Petroleum Corporation, whose dysfunction and lack of accountability is a serious drag on the sector, was to be overhauled, stripped of regulatory powers and turned into a commercial entity such as Brazil's Petrobras. The involvement of local companies in oil production and services would be promoted and environmental standards and enforcement tightened. Perhaps the most important reform was transparency - ensuring an end to the murky deals that allowed politicians to use oil wealth as a source of patronage for decades.

This was all extremely ambitious, especially considering the powerful vested interests - both in the government and the private sector – that profit hugely from the status quo. In addition, the multinationals, which have also reaped excellent returns despite the rot, have the resources to lobby hard against any changes that might affect their bottom line.

Analysts who have seen the latest version of the bill leaked in May say it appears as though the vested interests have significantly diluted the bill's original

Rather than clipping the farsector, transparency campaignreaching powers of the petroleum minister, it gives her or him additional authority over be amended to net the govern- all the oil and gas institutions.



Some new reporting requirements will improve transparency. But provisions that would have forced the government to publish details of all its receipts from oil companies, including signature bonuses, as well as the volume of oil pumped, have been stripped away. Such lack of openness is one of the main reasons there is so much

Changes to the NNPC, whose inability to fund its share of joint ventures with oil majors is tinationals are content with the

unchecked corruption in the

a big source of frustration, also fall short of industry expectations. The PIB calls for a new national oil company to be set up and listed on the stock exchange. Yet the existing NNPC will continue to operate and there is little detail of how its assets will be divided up.

The proposed tax and royalty regime for onshore production is more favourable to the oil companies than in previous drafts, and compared with current legislation, experts say. That is not to say that the mul-

strong grumblings about the deepwater provisions.

"The fiscals are a concern, but not the only one," says one executive at a western oil company. "As it stands, the bill is bad for businesses, and bad for Nigeria.

Even if Mr Jonathan does send the PIB to the upper and lower houses soon, the slow approval process for legislation in Nigeria means it will be several months at the least before it can be signed into law, according to Antony Goldman,

bill as it stands. There are chief executive of PM Consulting in London. That means the breakthrough may come only in 2013. And that is assuming that lawmakers give their assent to the PIB, which is no guarantee given their tensions with the presidency, as well as the con-

tents of the bill. But whatever its flaws, Mr Goldman believes the benefits of having the legislation passed strongly outweigh the negatives. "What the industry needs now is a bill, and clarity – not necessarily the best bill in the

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in the Oil and Gas, Real Estate, Power, Infrastructure and Media. In a country notoriously tricky to navigate, even for those with strong local knowledge, CBO Capital offers deep and competent insight and an international perspective to help finance business growth and manage risk. It is what's known as a safe pair of hands.

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"Doing business is always difficult in Nigeria," said Mr Mordi, a UK educated banker, who spent his career in London, working on European and Far East Investment Management. "We felt that our international experience, and an operation driven by character and principles, would ultimately gain recognition and mandates."

Before starting CBO Capital Partners, with Mr Nwawudu, Mr Mordi's was Head of Infrastructure Financing at Lagos-based First City Monument Bank. A philosophy graduate from King's College, University of London, he was at SBC Warburgs, Societe General Asset Management and InterSec Research Corp, before moving to Nigeria.

The phrase "knowledge is power," "Because we are Nigerians and have collaboration with local HNW investors first coined by English philosopher international experience, we can offer a and international partners and this is Sir Francis Bacon in 1597, is true more combination of local insight and technical being formalized through the acquisition than ever for businessmen and women ability in structuring Oil & Gas and of a local fund management company operating in the financial community Project Finance transactions," said Mr. and launch of a suite of sector focused and modern day Nigeria. To harness that Nwawudu. "We've been much more domestic funds - starting with their power, CBO Capital offers impartial successful with private-sector driven deals US\$100m Indigenous Oil and Gas Fund. advice to both local and foreign investors than public sector work. This has defined

CBO Capital has chalked up a number our approach to almost exclusively focus on the private sector."

