

## **UNBRIDLED PILLAGE: THE POLITICAL ECONOMY OF OIL THEFT IN NIGERIA**

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### **Abstract**

*The unbridled pillaging of Nigeria's crude oil by a network of collaborators precipitates loss of \$8 billion annually to oil theft. This paper examines the dynamics, intricate nexus, modus operandi and actors involved in oil theft. Government's unwillingness to aggressively combat it poses serious threat to security and economy, and breeds a wider pattern of criminality. This inability indicates that syndicates enjoy state protection, confirming its intricate connection to the state's political structures. The menace can be dismantled if government addresses the internal factors propitious to its outbreak and partners with the international community to suppress factors facilitating its persistence.*

**Keywords:** Oil theft, political economy, pillage, illegal oil bunkering, artisanal oil refining, pipeline vandalization

### **Introduction**

The salience of oil in Nigerian economy is well known. The last decade has witnessed unprecedented upsurge in unbridled haemorrhaging of the Nigerian economy through complex strands of illicit procurement and trading on Nigeria's oil, which is commonly described as 'oil theft'. The escalation of oil theft from low level siphoning of oil from pipelines by disgruntled local residents to a sophisticated plundering of a common wealth by well-organised and connected cartels has attracted expressions of grave concern from different stakeholders. In 2012, for instance, Nigerian President Jonathan lamented:

The stealing of crude appears to be a Nigerian phenomenon. It is not happening elsewhere. This issue of crude oil stealing started gradually and people played with it. Now it is a serious cancer... We must stop it because there is no country where they are stealing crude oil the way they are stealing Nigerian crude (Villascope, 2012:15).

Rather than abating since that lamentation, oil theft has not only persisted but has assumed an embarrassing dimension for government. Incensed by its cancerous growth, workers in the oil and gas industry under the aegis of the Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) and Nigerian Union of Petroleum and Natural Gas Workers (NUPENG), in July 2013, challenged the government to ensure security for all oil and gas installations to curtail the level of oil theft in the country. While condemning the helplessness of government in combating

the huge level of oil theft, the issued the government a 60-day ultimatum to effectively and holistically address and find a lasting solution to this massive crude oil theft debacle (Muhammad, 2013). A few days after the ultimatum, Edo State Governor, Oshiomhole warned that the Federal Government risked losing its integrity if it fails to deal decisively with the massive theft of crude oil in Nigeria:

No nation should live with this kind of situation, that we would surrender our national assets to thieves. I hope those of us who call ourselves leaders in this nation will find solution to this problem before we lose integrity in the eyes of the public because I find the situation quite baffling that our Navy would simply be lamenting this sort of monumental criminality that is defying solution (Adeniyi, 2013).

The discourse on the despoliation of the Niger Delta has centred on the unwholesome glaring cases of criminal activities in the area by militants, government officials, agents of multinational corporations, and law enforcement personnel based on opportunism (Ezirim, 2008). Oil theft engenders grave implications for state, society and even the environment. Indeed the missing billions lost to this form of monumental criminality have proven very difficult to quantify. A reason for this, often cited by experts and rarely contested by government or oil company officials, is that despite sixty years of oil extraction, Nigeria still does not know how many barrels of oil it produces. This is not unconnected to lack of transparency in the oil sector, including the absence of effective metering system in the production, transportation and export processes. In the face of this, ascertaining the exact quantity lost to theft is completely unachievable. Consequently, estimates of the quantity of oil stolen vary from 150,000 barrels in 2012, to 400,000 in 2015, with the loss of about \$80bn annually to oil facilities vandalism as at 2016 (Kachikwu, 2017).

Although the incidence of oil theft has been widely documented in news media and report, and in spite of its organised nature, growing sophistication and consequences, very little scholarly inquiry has been done on this organised crime (Asuni 2009; Garuba 2010; Obasi, 2011). This paper critically examines the three criminal activities that are encapsulated in the phrase “oil theft” in Nigeria. It unravels the modus operandi and actors behind these activities. It also highlights the contributory factors underlying its outbreak as well as its consequences for Nigeria.

### **Conceptual and Theoretical Orientations**

Commonly used by scholars and seldom defined, the term ‘oil theft’ means different things to different users. From the intellectual standpoint of this paper, ‘oil theft’ encapsulates three distinct shades of illicit dealing on crude oil in Nigeria, namely oil pipeline vandalization, artisanal oil refining and illegal oil bunkering. Although they are often used interchangeably in many contexts, they differ in strict sense of their meanings.

