THE MILKING OF THE NIGERIAN STATE: INTERROGATING THE RISING THREAT OF CRUDE OIL THEFT

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Abstract
The constant and frequent stealing of the Nigeria’s economic mainstay—crude oil—in the Niger Delta at different levels and by different actors is causing the country a fortune. The conservative average loss of 300,000 barrels a day because of the illegal activities of thieves in the production process is costing the federal government about $1.7 billion a month. However, despite all the measures taken by the government to stop this economic sabotage, crude oil theft, continues to increase in scope and dimensions. It has been proven that those who are involved in crude oil theft include employees of the International Oil Companies, retired and serving military and security personnel, officials of the Nigerian National Petroleum Corporation, indigenous oil producers, top politicians and their enablers. This means, this economic sabotage cannot be stopped in the conventional way. Scientific solution, it appears, is the answer for now. The most promising means of combating fuel theft, in the literature at present, is fuel ‘marking’. Fuel marking allows stolen or diverted fuel to be identified and recovered, and it processes can be used as admissible scientific evidence to prosecute fuel thieves and smugglers in a court of law.

Key words: Fuel marking, Oil bunkering, Organised crime, Multinational Oil companies, Crude oil

Introduction
Several legislations in Nigeria including the Petroleum Control Decrees of 1967; the Oil in Navigable Waters Act of 1968; Mineral Oil (Safety) Regulations Law No 45 of 1968; Petroleum Act of 1968; Oil Terminal Dues of 1969; Land Use Act of 1978; Exclusive Economic Zone Act of 1978; Land Title Vesting Decree of 1993 and the National Inland Waterways Authority Decree of 1997 and many others have vested the entire ownership and control of all population in, under or upon any lands on the Nigerian state. The Nigerian Constitution cedes all minerals and natural resources to the Federal Government. Thus, any claim or extraction outside the government structure is considered illegal (Tamuno, 2011; Obi, 2010; Nna-Ntete, 2001). The Niger Delta region of Nigeria hosts huge oil deposits and gas reserves that have been extracted by the government and multinational oil corporations since January 1956. Nigeria’s economy depends heavily on the oil and gas sector. The crude oil export revenue accounts for 70 per cent of Nigeria’s total government revenue and 95 percent of the country’s export income. Nigeria is the world’s 6th largest exporter of petroleum by Organization of the Petroleum Exporting Countries (OPEC) production ranking and provides
about 8 percent of the United States of America’s oil imports, though nothing really to show for it. The reserves are estimated at close to 36.2 billion barrels (Francis, Lapin and Rossiano, 2011). The oil is drilled and transported from more than 300 oil fields, 5,284 wells, 7,000 kilometers of pipelines, 10 export terminals, 275 flow stations, 10 gas plants and 3 refineries in Warri, Port-Harcourt I and II (Watts, 2004).

One major challenge facing the oil sector in Nigeria is crude oil theft and illegal bunkering. The issue of crude oil theft and illegal bunkering is not new in Nigeria (Adekanye, 2005; Ikelegbe, 2005, Osah and Amakihe, 2014); only in recent years has it begun to clutch international headlines due to its consistent rise and effect on the Nigerian economy. Many observers including International Crisis Group (2006); Asuni (2009); Adekanye, (2005) advance that top military brass and politicians are behind the syndicated oil theft. Regrettably, instead of a decline, illegal oil trade activities continue and grow in scope, dimension and sophistication. Nigeria’s former Oil Minister of State - Odien Ajumogobia had cried out during a Riyadh OPEC Summit in November 2007 that because of the prevalence of illegal oil bunkering, it was difficult to determine exactly how much oil Nigeria produces on a daily basis as illegally bunkered oil are not captured in oil production statistics, given that bunkering is a criminal act shrouded in secrecy (Campbell, 2010). The average loss of 300,000 barrels a day because of the illegal activities of thieves in the production process costs the Federal Government of Nigeria approximately $1.7 billion a month (Chika, 2019). Though there are claims of underreporting (Vanguard, 2002).