> An Economics graduate of Cambridge University with an MBA from the London Business School, Mr. Nwawudu has 17 years of investment banking experience. Prior to founding CBO Capital, he was Head of Fixed Income, also at First City Monument Bank in Nigeria. Before returning to Nigeria, he was a senior manager at Daiwa Europe, SFU and an analyst/ trader at ING Barings. "Nigeria can be difficult to sell, but it also provides us with great satisfaction when a transaction closes and we know that the economy will benefit."

The firm's financial advisory activities include debt and equity capital raising, mezzanine finance and other structures. in companies and projects, often in Payments) which is largest leading

of successes, including working for First Hydrocarbon Nigeria (FHN), a locallyowned oil and gas company, to raise a total of \$100 million in 2011 in equity and mezzanine financing to fund FHN's acquisition of Oil Mining Lease OML 26 in the oil-rich Niger Delta from Shell. Prior to that, the principals worked on raising \$50 million for Afren Plc an independent oil and gas company listed on the FTSE 250. It was the first Bond + warrants deal in Nigeria and helped Afren to accelerate the development its oil and gas assets and get to 'first oil'.

The company advised on and raised over \$5million for the leveraged buy-out of Business Day Media Ltd, publishers of the country's pre-eminent business newspaper. Other transactions include financing for The firm has funded investments an investment in Valucard (now Unified

> payments switching company in Nigeria and work (as the sole advisers) on the two independent gas to power transactions in Nigeria.

> On the back of its recent success and market growth, CBO Capital expects in five years-time to be doing transactions 15-20 times bigger than today in Nigeria, and hopes to have a pan-African footprint. Messrs Mordi and Nwawudu say their vision is to build an enduring and profitable advisory and project development firm that will service and support African business growth.

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'Bex' Nwawudu, CBO Capital Co-Director

Groups struggle with bewildering difficulties

Multinationals

Guy Chazan reports on a range of problems

unrest in the Niger delta finally began to ebb, foreign oil companies breathed a sigh of relief.

Then the pirates came. The majors' offshore installations – largely immune from attack during the delta insurgency – suddenly found themselves targeted. speedboats began attacking supply vessels bringing material to platforms far off the coast.

'The navy is working very hard, but the coastline is enormous," says Ciro Antonio Pagano, head of ENI's Nigerian subsidiary. "It's a challenge to patrol all of it."

The attacks illustrate the bewildering difficulties foreign oil companies still face nearly three years after the government agreed with the Niger delta militants an amnesty that put an end to their long campaign of vio-

Things are a lot better than they were at the height of the insurgency when some were forced to suspend onshore operations altogether. As well restarting abandoned facilities, they have been able to go back into the mangrove swamps and clean up past

The amnesty "has been very helpful, allowing us to increase production and giving us the confidence to start up new projects", says Mutiu Sunmonu, Shell's Nigeria country chairman. "It's also helped us to clear up the backlog of maintenance and remediation work in the delta.

But as well as piracy, the kidnappings and sabotage have been replaced by a new scourge: oil theft. According to Shell, about 150,000 barrels a day of production is siphoned off by country's finance minister has said that as much one-fifth of government revenue is lost to illegal "bunkering"

Oil executives say government should doing more to stop the practice. "[They] have to take extraordinary measures to patrol our waterways, make maritime security effective and enforce the rule of law," says Mr Sunmonu. 'You have to come down heavily on the criminals. and cut off their export he says. "But they also have to address the fundamental causes -

poverty and the lack of the problem, such as

To get a sense of the scale

known as NCTL.

replacing an older pipeline that had been repeatedly damaged by sabotage attacks, and came into service a year later. But last December it was shut down again after fresh leaks were discovered.

Thieves then took advanof the pipeline's tage depressurised state to set to work, installing dozens of new bunkering points on the line. of them were Some

attached to lengths of pipe a few miles long so that as soon as the NCTL came back on stream, its entire flow of oil could be diverted into barges and tankers



Oil industry insiders have called for more patrols on the

controlled by the criminal gangs, or into illegal refineries. Some connections dispense with the pipeline altogether and are made directly on the wellhead, right where the crude oil is extracted.

That in turn caused disruptions at Shell's flowstations, the facilities where oil flowing from individual wells is partially treated and pumped into larger pipelines.