Under the 1999 Nigerian Constitution, all minerals, oil and gas in Nigeria

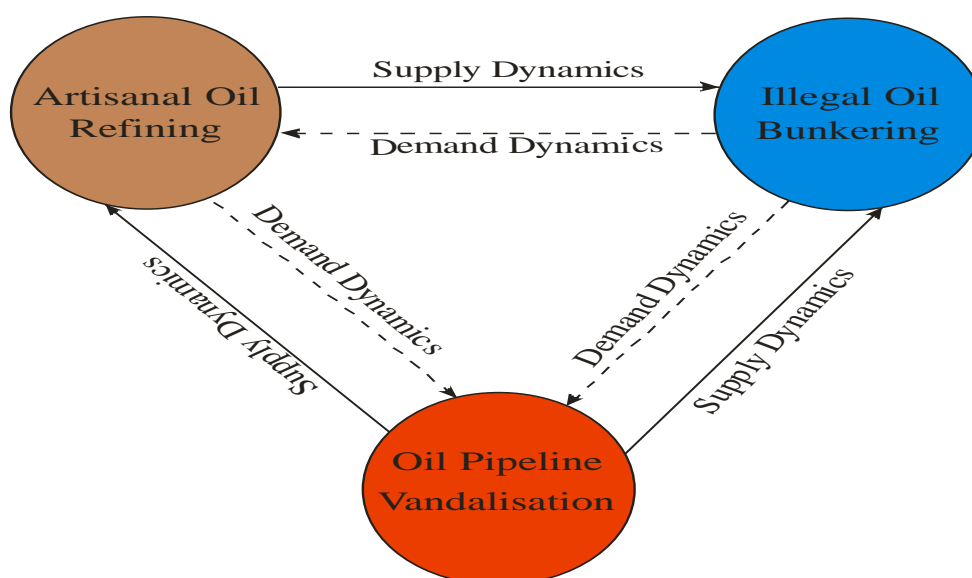
belong to the Federal Government. Section 44(3) states that the entire property in and control of all minerals, mineral oils and natural gas in, under or upon any land in Nigeria or in, under or upon the territorial waters and the Exclusive Economic Zone of Nigeria shall vest in the Government of the Federation and shall be managed in such manner as may be prescribed by the National Assembly. Therefore, oil extraction outside the framework of an agreement with the federal government is illegal, as is the possession of, or dealing on, crude oil or petroleum products by anyone not licensed to do so. In this regard, enactments, legislations and policies designed to regulate the oil industry has been formulated, such as the Petroleum Act 1969; the Special Tribunal (Miscellaneous Offences) Act 1983; Petroleum Production and Distribution (Anti-Sabotage) Act 1990; the Nigerian National Petroleum Corporation (NNPC) Act 1990; and the Economic and Financial Crimes Commission (EFCC) Act 2004. Activities such as oil pipeline vandalization, artisanal oil refining and illegal oil bunkering constitute crimes that are prohibited in these disparate legislations or enactments.

For the purposes of this paper, *oil pipeline vandalization* refers to the illicit act of puncturing crude oil and petroleum product pipelines or well heads with the intent to siphoning the products for personal use or sale to interested buyers. *Artisanal oil refining* refers to the process of heating or boiling crude oil in locally fabricated or improvised tanks to distil the resultant substance through a rudimentary process of cooling and condensation into finished but substandard petroleum products to be used for lighting, energy, transport or sale. Both the acts of oil pipeline vandalization and artisanal oil refining are illegal and hazardous due to explosions that commonly occur in the process. Oil bunkering is the act of replenishing ship with fuel or making fuel available to ships or vessels for propulsion. It is a legitimate transaction critical for maritime shipping, and is recognised as such in the Nigerian maritime sector. Oil bunkering therefore becomes criminal if it happens by the infiltration of persons not duly authorised by Government to conduct such activities in the industry (Alexander's Gas and Oil Connection, 2004). Thus, *illegal oil bunkering* is carrying out the above activity without requisite statutory licences or valid documents, or in violation of maritime laws and the guidelines made by the statutory institutions regulating it (Igbokwe, 2004).

While distinct in their nature and operation, pipeline vandalization, artisanal oil refining and illegal oil bunkering are intricately related and mutually reinforcing. As the illustration in **Figure 1** shows, oil pipeline vandalization principally supports the interplay of the other illicit strands. The logic is simple. As the demand for crude oil for artisanal refining or illegal oil bunkering grows, it brings pressure on gangs involved in the act of pipeline vandalization to rupture more pipelines or well-heads to satisfy demand. Crude oil procured through this means is either supplied to groups involved in artisanal oil refining or to cartels in the illegal oil bunkering business. This accounts for the rising incidence of vandalization of crude oil pipeline. In a similar vein, petroleum products from artisanal oil refining feeds into the supply chain of illegal oil bunkering, just as the demand side of illegal bunkering accentuates the drive for oil pipeline vandalization and artisanal oil refining. This

means that oil theft is carried out through several, but multiple and multidimensional nefarious activities (*The News*, 15 April 2013).

**Figure 1: Oil Theft - A Typical Unholy Oil Trinity Dynamics in Nigeria**



The overall consequence is that the dynamics of oil theft is intricately related to the nature of demand for crude oil and petroleum products in both local and international markets. Therefore, a confluence of domestic and external factors underpins the ebb and flow of oil theft in Nigeria. While the poor state of the nation's four refineries compounds the problem of shortage of petroleum products supply, thereby leading to demand pressure and patronage of black market for stolen oil; tragic deficit, if not outright corruption, in the national security system and monitoring framework in the oil industry, means that organized cartels facilitate illegal oil bunkering off Nigeria's coast.