**Conceptualizing (illegal) oil bunkering**

What has come to be known as oil bunkering in Nigerian parlance is the art of illegally siphoning and transporting of stolen fuel from well heads or pipelines. Oil extraction outside the framework of an agreement with the federal government is illegal, as is the possession of crude oil by anyone not licensed to do so. This includes damage to oil installations with the intention of siphoning off crude or petroleum products and its possession (Human Rights Watch, 2002). It is the illegal trading in crude oil and it product by unlicensed or unauthorized elements. The process of oil bunkering involves a complex web of individuals and companies that engage in illegal trading in oil (Abiodun, 2007; International Crisis Group, 2006). According to Echenim (2014) bunkering is the lifting of petroleum products from one point to another with a license. But what goes outside the authorized structure is termed illegal. Defined very broadly, illegal bunkering is the process whereby individuals or companies engage in illegal trading in oil (Abiodun, 2007). This definition however conceals a complex web of activities that illegal bunkering in the Niger Delta region of Nigeria represent. Hence, Ikelegbe (2005) conceptualized illegal oil bunkering as a situation where:

> Crude oil is tapped from pipelines and terminals of the oil producing companies with the advance technological equipment in the waterways, creeks, swamps and high seas. Plastics pipes are fixed top manifold points and intersection of several pipelines and crude oil is then pumped into badges. In some cases, ships are hooked to hoses that siphon crude from multinational oil companies’ facilities that may be several hundred meters away (Ikelegbe, 2005:221)

The Special Tribunal (Miscellaneous Offences Decree No 20) 1984 stated that illegal bunkering entails loading crude oil (or and petroleum products) into barges in the creeks of the Niger Delta, directly from oil field production wellheads, or from NNPC jetties at Okrika, Calabar, Effurun, Escravos, Atlas Cove (Lagos) or from a myriad of private channels. The scope of the Decree No. 20 (1984) covers willful or malicious obstruction, damage, destruction, tempering, or interference with the free flow of crude oil and/or refined petroleum products from the coastal states of Nigeria, especially in the swamps of the Niger Delta in Rivers, Cross River, Akwa Ibom, Ondo and Bayelsa states (Onyango, 2011).

It is evident that illegal oil bunkering is not limited to the activities of locals alone but involves an organized local and international network of participants. The illegal oil bunkering business leads to loss of billions of dollars in public funds. Of course, such funds would have been used to provide public infrastructure to a larger society. Unfortunately, the struggle to control territories and illegal bunkering opportunities has also escalated violence particularly in Niger Delta region of Nigeria.
Leadership (2012) reported that the confession of President Goodluck Jonathan in a Maritaine and Safety Retreat in Abuja confirmed the multi-dimensional and seriousness of the illegal crude oil bunkering. According to President Jonathan:

It is extremely embarrassing that it’s only in Nigeria that crude oil is stolen. It’s a very bad news and I believe that Nigerians and foreigners, who are indulging in that act, need to put their heads under the pillow; because all over the world it’s only in Nigeria that crude oil is stolen. We are not the only oil producing country. Why is it that it’s only in Nigeria that people steal crude oil? (Leadership, 2012:4).

Illegal oil bunkering which is long prevalent in Nigeria’s Niger Delta has become a sophisticated operation that requires the cooperation of oil company staff to operate equipment at the wellheads or allow access. The illegal dealers tap directly into pipelines away from oil company facilities, and connect from pipes to barges that are hidden in small creeks within the mangrove forest cover. Illegal oil bunkering of crude oil in the Niger Delta is as old as the oil industry, but it is more worrisome now as the oil theft is now in the increase. This has severely affected Nigeria in terms of economic dislocation and environmental damage (Alfred, 2015).

The Actors, types and Methods of Crude Oil Theft

For the purpose of this paper, the actors in the oil theft are those who directly or indirectly engage in the illegal extraction and/or movement of oil from wellheads to consumption destination. The illegal bunkering business in Nigeria is multi-dimensional and involves both local and local syndicates of invincible partners that are involved in the stealing of crude oil.

The actors also use numerous methods in stealing the crude oil at all stages of the production line (Olusegun, 2019). Table 1 presents the actors and their mode of operations as provided in all the major literature (Igbuku, 2014).