'When pressure falls, the flowstations 'trip' and we stop producing," says Rik Prager, Shell's oil spill response remediation manager. "So the cost of this is not just the oil that's stolen it's the fact we have to stop producing to repair the

The situation was so bad that, in May, Shell was compelled to declare force majeure on its cargoes of Bonny Light, the main grade of Niger delta crude, after NCTL was shut down for repairs, causing the deferment of 60,000 b/d of production.

ENI's Mr Pagano says that, with criminals drilling into pipelines on a routine basis, ENI has to shut them down for repairs every three days on average. He says about a quarter of ENI's output is lost to bunkering. "We're losing a lot of oil to third parties, and we don't even know who they are," he says.

Mr Prager says Shell is considering a whole battery of high-tech responses to

unmanned drones to patrol the delta and infrared camof the problems oil theft eras. It is planning to hire presents, consider the locals on surveillance con-Nembe Creek Trunkline, tracts to monitor pipelines, and is testing a new detec-It was commissioned in tion system similar to a 2009 at a cost of \$1.1bn, burglar alarm that is capable of identifying leaks and intruders.

"It's effectively a war we're fighting, so this technology is from the milisays Mr Prager

It is no wonder that majors such as Shell are trying to divest some of their onshore blocks, and concentrate instead Nigeria's offshore fields, which are immune to bunkering. But here, too, dangers

loom - and not just from pirates. Foreign oil companies are bracing themselves for the passage of the Petroleum Industry Bill (PIB), which some fear could have a chilling effect on the country's investment cli-

Western oil executives say one of the biggest problems is the funding shortfalls by the majority partner in their Nigerian joint ventures - the government. It sets the level of spending that it can afford, and the partners are not allowed to go beyond it. Yet many of Nigeria's oilfields are age ing: operators have to spend more just to keep still.

"It's a bottleneck," says one executive. "And we're not sure the PIB resolve this problem.'

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Nigeria Oil & Gas

Pollution a threat to health in Ogoniland

Environment

Xan Rice on the devastating findings of a UN report

yneface Farah was attending secondary school in Ogoniland, in Nigeria's delta region, when he heard the explosion. A nearby oil well owned by Shell had suffered a massive blowout. Fire engulfed the surrounding farmland, and oil coated the trees and rooftops in the nearby village of Boobanabe. The entire community fled the area for several weeks until Shell was able to bring the situation under control, Mr Farah recalls.

But while the flames were extinguished, the environmental damage remained. Shell's promise to rehabilitate 13.2 hectares of land was not honoured, the local community says. Mr Farah and several other families that owned the land sued for compensation. In 1994 - 24 years after the blowout occurred, and five years after the start of legal proceedings - they won the case, and were awarded N4.6m (about \$210,000 at the official exchange rate).

Still, locals, including Mr Farah, now 65, maintain that the area was never properly cleaned up. This was confirmed last year in a landmark report that found both the soil and groundwater in Boobanabe were contaminated, and that "a detailed plan should be prepared for clean-up"

The report, commissioned by the government and authored by the UN Environment Programme (Unep), involved surveys at more than 200 locations.

Unep said "pollution from over 50 years of oil operations has penetrated further and deeper than many may have supposed". Public health was seriously threatened in at least 10 communities because of the high levels of hydrocarbons in the drinking water. Air pollution was "all pervasive", while the impact on mangrove vegetation was "disastrous"



Unhealthy mix: a man in the Ogoniland region tries to separate oil from water in a boat on the Bodo waterways. Pollution there has been attributed to Shell equipment failure

refining - taking stolen oil and refining it with primitive methods - had been a contributing factor, especially in recent years. But the source of the pollution stretches back decades. Shell's Nigerian operation, which produces nearly 40 per cent of the country's oil, came in for particular criticism. The Shell Petroleum Development Company (SPDC) - a joint venture that includes the stateowned Nigerian National Petro-

operating partner – produced oil in Ogoniland until 1993 when it withdrew because of violent opposition from local communities. Though production never restarted, the SPDC's Trans-Niger pipeline that crosses Ogoniland continued to operate.

Unep said the "control and maintenance of oilfield infrastructure in Ogoniland has been and remains inadequate", adding that the SPDC's own procedures had not been applied and

acknowledged that artisanal Total, and of which Shell is the have "not proven to be effective" in numerous cases. Cleaning up Ogoniland, which represents less than 10 per cent of the country's oil producing area, could require "the world's most wide-ranging and long-term oil clean-up exercise ever undertaken".