The argument therefore is that it is the intricate nature of the demand and supply dynamics of the oil trinity that shape the nature of, as well as perpetuate the persistence of, oil theft in Nigeria.

#### **Unholy Oil Trinity: Nature, Actors and Dynamics**

Since 1956 when oil was first struck in Oloibiri, in present day Bayelsa State, oil exploitation has become the lifeblood of the Nigerian economy. The oil industry which is based principally in the oil-rich Niger Delta region accounts for some 80 percent of government revenue, 95 percent of foreign exchange earnings, 40 percent contribution of GDP and four percent of employment (*Tell*, 2008:33).

In recent times, however, oil theft has constituted a major threat to optimal performance of the oil industry despite the existence of enactments, policies and

legislations prohibiting illicit oil business. While oil theft has gone on for years, it was first recognised publicly as a threat during the terminal years of the Babangida regime (1986-1993) when crude oil and its refined products became the domain of senior military officers and their civilian cronies. From the initial opportunity provided by domestic subsidy and devaluation of the Nigerian Naira during which legally lifted products were diverted to more profitable markets of Francophone African States under arrangement and cover of government officials, oil theft in Nigeria took firm roots with the discreet cooperation of oil company workers who operated at oil wellheads or allowed access to them (Garuba, 2010). As far back as 1991, the General Abisoye Panel reported that Nigeria was losing 150,000 barrels per day (bpd) through illicit oil transactions perpetrated in the upstream sector, such as understatement of accounts and over invoicing (Adefaka, 2012).

The period since the restoration of democracy in 1999 however has been characterised by unusually high incidence of oil theft, especially in the Niger Delta. By 2000, oil theft had become so extensive that the Nigerian government was forced to institute rigorous measures to curtail it (Ikelegbe, 2005). For instance, former President Obasanjo, set up a Special Security Committee on Oil Producing Areas in 2001 to identify the causes and possibly those behind oil theft. The Committee reported, among others, that:

A major threat to the oil industry arises from activities of a 'cartel or mafia' that comprises highly placed and powerful individuals within the society, who run a network of agents to steal crude oil and finished products from pipelines in the Niger Delta region. They operate in similar fashion to drug barons and their activities are purely criminal, with financial benefits as their motive. Members of the cartel employ youths and other agents to load stolen crude oil and finished products from well heads and pipelines into barges and subsequently into crude tankers and trucks and disposed off to the illegal domestic and international market (Special Security Committee on Oil Producing Areas, 2001:13).

While these efforts yielded some in reduction in incidences, it increased significantly with the outbreak of militancy in the region.

There are three levels of oil stealing in Nigeria (Asuni, 2009). The first is the small-scale operations carried out mostly by local youths or gangs who steal crude oil, condensates or refined products intended for domestic use or for sale in local black market. Sometimes, they smuggle such products in small containers across neighbouring states, like Benin Republic and Cameroun. The small-scale operations initially started with the bursting of pipelines to siphon products for domestic uses. The outbreak of militancy saw the business of oil theft escalating and proving very critical in funding the militancy, as militia groups exchanged stolen crude oil for arms, drugs or money. According to NNPC, between 2010 and 2014, a total of 20,965 cases of pipeline vandalism occurred (Eyekpimi, 2016). The hitherto

restricted skills for this action were readily supplied by serving or former oil company employees. Some of the former oil workers who are natives of the region also swelled the ranks of militant and criminal groups during the height of militancy.

The second level is the large-scale operation, typically characterized by siphoning larger quantities of crude oil using either 'hot-tapping' or 'cold-tapping' methods. Hot-tapping involves building a temporary enclosure around a small section of underwater pipe. Water is then pumped out from the enclosure and a hole is drilled into the steel casting of the pipe through which the crude passes. The hole is fitted with a pipe and control valve. The creek water is allowed to flow back and fill the enclosure so that the set-up is underwater and therefore hidden from oil company inspectors (Junger, 2007). When crude oil is being pumped through the pipelines, sometimes at a pressure of 600 pounds per square inch, the bunkers are able to fill up to a 1000 metric tonne barge in a matter of hours. The barge is then moved offshore to a transport ship and the oil is sold on the high seas. Technical advice on 'hot-tapping' is allegedly provided by either a former or serving oil company worker who also provides information on security patrols and schedules.

In cold-tapping, the thieves blow up a pipeline, putting the facility out of use long enough for them to connect their spur pipeline (UNODC, 2009). In most cases oil thieves breach a pipeline at night convinced that when the drop in pressure registers on the gauges at the flow station, the oil company will shut down the flow in the line. While the flow is shut off for the company to inspect the line, find and repair the breach, the thieves excavate the pipeline some distance away and install a tap underground through which they deliver a constant supply of oil to their own facilities (Orazulike, 2012). As the supply is constant, no fluctuation in pressure is registered at the company's flow station when the flow resumes after the repairs to the initial breach.