<table>
<thead>
<tr>
<th>Actors</th>
<th>Sphere of operation</th>
<th>Areas of Operation</th>
<th>Volume of crude oil stolen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Host community youths, local gang groups, militants, and some security agents</td>
<td>small scale pilfering</td>
<td>Local oil pipes</td>
<td>Low</td>
</tr>
<tr>
<td>The youths of the host communities and militants provide the local manpower; the oil company personnel provide the technology on how to open the oil wells and pipes; the security agents, usually provide security for the operations; and the foreign partners provide the markets and the shipment of the stolen oil overseas</td>
<td>large-scale illegal bunkering,</td>
<td>in the crude oil fields</td>
<td>High</td>
</tr>
<tr>
<td>The oil company staff, top government personnel, foreign partners and state security agents</td>
<td>Very high scale</td>
<td>export terminals</td>
<td>Very High</td>
</tr>
<tr>
<td>Oil Company and NNPC employees, top politicians and retired military officers. Syndicates in countries from Eastern Europe, Russia, Australia, Lebanon, Netherlands, France, Senegal, Cote d’Ivoire etc</td>
<td>In the offices</td>
<td>At an international level and in the offices</td>
<td>Very High</td>
</tr>
</tbody>
</table>

Source: Compiled by Authors with data from the authoritative literature (Boris, and Job, 2015)

There are basically three types of illegal oil bunkering going on in Nigeria that are having serious impacts on the economy (Asuni, 2009; Dimieari, 2006; Stephen, 2007). The first type involves small scale pilfering
of condensate and petroleum products destined for the local market (Wilson, 2014). The illegal improvised local refineries that are now producing for local consumption also fall into this group. This kind of bunkering is minor in terms of the cash inflows involved but it is providing survival for majority of the local people and it is done by mostly the local communities; leaders.

The second type involves outright stealing of crude oil either by hacking into the pipelines directly or by tapping the wellheads. The process involves some technicalities, and therefore, this type of bunkering is semi-elitist or is middle class venture. The destinations of crude oil from this type of bunkering are refineries outside the shores of Nigeria. In monetary terms, this kind of illegitimate bunkering generates substantial amounts for the perpetuators and their partners. Most of the militant groups were involved in this type of bunkering and it is the category of bunkering that fragmented and proliferate the armed groups in the Niger Delta region prior to the commencement of the Presidential Amnesty Programme.

The third type of bunkering involves the excess lifting of crude oil beyond the licensed volumes. This type is purely elitist in conception, arrangement and delivery. Some major crude oil industry players, well known business men, top politicians, government functionaries and top brass of the security services are the drivers of this type of illegal bunkering.

The fourth method is the illegal bunkering across the borders from Nigeria to other West African countries. In this case, refined petroleum products are bought at previously subsidized prices in Nigeria and smuggled across the borders to neighbouring Niger, Cameroon, Benin and Chad, only to be sold at international price. Abiodun (2009) further noted that:

Illegal bunkering is not limited to crude oil alone. There is also the illegal bunkering of refined petroleum products, especially of Premium Motor Spirit (PMS), also known as petrol; Automobile Gas oil (AGO), also known as diesel; and the Low Pour Fuel Oil (LPFO). AGO and LPFO are illegally bunkered for exports, as they are used as heating and industrial oil. A lot of this illegal bunkering is done in the Atlas Cove (Abiodun, 2009: 202).

Abiodun (2007) opine that the actors in most of these cases are interwoven. In the modus operandi, he noted that the first is through overloading of vessels. In this method, payment is made but the vessel is unofficially overloaded beyond the payment made to the government. The main actors are businessmen involved in international marketing of oil, international criminal gangs, and officials of the oil multinational corporations and staff of the Nigeria National Petroleum Corporation. Then the second method being the more complex involves interfering with oil pipelines to siphon oil into barges from which they are then transferred to large vessels berthing offshore. Because most of the pipelines pass through creeks and areas with shallow waters where big vessels cannot berth, barges are used to siphon and transfer the oil to waiting vessels. Those involved in this type are youths of the Niger Delta region, who are well knowledgeable about the geography, owners of foreign vessels, local businessmen and members of the Nigerian security services. The third method is a process that is largely political. The beneficiaries of all types of illegal bunkering are individuals that are allocated free crude oil to sell. These individuals have no permission to trade oil. The actors operating here are often senior officials of the NNPC and the objective is to grant oil concession to individuals as an expression of affection or as an assistance package for those who hitherto had been at the corridors of power but have become poor.