Unep recommended that the government establish a "restoration authority" to oversee the clean-up. A \$1bn fund set up by the government and oil companies would cover the first five The authors of the report leum Corporation, ENI and that its remediation techniques years of the programme. Among

other suggestions were the establishment of specialist centres devoted to soil management and environmental restoration, and improved regulation and If this happened, it could go Restoring the land

some way to repairing relations with communities in Ogoniland, and set an example for rehabilitation of other parts of the delta. This is crucial, since a failure to address environmental issues will only fuel further resentment and could lead to new insecurity. But nearly a year truth.

after the report was published. local communities and activists complain that little has been

The government set up a taskforce to chart the way forward. Its report was apparently presented to President Goodluck Jonathan in May, but has not been made public. A senior official at the petroleum ministry says the government will announce an action plan soon.

One impediment to full remediation is the problem of contamination - both from pipeline leaks and artisanal refining which Unep said must be brought to an end before a clean-up can commence. Even so, Legborsi Saro Payagbara, advocacy officer for the Movement for the Survival of the Ogoni People, a campaigning group, says the government should have done a lot more by

Last year, Shell said it welcomed the Unep report. While disputing some of the findings, the company said that its efforts at some sites had not been fully effective, and that it would check a sample of other locations. Since then it has been working with the state government to provide potable water to the affected communities and continued routine remediation efforts that predated the report. Jon Barnden, Shell's communication manager for west Africa, says six or seven sites in Ogoniland are being cleaned up at

In places such as Boobanade there is still a lot of mistrust, however. Earlier this year, Shell employed a local contractor to clean up the site of the 1970 well blowout. It says the work was inspected by the environmental regulator and signed off as satisfactory. But on a visit to the site in June, patches of oil residue could be seen in the soil. In one spot, fresh crude was bubbling up. Mr Farah says the remediation work was not satisfactory and that independent experts should be called to verify what was done. "We still cannot plant anything there and the water table is contaminated," Mr Farah says. "There is still not enough action - that is the

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- Two out of the three wells drilled by Shell in the field had a cumulative production of

during drilling and was abandoned.

could require 'the

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0.4 MMBLs of crude oil before shut-in in Waltersmith Petroman Oil Limited is giving 1989. The third well encountered a blowout back to society with the completion of community development projects in the host community, Ibigwe, by the construction of Awarra Civic Center, Ugama Town Hall and Umuehe Town hall in line with its social responsibility programme.

> Waltersmith has awarded scholarships to 25 university and 60 secondary school students from all sections of the community including the presentation of comprehensive chemistry, Physics, Biology and Agricultural lab equipment and reagents to Awarra secondary school. Contract for construction of Awarra secondary school fence has been awarded and work will start soon. In addition, five solar powered borehole and water supply projects at advanced stages of construction.

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FINANCIAL TIMES TUESDAY JULY 24 2012

Nigeria Oil & Gas



A farewell to arms: weapons surrendered by former militants on display at a collection centre in Port Harcourt in 2009 Reuters

Questions raised over the price of delta peace

Amnesty

Xan Rice finds problems that provoked militancy have not been addressed

he Niger delta was on fire four years ago. Militants, driven by a sense of injustice and criminal tendencies, had succeeded in drastically cutting crude production by blowing up pipelines and kidnapping oil workers. From 2.5m barrels a day in 2005, output dropped as low as 800,000b/d on some

as the continent's top producer.

Miabiye Kuromiema, president of the Ijaw Youth Council, a civil society movement representing the delta's largest ethnic group, wanted the trend to continue. "I hoped that production would go to zero, so the government could not pay its bills," he says. "We needed a wake-up call to the social and governance crisis.

That is why he rejected the idea of a blanket amnesty for the militants, as the government was proposing at the time. Many other activists agreed with him, though less for ideological reasons than the conclusion that it simply would not work. Foreign diplomats, whose offers of advice in setting up demobilisation programmes were politely ignored by the government, felt the same.