The large-scale operation is perpetrated by well-organized and entrenched groups. Their operation also involves attacking company facilities such as manifolds and risers and fitting self-fabricated spools from where long hoses are attached and then connected to waiting barges in the creeks. The barges feed the stolen oil into tankers on the high seas. In some cases, the hoses are connected directly to seagoing tankers. Oil thieves can as well extract oil by uncorking well-head (also known as the *Christmas Tree*) and attaching a hose through which oil is siphoned into containers. Stolen oil is loaded onto barges and tugboats and transported by river and creek to large tankers (sometimes over 20 nautical miles offshore), which transport the illicit cargo either to 'spot markets' or for resale to regional refineries such as in Côte d'Ivoire and as far afield as South America, Europe and Asia. On land locations, they connect their own buried flowlines to the pipelines of oil companies. Their flowlines run to a fenced-off building or compound, which serves as crude terminal for receipt of stolen crude into storage tanks, prior to evacuation by road tankers.

This category of oil thieves employ all necessary logistics and transport facilities to aid their business – barges, *Cotonou* boats, training manuals, surface tanks, speedboats, pumping machines and generators. During a raid on one of such large-scale outfits in Isaba, Delta State, in June 2012, the Joint Task Force recovered,

among other items, accounts books indicating several millions of naira accruing from every successful sale, passport photographs ostensibly compiled for the registration of members, and photocopies of safety manuals, titled “Shell’s Life-Saving Rules”. Highly placed individuals are believed to be behind this category of oil thieves, and they are also well prepared to use violence and corruption to protect their trade. As noted by Asuni (2009:5), “this type of bunkering is much more significant—not just in terms of the money involved but because of what the crude oil is often exchanged for: illegal weapons and drugs. There are large international syndicates involved in this operation, which also handle the money laundering for the international players”. This third form is the grand scale operation, perpetrated by highly organised cartels. The cartel consists of Nigerian syndicates (oil company staff, corrupt government officials, politicians, community leaders and security agents, among others) and rogue international oil traders who provide the cash and ships that facilitate the trade. Their foreign collaborators include not only West Africans, but also Filipinos, French, Indians, Lebanese, Moroccans, Russians, and Venezuelans, among others. Their operation does not require recruiting young men to puncture oil pipelines or uncork wellheads to procure crude oil. It largely involves different forms of sharp practices perpetrated in the process of loading of crude oil at the jetties or terminals.

At this level, oil could be stolen by filling the ship with legitimate oil and then ‘topping’ it up with oil that has not been paid for – and the excess load sold on. With the connivance of ships’ captains, corrupt oil company and government officials, oil can also be stolen through the loading of unauthorized vessels or ships. Another method involves loading a vessel that has been cleverly fitted with a secret compartment behind the bridge, where tens of thousands of barrels could be redirected at the flick of a switch while the hold was being filled (*Times of Nigeria*, 7 June 2013). An estimated 80,000 bpd is lost in this manner. Also, a ship can be filled with crude oil stolen from another oil-laden vessel hijacked by pirates. The (re)sale of oil secured through these illicit methods are facilitated with forged bills of lading.

Although the NNPC reported initial drop in the level of oil theft in the immediate aftermath of the Amnesty granted in 2009, Nigeria still loses about \$8 billion annually to oil theft. Meanwhile, the recent period has witnessed an upsurge in the spate of oil theft in spite of the existence of state security agencies and pipeline protection contractors empowered by the oil companies. More worrisomely, the thefts did not abate despite the amnesty granted the militants which cost the government billions of Naira as well as the award of multi-billion Naira security contracts to ex-militants to secure oil pipelines by government. Thus, ex-warlords such as Mujaheed Asari-Dokubo got \$9 million yearly to pay his 4,000 former foot soldiers to protect the pipelines, while Ebikabowei Victor Ben (Boyloaf) and Ateke Tom got \$3.8 million a year apiece to have their men guard the pipelines. Another ex-militant leader, Government Ekpemupolo (Tompolo), had a \$22.9 million a year contract to do the same job (Hinshaw, 2012).

The vast majority of the stolen crude oil is destined for the international market but other artisanal refined products such as petrol, diesel and kerosene find their way into the local black market. Some direct uses for crude oil in local industry

have been identified, ensuring the existence of a local market for stolen oil or illegally refined oil. Increasingly youth gangs refine stolen crude oil in artisanal refineries constructed in the creeks and swamps of the Niger Delta. The technology of local refining of crude oil in Nigeria was first used by Biafran forces during the civil war (1967-1970). These local refineries, called 'cottage industries', adapt rudimentary operational technologies used in producing local gin called *Ogogoro* for the refining of stolen crude oil. They are mostly owned or operated mainly by members of militant groups in the region, sometimes with backing of state actors.