Why are they milking Nigeria dry?

No one justification can be adduced for why the massive illegally oil bunkering is going unabated. However, (Wilson 2011, 2014) advance that poverty in the Niger Delta region and Nigeria as a whole is a precipitating factor. He argues that the general condition of deprivation of needs, social inferiority, isolation, physical weakness, vulnerability, powerlessness and economic inequality in the state are to the explanations. Similar reasons were given by Osah and Amakihe (2014); Ikelegbe(2010). Most people in the delta are impoverished.
Asuni (2009) also outlined the factors that create the enabling environment for the illicit oil bunkering business to include the high number of unemployed youths; the presence of armed ethnic militias who are familiar with the dense network of rivers that connect the region and allow easy access to unprotected oil pipelines; the protection or patronage offered by senior government officials and politicians who often use oil theft as a funding source for political campaigns; the ineffective and corrupt law enforcement officials and low conviction rates for those suspected illegal oil bunkers who are prosecuted; the relative ease of threatening or corrupting oil industry staff to assist in the illicit bunkering business; the presence of an established international market for stolen oil, which is sold in Sao Tome, Liberia, Senegal, Cote d’voire, Gambia, Morocco, Venezuela, Lebanese, French and Dutch partners; and the overall context of endemic corruption-traffickers “settle” or bribe local communities where the oil is tapped, “passage” communities through which the illegal bunkered oil travels on its way to off-shore tankers and Navy officials along the route.

At the height of the face-off between militant formations in the Niger Delta and the Federal Government, much of the funding to militant bands that covered their logistics, purchase of arms, honorarium and up-keep allowances for the ‘boys’ was derived from sales from bunkered oil. With the income accruing to the bands rival gangs siphoned oil and gas from pipelines, and destroyed energy infrastructure (Campbell, 2010). Indeed, militancy in the Niger Delta provides good cover for these corporate oil thieves. Osah (2017); Guy (2008) tie the illicit business to the conflict between the people of the Niger Delta and the Nigerian state. As the conflict continued, militant bands found illegal oil bunkering a means of solidifying their arms deals. Illegal oil bunkering activities have been a major source of funding for militant operations. According to the International Crisis Group (2006) at an estimated price of $60 per barrel, the illegal bunkers generate over $1.5 billion per year. Of course, this financial prowess give the bunkers ample resources to fund other criminal syndicates of arms trafficking, political influences etc.

The environmental degradation, lack of jobs and access to affordable fuel has created an interrelationship between oil thieves and the local communities. As Wilson (2015) aptly observed, most youths are not adequately engaged in the production activities. Others, who previously were employed and disengaged from the services of the oil companies, find it easy to manipulate the wellheads to aid bunkering activities (Human Rights Watch, 2004).

Years of exploration of oil in the Niger Delta by the Nigerian government and little or no accountability to the people, coupled with the authoritarian rule in the Niger Delta and corrupt political ruling elite combine to create an economy with huge illegality. The cause of oil theft in the Niger Delta is numerous. The lack of legal framework and prosecution process for offenders (Osaneku, 2013); the quest for participating in the distribution of oil derived wealth (Wilson, 2014); influence of armed bands and the politics of arms struggle in the Niger Delta region (Asuni, 2009); ready international market for stolen oil (Asuni, 2009); and the collaboration between the security agencies, government and multinational official (Adekanye, 2005).

**Current level of Crude Oil theft in the Niger Delta**

The Chairman of the ad-hoc committee of the National Economic Council (NEC) on Crude Oil Theft, Prevention and Control painted an ominous picture of the oil theft menace in the country. He warned that, “if nothing was done to curtail the ugly trend, the figure could double by the end of the year”. According to him, oil theft and pipeline vandalism are beginning to pose a threat to the national economy (Shaka, 2019). The Table below presents the facts about crude oil theft in the country.
Table 2: Current level of Crude Oil theft in the Niger Delta.