So when the late president Umaru Yar'Adua officially launched the amnesty programme in June 2009, expectations were low. But by that October more than 20,000 militants had handed in weapons and signed up. A year later a further 6,000 people were added to the list, taking the total to 26,358 - more than were ever actively involved in the militancy.

Though the scheme has been closed to new entrants for nearly two years, many thousands of people, including rebels who were afraid of being stigmatised at the time the offer was first made, are still clamouring to be part

offer was genuine - nobody was perse- negotiate with you? The potential cuted after handing in a gun - and exists that those who are disenalso financially attractive. In return for signing a pledge of non-violence and attending a demobilisation camp, each would receive a monthly stipend of 65,000 naira (\$400). They were also promised education or training.

The programme quickly produced the desired result of ending hostilities. Attacks slowed and then stopped. Oil production has soared to about 2.5m b/d. More than 11,500 of the former militants have received education or courses in Nigeria or one of more than a dozen foreign countries. Lawrence Pepple, the head of reintegration at the Niger Delta Amnesty Programme, says the swift end to insecurity made it "one of the most successful DDR [disarmament, demobilisation and reintegration] efforts in Africa". But it is still early days. Is the peace

'In the past they may have been troublemakers, but they are our brothers and it's our duty to help them'

sustainable? Mr Kuromiema is not convinced. He acknowledges the amnesty has "stabilised the region and created value", and that the training given to the former militants had "opened their eyes to a new world".

But he worries too few jobs are being created in the delta to ensure that the former rebels can be gainfully employed. He is also concerned the generous payments to ex-militants, which may continue to 2015, have created a dangerous precedent.

The monthly stipends are four times the minimum salary for local government workers. Some of the militant leaders who accepted the amnesty and have been awarded lucrative contracts around the oil sector have been eager to flaunt their new wealth, driving about in expensive cars. "All those people who never carried guns during the militancy: how do they feel now? That it's good to carry guns of it. The reason was the amnesty because then the government will company."

chanted will restart the violence, says Mr Kuromiema.

Many people in the delta still feel disgruntled. The underlying problems that provoked the rebellion have not been addressed: poverty, underdevelopment, corruption by the ruling elite, as well as decades of environmental damage caused by oil companies and, more recently and on a smaller scale, illegal oil refiners in the creeks of the

What is more, activists say that some of the militant leaders did not give up all of their weapons. Old habits also die hard. The surge in large-scale oil theft, known as "bunkering", in recent years would not have been possible without the involvement of some of the former rebels who have swapped what they claimed was a political militancy for commercial militancy

Yet it also true that many of the militants are genuinely trying to turn their lives around, with the help of people in government and in the private sector.

Ikioye Dogianga runs an engineering business in Port Harcourt and provides services to the likes of Shell and Eni. For the past eight months he has been teaching 40 former militants the theory and practice of welding, in the hope that they will be able to find jobs or set up their own workshops. Their attitude has impressed him.

"These guys are hard-working and are determined to get experience," he says. "In the past they may have been troublemakers, but they are our brothers and it's our duty to help them get back into normal society."

Okoma Akara, who has a wife and three children, is one of his best students. As a militant in Delta state, Mr Akara, 28, made money by kidnapping people and stealing oil, but also saw many of his friends die in clashes with the security forces.

"If it wasn't for the amnesty I don't know if I'd be alive today," Mr Akara says. "I am grateful, but I want more training so I can get a job with an oil

which are being under-

former rebels, must trans-

late into genuine employ-

ment opportunities, or some

of them will surely return

to the creeks and take up

has been weak of late, but

increased production could

However, at the same

Job growth in the delta

investment and

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We offer a broad range of products including Jet A1, Liquefied Petroleum Gas, Premium Motor Spirit (PMS), Dual Purpose Kerosene (DPK), Automotive Gasoline Oil (Diesel), Low/High Pour Fuel Oil, Naphtha, Base Oil and Bitumen.

Engineering and Oilfield Services

Through our subsidiary Sigmund Engineering, we provide engineering and oilfield services to oil majors and indigenous oil companies operating in the Niger Delta, and our goal is to become the local partner of choice.

Our full range of oilfield services includes onshore and offshore fabrication and maintenance services, shoreline protection, and oilfield logistics. We are building a world class fabrication facility in Port Harcourt.