The artisanal refining process involves using crudely fabricated heating drums with three steel pipes welded-in at strategic angles for easy evacuation of the refined product. One of the pipes acts as a returning channel in the process and the other serves as a waste outlet. The process starts with putting the crude oil in the drum and mixing it with some chemicals such as Potash (potassium chloride or sulphate) and detergents to serve as catalysts (Egozozie, 2011).

Those behind artisanal oil refinery have become so entrenched and organised that they strive to protect their illicit business through a platform known as Community Oil Refinery Operators. In May 2013, the group in a statement signed by its spokesman, White Tamana, asked the Federal Government to grant them amnesty, with the accompanying financial gratification for its members to stop breaking pipelines and setting up illegal refineries. The group claimed, among others, that:

Our operation gives us a sense of belonging. This is the only way we benefit from our national cake. We don't steal oil. The oil in the region is our property. It is the Federal Government that is stealing from us with their animalistic laws of onshore and offshore dichotomy. We have decided to crumble the Nigerian economy to stop them from exploiting us, if amnesty is not given to us. We are not happy that our people die of hunger and epidemic due to oil exploration and exploitation, while others enjoy our oil money freely without looking back. We must take what belongs to us by force and any attempt to stop our operation by force will lead to another militancy in the region which will be worse than what we are seeing today (Odiegwu, 2013a).

With groups such as this, artisanal oil refineries now dot several parts of the Niger Delta region given their relative mobility in response to crackdown by the Joint Task Force (JTF) *Operation Pulo Shield* deployed to the region; the latter being a successor to *Operation Restore Hope*, which was originally established to combat militancy in the Niger Delta. In the post-Amnesty era, the Nigerian government in January 2012 transformed it into a broader maritime security framework to eliminate pipeline vandalism, crude oil theft, illegal oil refining, piracy and all forms of sea robbery within its area of responsibility.

Of late, the seizure of tools and conveyances used for oil theft as well as the



destruction of illegal refineries is almost a weekly routine for the JTF. As at June 2013, Nigeria's Minister of State for Defence, Olusola Obada, revealed that in one year, a total of 120 barges, 878 Cotonou boats, 161 tanker trucks, 178 illegal fuel dumps and 5,238 surface tanks were destroyed by the JTF. In addition, 1,653 suspects were arrested and 3,778 illegal refineries were also destroyed by the JTF (Onuorah, 2013).

Given that the illegal refineries cannot utilize the vast amount of crude oil stolen daily, the key to the illicit transactions is export. Experts have noted that illegal oil bunkering is pervasive, to varying degrees, in the six major hot zones of the country's territorial waters. These are: Sombreiro-Bonny-BOT/Andoni-Opobo region in Rivers State; Escravos-Forcados-Ramos-Dodo in Delta State; Fishtown-Brass-Bartholomew-Barbara area in Bayelsa State; Awoye-Aiyetoro-Benin River which straddles Ondo and Delta States; Qua Iboe/Calabar/Rio Del Rey area of Cross River State; Lagos-Lekki axis in Lagos State (Obasi, 2011:58).

Also, places like Port Harcourt, Warri, Okrika, Bonny, Akassa and Soku are regarded as hotspots of such criminal activity, and these are major loading points for the international market. It is estimated that over 250 local and foreign vessels engage in ship-to-ship transfer and illegal oil bunkering in Nigerian waters (Dauda, 2012). The disclosure by the Nigerian Navy that it has arrested over 200 vessels allegedly used in illegal oil bunkering between December 2011 and August 2012, confirms the high prevalence of illegal oil bunkering off Nigeria's coast (John, 2012). In January 2013, for instance, the EFCC arraigned 10 Indians, three Ghanaians and 10 Nigerians accused of illegal oil bunkering before a Federal High Court in Yenagoa, Bayelsa State. They were arrested by the Nigerian Navy on board a vessel, *MT ASHKAY*, and handed over to the EFCC for prosecution (Odiegwu, 2013b).

Indeed, oil theft has become a thriving business in the Niger Delta, with a network of actors sustaining the trade, given government's feeble effort at combating it. As summarised in **Table 1**, the actors involved are diverse, including but are not limited to militants, community leaders, oil company staff, politicians, serving and retired security agents, corrupt government officials, shipping lines, international oil dealers, and youth gangs.

**Table 1:** Actors Involved in Oil Theft in Nigeria.

S/No	Actors	Nationality	Roles and Activities
1	Militant leaders	Mainly Niger Deltans	Delimit or control territories for cold/hot-tapping into oil pipes; own artisanal refineries
2	Youths (especially former militants)	Mainly Nigerians	Tap into pipes to steal oil as well as escort oil barges to the high seas; provide labour for artisanal refineries
3	Shipping lines	Mainly foreigners	Provide ships for the transportation of stolen oil conveyed in barges to the high seas or destination of sale
4	State Security forces	Nigerians	Collect 'passage fees' to allow oil thieves to siphon oil; facilitate the

			securing of bail for those arrested.
5	Government/NNPC officials	Nigerians	Forge official receipts and documents for lifting oil illegally
6	Oil Company officials	Mainly Nigerians	Provide skills on hot-tapping for criminal gangs; including information on security patrols and schedules
7	International cartels	Mainly foreigners	Provide arms or money to oil thieves in exchange for stolen oil; provides ships for transporting stolen oil; and sells the stolen oil in the spot market (destination state or refineries)
8	Politicians	Nigerians	Provide militant leaders and other oil thieves political coverage from prosecution when apprehended

Adapted from Onuoha, F.C. (2012). 'Illegal oil bunkering: Nigerian context and transnational ramifications for the Gulf of Guinea', *Politeia*, **31**(2):15.