<table>
<thead>
<tr>
<th>Sources</th>
<th>Current level of crude oil theft</th>
</tr>
</thead>
<tbody>
<tr>
<td>The National Economic Council (NEC)</td>
<td>“…The amount of crude oil stolen from Nigeria in the first half of 2019 was 22 million barrels…”</td>
</tr>
<tr>
<td>The Nigerian National Petroleum Corporation (NNPC)</td>
<td>“…106 pipeline points were breached on its pipeline infrastructure in June, representing an astounding increase of 77 per cent from the 60 points vandalized in May 2019…”</td>
</tr>
<tr>
<td>Shell Petroleum Development Company (SPDC)</td>
<td>“Crude oil theft resulted in a loss of 11,000 barrels of oil a day in 2018, which is more than the 9,000 barrels/d in 2017…”</td>
</tr>
<tr>
<td>The Group Managing Director (GMD) of NNPC</td>
<td>“…the corporation had recorded a total of 45,347 pipeline breaks on its downstream network between 2001 and mid-2019. He lamented that the cost of vandalism, which includes “fatalities, loss of revenue, asset and environmental degradation, possible loss of employment, collateral damage to national image, loss of investor confidence, etc. will obviously affect everyone in the long run”.</td>
</tr>
</tbody>
</table>

Source: compiled by authors with data provided by Shaka, (2019); Obafemi (2019) and Olusegun (2019).

Cost of illegal bunkering on the economy
In 2004, it was estimated that Nigeria was losing 70,000 to 300,000 barrels of crude oil to illegal bunkering (ThisDay, 2004). By December 2006, the International Crisis Group Report calculated that “a loss of just 70,000 barrels a day at a price of $60 a barrel would generate over $1.5 billion per year- ample resources to fund arms trafficking, buy political influence or both.” (International Crisis Group, 2006). Meanwhile, Asuni maintained that between 2003 and 2008, Nigeria lost US$100 billion to illegal oil bunkering. This unfortunate colossal loss of revenue to the nation was what made former President Umaru Musa Yar’Adua to seek for help when he attended the 2008 Group of Eight (G8) and the United Nations Summits. The term, “blood oil”, like “blood diamond”, campaign was used to also catapult the huge illegal crude oil bunkering business to the limelight in the summits.

The Leadership (2012) reported that the confession of President Goodluck Jonathan in a Maritime and Safety Retreat in Abuja confirmed the multi-dimensional nature and the seriousness of the illegal crude oil business. President Jonathan noted that:

It is extremely embarrassing that its only in Nigeria that crude oil is stolen. It’s a very bad news and I believe that Nigerians and foreigners, who are indulging in the act, need to put their heads under the pillow; because all over the world it’s only in Nigeria that crude oil is stolen. We are not the only oil producing country. Why is it that its only Nigeria that people steal crude oil.

Nigeria lost billions of United State dollars to illegal bunkering and disrupted oil production resulting from illicit bunkering from 2000 to 2008 according to a study conducted by Potential for Peace and Reconciliation in the Niger Delta, the gravity of oil bunkering is presented (Asuni, 2009). The mystery surrounding illegal oil bunkering played out when Shell Petroleum Development Company complained about increased theft of its crude oil, which it estimated at 60,000 barrels a day. A volume it described as an all-time high; and the one that threatens its operation.
Table 3: Estimated value of Nigeria’s stolen and shut-in oil production, 2000-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Average price of Bonny Light per barrel (in USD)</th>
<th>Volume of oil stolen per day (in barrels)</th>
<th>Value of oil stolen per annum (in USD)</th>
<th>Volume of oil shut-in per day (in barrels)</th>
<th>Value of oil shut-in per annum (in USD)</th>
<th>Total value of oil stolen or shut-in per annum (in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>28.49</td>
<td>140,000</td>
<td>1.5 billion</td>
<td>250,000</td>
<td>2.6 billion</td>
<td>4.1 billion</td>
</tr>
<tr>
<td>2001</td>
<td>24.50</td>
<td>724,171</td>
<td>6.5 billion</td>
<td>200,000</td>
<td>1.8 billion</td>
<td>8.3 billion</td>
</tr>
<tr>
<td>2002</td>
<td>25.15</td>
<td>699,763</td>
<td>6.5 billion</td>
<td>370,000</td>
<td>3.4 billion</td>
<td>9.9 billion</td>
</tr>
<tr>
<td>2003</td>
<td>28.76</td>
<td>300,000</td>
<td>3.2 billion</td>
<td>350,000</td>
<td>3.7 billion</td>
<td>6.9 billion</td>
</tr>
<tr>
<td>2004</td>
<td>38.27</td>
<td>300,000</td>
<td>4.2 billion</td>
<td>230,000</td>
<td>3.2 billion</td>
<td>6.4 billion</td>
</tr>
<tr>
<td>2005</td>
<td>55.67</td>
<td>250,000</td>
<td>5.1 billion</td>
<td>180,000</td>
<td>3.7 billion</td>
<td>8.8 billion</td>
</tr>
<tr>
<td>2006</td>
<td>66.84</td>
<td>100,000</td>
<td>2.4 billion</td>
<td>600,000</td>
<td>14.6 billion</td>
<td>17.0 billion</td>
</tr>
<tr>
<td>2007</td>
<td>75.14</td>
<td>100,000</td>
<td>2.7 billion</td>
<td>600,000</td>
<td>16.5 billion</td>
<td>19.2 billion</td>
</tr>
<tr>
<td>2008</td>
<td>115.81</td>
<td>150,000</td>
<td>6.3 billion</td>
<td>650,000</td>
<td>27.5 billion</td>
<td>33.8 billion</td>
</tr>
</tbody>
</table>