Electricity Generation and Distribution

Aiteo has structured its Power Generation and Electricity Distribution arm to take advantage of the opportunities in the on-going liberalization and privatization of the Nigerian electricity industry.

The pioneering SPIRIT of the early years Nigeria possesses vast natural gas resources and we're currently sourcing a suitable location in Eastern Nigeria to build a 250MW gas fired power plant to supply the national grid by 2016. We are also exploring renewable energy potential, particularly hydroelectric power. Under the privatization program, Aiteo is working on a bid for several electricity distribution regions after being shortlisted by the Nigerian Government.

Exploration and Production Operations

We have partnered with reputable global E&P companies with technical capabilities to evaluate and appraise opportunities for investment. We welcome additional international partners to jointly develop assets in West Africa, Nigeria and the Gulf of Guinea.

Refining

Despite being Africa's largest oil producer and exporter, Nigeria imports over 70 pecent of its refined petroleum requirements. We plan to change this, starting with our most ambitious project yet: the development of a 100,000 barrels per day (bpd) greenfield refinery. While still in the conceptualization stage, our aim is to have a functioning facility

LNG

Nigeria's natural gas reserves are the largest in Africa, at 185 trillion cubic feet, but too much of it is currently being flared. To protect the environment and avoid this waste, the Nigerian government is introduced the Gas Masterplan.

We are in discussions with partners to jointly develop opportunities in all aspects of the midstream and downstream natural gas value chain including Gas-to-Power, Gas Gathering and Processing facilities, LPG production, Storage and distribution, Pipeline infrastructural network development, NGL processing, and transportation and logistics (including CNG solutions).

Retail Service Station Network

Aiteo owns and operates several gas stations, and we also supply independent retailers. Our goal is to develop a pan-Nigeria network of Aiteoowned and franchised stations, following the acquisition of stations strategically in the eastern and northern regions. As this network expands, so will our road tanker fleet.

Legislation 'set to be a game-changer'

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the gas sector and transform the NNPC from a discredited organisation open to abuse by politicians into a commercial entity with substantial independence from the government in power.

Mr Jonathan and his cabinet approved the PIB this month and sent it to lawmakers for assent, which is by no means guaranteed as previous versions have been rejected. Diezani

Alison-Madueke, the petroleum minister, says the legislation would make the industry "more competitive and accountable. It proposed revolution-

ary changes" That remains to be seen. Experts who have seen the most recent version of the bill say it falls well short of its original aims, being weaker on transparency campaigners had than hoped, and low on detail about how exactly the NNPC will be unbundled –

a big concern for the multinationals that are its joint venture partners.

eagerly awaited. "From a business perspective, the new bill cannot come fast enough," says Mr Odubeko. "Whether it's good or bad,

at least people will know what they are dealing with and can do the financial modelling. I believe that it will be a game changer for Nigeria and that investment will flow because of the [attractive] nature of country's hydrocarbons.'

The government needs such an outcome, since it relies on oil for 80 per cent of its revenues and finances

are stretched. Passage of the bill will clear the way for a new licensing round, which should attract strong interest from both the multinationals and the emerging Nigerian oil companies, netting the treasury billions of

There are other positive

The militancy in the delta solution. Training courses, that cut oil production in half in early 2009 has died Even so, the law is being down after more than 26,000 former rebels were granted amnesty and generous stipends.

The programme, in which Mr Jonathan has a significant stake given his roots in the region and his role in setting it up, has made a



President Goodluck Jonathan: scheme to reform

significant difference to operating conditions for both companies in the delta.

Kidnapping still occurs, but it is less frequent and less violent than before.

Meanwhile, the instances of oil installations and pipelines being blown up has fallen dramatically. The payments to ex-mili-

time as the amnesty has reduced oil companies' headaches over the security of their personnel, they militants have suffered from a dramatic increase in oil theft. Industrial-scale bunker-

new

change that.

taken

ing involving criminal gangs, some former militants and the security forces, costs the industry up to 400,000 b/d, close to a fifth of the country's production, according to the finance ministry.

There has been little sign to date that the government is serious about tackling tants are not a long-term the problem.



★ FINANCIAL TIMES TUESDAY JULY 24 2012

IN A WORLD WITH ENERGY DEMAND RISING FAST



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