The foregoing analysis suggests that actors involved are well financed, highly organized, growing in sophistication and diverse in background. The challenge however lies not in the growing arrests of actors involved and conveyances used in the illicit business but the seeming inexplicable incapacitation of the Nigerian government to successfully prosecute, convict and punish those arrested as a deterrent to other criminals. In the face of government inability or unwillingness to address the challenge, old actors have become 'barons' in the oil theft business and many more are sucked into the enterprise due to its lure.

### **Consequences of Oil Theft in Nigeria**

There is no disputing the enormous danger that oil theft poses to Nigeria. The ramifications of oil theft can be appreciated from different perspectives. For instance, acts of oil pipeline vandalization and artisanal refining of crude oil are extremely hazardous. Explosions due to these hazardous activities have often resulted in the loss of lives, infliction of bodily injuries, fracturing of family structures, destruction of property, and decimation of local livelihood. It is estimated that about 20,000 persons were killed, many burnt beyond recognition and properties worth billions of naira destroyed in the last 30 years as a result of pipeline explosions (Adukugho, 2013).

The dynamics of oil theft also contributes to the proliferation of small arms and light weapons in Nigeria. Those involved are known to use arms and weapons to protect their trade. For instance, the JTF lost nine of its men in 2012 in armed confrontation with oil thieves and pirates (James, 2013). In this way, oil theft contributes to the growth of other forms of criminal flows, as cash, drugs and weapons are exchanged for stolen oil. The ramifications of such illicit flows impact on security and stability in the Gulf of Guinea.

The menace of oil theft also compromises the operation of the rule of law in Nigeria, when institutions of the state (including financial institutions) are undercut by criminal groups that infiltrate them and use proceeds from the illicit business to

influence state policies or launder their proceeds through such institutions. This is why the UNODC warned that “one of the greatest threats to the rule of law in West Africa is rooted in the smuggling of a licit commodity: oil” (UNODC, 2009:20). The corrosive effects of the use of proceeds from oil theft on professionalism of security and law enforcement officials undermine the nation’s security and legal systems.

Oil thieves also cause social and political instability when confronted by committed state officials. There is growing allegation of the involvement of some highly placed Nigerians in illegal oil bunkering for self-enrichment or to raise money for political activities (*ThisDay*, 2 November 2010). These state actors in turn exploit illegal oil bunkering as avenues of primitive accumulation of wealth to oil their patronage networks and perpetuate political power (base) by supporting candidates (elective or appointive) for public offices. Its illicit nature also makes it difficult for the government not only to determine the exact amount of revenue being lost, but more importantly to track where and how the proceeds are invested. Hence, there is allegation that millions of Naira paid to oil gangs have made their way to terrorist groups in Nigeria (Kochan, 2013).

The economic implications of unchecked oil theft are quite enormous. As of January 2013, it was estimated that between 180,000 and 200,000 barrels of crude oil, an equivalent of Gabon’s oil production, amounting to over \$120m, is reportedly stolen from Nigeria daily by oil thieves believed to have links with some individuals in Nigeria and an international oil cartel backed by some foreign countries (Albinus, 2013). Apart from revenue loss, punctured pipelines interrupt the supply of crude oil to refineries, and refined products to strategic loading depots. It equally starves gas power plants of oil and gas needed to generate electricity (Onuoha, 2008). In addition, billions of Naira is lost on repairing facilities or pipelines damaged by oil thieves.

Oil theft also threatens environmental sustainability. Oil gangs are increasingly refining oil through the artisanal method, with grave environmental and health consequences. It is estimated that in illegal oil refining, only 30 percent of the refined oil is recovered, while the remaining 70 percent is spilled in the environment. Illegal activities such as oil pipeline vandalization and artisanal refining of stolen crude oil generate huge oil spills and waste dumped in the environment, polluting rivers and sources of drinking water and killing flora and fauna that support fishing, agriculture and other livelihood systems in the region.

### **Factors contributing to the outbreak and persistence of illicit oil extraction**

The outbreak and persistence of oil theft is now a major source of concern to the Nigerian Government. Almost all administrations have failed to effectively tackle and stamp out this cancerous resource leakage. Several factors related to Nigeria’s political economy contribute to its outbreak and some international factors facilitate its persistence.