Source: Asuni (2009:10)

Extreme large scale illicit bunkering that has a tremendous effect on the national crude oil production output started when armed conflict was introduced in the conflict dynamism in the Niger Delta struggle (Alfred, 2015). In 2006, the International Crisis Group estimated that “one day’s worth of illegal oil bunkering in the Niger Delta (at 100,000 barrels and $15 bb 1) will buy quality weapons for and sustain a group for two mouths”. Guy (2008) estimated the daily average theft of oil between 30,000 and 100,000 barrels of oil. He noted that proceeds were used to finance arms purchases for militants in the Nigeria. Asuni (2009) in a similar investigated report that between 2003 and 2008, Nigeria lost US$100 billion to illegal oil bunkering. This unfortunate colossal loss of revenue to the nation was what made former President Umaru Musa Yar’Adua to seek for help when he attended the 2008 Group of Eight (G8) and the United Nations Summits. He commenced a campaign against blood oil which he likened to the blood diamond.

Conclusion: What can be done

It has been established that those involved in crude oil theft business are dishonest employees of the International Oil Companies, retired and serving military and security personnel, officials of the NNPC, indigenous oil producers, top politicians and their enablers. Terry Hallmark, a UK based international oil and gas industry political risk analyst for over thirty years revealed that, “Fuel theft in Nigeria is so systemic that, it will not be slowed or stopped any time soon. Doing so would be tantamount to eliminating drug trafficking in Colombia”. So pervasive is oil theft on Nigeria’s territorial waters that, according to oilprice.com, an influential news channel for oil and gas, “the Gulf of Guinea has become the most dangerous for shipping activities. A tanker will be commandeered, its tracking devices disabled, and its cargo siphoned off onto a smaller ship in an isolated location and sold on the black market(Shaka, 2019)”. This means that crude oil theft cannot be reduced drastically in the conventional way. Scientific solution it appears is the answer for now. The most promising means of combating fuel theft, in the literature at present, is fuel ‘marking’. Fuel marking allows stolen or diverted fuel to be identified and recovered and it process can be used as admissible scientific evidence to prosecute fuel thieves and smugglers in a court of law.

This was corroborated recently by the National Oil Spill Detection and Response Agency (NOSDRA). NOSDRA advised the Federal Government to consider the option of marking Nigeria’s crude oil, using the molecular fuel marker technology, which would be virtually impossible for oil thieves to detect. It further stated that the technology would enable regulators to track petroleum products that were derived from stolen
crude. The agency’s Director-General, disclosed that Ghana had applied the crude oil marking technique and had been tracking its petroleum products successfully (Okechukwu, 2019). This means that, it will not be out of place if your Committee sponsors a bill to legalize the marking of all the crude oil produced in Nigeria.

Reference


ThisDay, 2004