The absence of robust mechanisms for ensuring transparency and accountability in the oil industry, such as reliable electronic metering system, is a key factor in the outbreak and persistence of illicit oil transactions. Metering refers to

measuring how much oil is being produced, loaded and shipped out of the country. Most oil producing states install reliable electronic meters at each well, flow stations, and at the export terminals to ascertain accurate quantity of oil produced, lost in transportation and exported. Such measures are lacking in Nigeria's oil sector.

The leakages were traced to the absence of effective metering system. In September 2011, for instance, Nigeria's former Minister for Trade and Investments, Olusegun Aganga, disclosed that more than \$5b, representing about 10 percent of the total annual revenue from the export of oil and gas, was lost to non-metering of oil wells and inaccurate ship-to-shore differences while loading/offloading vessels (Nnabugwu, 2011). There is only one metering system in the oil production and export process in Nigeria, which is at the outlet of the terminals. This facilitates leakages (illegal oil bunkering) in two ways. First, it makes it difficult for the appropriate authority to ascertain the exact volume of oil Nigeria produces per day. Oil companies can therefore engage in sharp practices such as export of oil without the responsible government agencies knowing.

From the 1999-2004 audit of the oil and gas sub-sector commissioned by the Nigeria Extractive Industries Transparency Initiative (NEITI), it was established that accurate records are not available on oil production at flow stations and oil exports terminals. In over five decades of oil exploitation, the Nigerian state is yet to determine the actual volume of oil being lifted by oil companies from her oil fields as a result of inadequate metering and inaccurate calibrations at all the export terminals. The result is that government agencies such as the Central Bank of Nigeria, Department of Petroleum Resources, Ministry of Finance, and NNPC often release conflicting figures on the volume of oil production (Amanze-Nwachuku, 2011).

Furthermore, inadequate metering makes it easy for oil multinationals in collaboration with corrupt government officials and other state actors to engage in unauthorised lifting or lifting in excess of approved quantity of crude oil from the nation's export terminals. To forestall this, a government-constituted committee had in the past strongly recommended, among others, the installation of electronic meters at the flow stations to monitor the volume of crude oil being produced or exported by companies. However, powerful oil cabals behind the large-scale oil theft frustrated the initiative. In the absence of adequate meters, it is not known exactly how much oil is pumped out of the oil wells in the Niger Delta.

Related to this is Nigeria's near moribund oil refineries. Nigeria's four refineries have a total refining capacity of 445,000 bpd but by the end of 2011, the refineries average capacity utilization stood at just 26%. Owing to official corruption, the refineries have been in a perpetual state of disrepair, ensuring a bustling black market for stolen crude oil. The poor state of the refineries means that most of Nigeria's crude oil is exported. A significant amount of the exported oil is turn imported back into Nigeria, at considerable cost to the country.

The opaque nature of the fuel import regime in turn fuels corruption in the process of fuel subsidy payment by the federal government. Government approved oil marketers or distributors collect the subsidy reimbursement on imported products, or buy them from Nigerian refineries at the subsidised price. They then re-import the

same products so as to receive the subsidy refund again or sell them for much higher prices on the black market or abroad (Gillies, 2009). To protect their trade, they equally frustrate government efforts at fixing the refineries. The investigation of the management of fuel subsidy in the country between 2009 and 2011 unravelled how about ₦2.5 trillion was lost to corrupt oil importers or marketers under the subsidy regime (The Constitution, 2012:121). As rightly noted by *The Economist* (2013):

Politicians, security forces, militants, oil-industry staff, oil traders and members of local communities all profit from “bunkering” of oil, so few have an interest in stopping it. When so many are feeding from the trough, it is doubtful if anyone in Nigeria has the political will to stop it. Profits are laundered abroad in financial hubs, including New York, London, Geneva and Singapore. Money is smuggled in cash via middlemen and deposited in shell companies and tax havens. Bank officials are bribed. Cash is laundered through legitimate businesses. Some of the proceeds – and stolen oil – end up in the Balkans, Brazil, China, Indonesia, Singapore, Thailand, the United States and other parts of West Africa.

This unbridled pillage by successive governments in Nigeria has significantly contributed to the upsurge in oil theft in the region. Despite producing the bulk of Nigeria’s wealth, the Niger Delta region wallows in poverty. For decades, income from oil wealth has, in large part, only benefited central government, oil companies and a privileged few but has exacted heavy costs on host communities and the environment. Community grievances lead to violent protests by militants who engaged in oil theft to either raise funds for the procurement of sophisticated weapons or for local refining to power speed boats or generators used for electricity in militant camps in the creeks. Disaffections and frustrations at the community level have forced people from the region to illegally tap or facilitate the rupturing of oil pipelines to steal crude oil or refined products for domestic use or resale to oil syndicates or cartels.

Connivance, cooperation and collusion between oil thieves, oil company staff and security agents also facilitate oil theft in Nigeria. This complicity is evidenced by cases of accusation and counter-accusation between security agencies as well as between oil industry workers and government officials over who is responsible for oil theft. Allegations of involvement of security agents in the unholy oil trinity are rife. On this matter, Peter Akpatason, a member of Nigeria’s House of Representatives, posited that:

Crude oil theft is not possible without the connivance of the security agencies. It is just not possible because petroleum tanker is not a small object. It is large enough for anybody to see from anywhere. Barges are not small and ships are not small, but these are the instruments they use in carting crude away (Niyi, 2013).

There have also been countless reports of ships laden with stolen oil that were arrested by security agents but which inexplicably disappeared from the custody of those assigned to combat illicit oil transactions. The famous case of the arrest, detention and disappearance of a ship, *MT African Pride*, carrying stolen oil amply demonstrates how corruption and collusion within security establishments permit the persistence of illegal oil bunkering. The *MT African Pride* was arrested on 8 October 2003 by the Nigerian Navy Ship *Nwamba* on the Escravos and Forcados Rivers. The ship at the time of arrest was loaded with crude oil valued at \$70 million without valid papers. The ship later mysteriously disappeared in August 2004 from its berth off Lagos, after the two navy personnel who had been ordered to guard it failed to show up for work (Egbejimba, 2009). In the course of the investigation, it was also revealed that another vessel in the custody of the Navy seized for illegal oil bunkering, *MT Jimoh*, was also found to be missing. Worst still, it was reported that three Nigerian banks allegedly funded *MT African Pride* bunkering activities to the tune of \$15 million (Alexander's Gas and Oil Connection, 2004).

The persistence of oil theft and illegal bunkering is also related to weak law enforcement and rule of law in Nigeria. There is no doubt that oil theft is not being treated in Nigeria as serious national security threats. The fact that the law has made provision for granting bail to people caught stealing or aiding and abetting the theft of oil weakens the legal procedure for prosecuting violators. Those handed over to agencies vested with the power of prosecuting oil thieves such as the NSCDC, the EFCC and the Police are rarely successfully prosecuted and convicted. The alleged connivance of security agents to secure bail for arrested oil thieves makes it difficult to convict them, thus accounting for the low level of their conviction in relation to the high number and frequency of arrests.

More so, maritime security agencies, especially the Nigerian Navy, are ill-equipped to enable committed officials to deal with oil thieves and other maritime violators in the nation's waters. Most platforms in the fleet of the Nigerian Navy are known to be in disrepair owing to poor funding. They are either too old to be effectively used to interdict oil thieves or entirely unsuitable or insufficient to combat brown water crimes perpetrated mostly in the creeks and swampy mangrove areas of the Niger Delta region. Stagnant swamp covers about 8600 square kilometres of the Niger Delta while about 2,370 square kilometres of the area consist of rivers, creeks and estuaries. The difficult geographical terrain of the Niger Delta hampers effective maritime surveillance and land patrols to suppress oil-related criminality.

Given the transnational nature of oil theft, tackling the menace will require action on both the demand and supply sides. Thus, the lack of effective regional and international collaboration to address the demand-side of the illicit trade in stolen oil contributes to the problem. This explains why the Nigerian government had repeatedly called on the international community to assist in the campaign against oil theft by treating it as 'blood oil'. The idea is for the international community, leveraging on the resources of the Interpol to assist Nigeria in investigating the global trade in stolen oil; from the ships used to transport it, through the money used to pay

for it, and to the avenues (financial institutions) used to launder the proceed. It could also demand the adoption of an international instrument certifying refineries to process “legal oil”, as well as blacklisting shipping lines found to be involved in illegal oil bunkering. Currently, there is no existing international or regional framework to deal with transnational criminality in the form of trading in stolen oil. This international dimension has greatly facilitated the persistence of oil theft and other maritime criminality in Nigerian waters.

### **Conclusion and Recommendations**

Although the Nigerian government has consistently called for the assistance of the international community in dealing with trade in stolen oil, it has failed to shake highly placed government and multinational officials who possess the financial wherewithal to sponsor such organized illicit activity. In other words, successive administrations in Nigeria have failed to carry out aggressive crackdown on the illicit business to necessitate unalloyed international cooperation in combating it.

The inability of the Nigerian government and its security agencies to fight the menace indicates that syndicates involved in oil theft enjoy protection or sponsorship of state actors in Nigeria, confirming that this form of criminality is intricately connected to the political processes and state structures. Consequently, the Federal Government, multinational companies and workers in the oil industry have continued to blame each other for the persistent crude oil theft that is presently haemorrhaging the Nigerian economy. Therefore, the Nigerian government can only successfully dismantle oil theft if it aggressively addresses the internal factors propitious to its outbreak and partners with the international community to suppress factors facilitating its persistence. To this end, there is the need to implement robust mechanisms for ascertaining the exact quantity of oil Nigeria produces per day, and the mustering of the right political will to deal with state actors who are behind large-scale oil theft. As many African states discover oil in their territories, Nigeria’s experience with oil pillaging offers valuable insights on the need to put in place mechanisms for ensuring transparency, accountability and accuracy in the volume of oil exploitation. In this way, loopholes for resource leakages and its consequences can be effectively avoided.

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