

## Shell in Nigeria

# Our economic contribution



the revenue after costs from our onshore production in the Delta. The Shell Nigeria Exploration and Production Company (SNEPCO) – which manages our offshore business in deep water – has paid nearly \$2 billion in tax and royalties over the last four years.

In 2008, Shell-operated ventures produced an average of more than 850,000 barrels of oil equivalent per day (boe/d) – around 39% of the country's total oil and gas production. Of that, just over 670,000 boe/d came from SPDC. The remainder was largely produced by SNEPCO. In 2008, Shell Nigeria Gas supplied natural gas from fields in the Niger Delta to more than 50 customers in industrial centres in Ogun and Abia States. And SPDC is the major gas supplier to the Nigeria Liquefied Natural Gas plant (NLNG) from its onshore and offshore fields.

The largest contribution by Shell companies in Nigeria is through the taxes and royalties we pay and the energy we produce. Nigeria depends on the oil industry for approximately 95% of export earnings and 80% of government revenue. Our operations are also important direct sources of employment, contracts and income for individuals and Nigerian companies.

### **Taxes, royalties and energy production**

The joint venture operated by the Shell Petroleum Development Company (SPDC) has contributed more than \$34 billion to the government in the past four years (2005 – 2008). The federal government receives about 95% of

### **Direct economic impacts**

Our operations have an important direct impact on the economy. In 2008, Shell-run companies awarded more than 90% of all their contracts in Nigeria – worth more than \$900 million – to Nigerian companies. As far as possible, we aim to use Nigerian contractors and hire workers from the local communities where we operate. As of March 2009, SPDC and SNEPCO employed around 6000 direct employees and contractors - more than 90% of them Nigerian. Our projects help create thousands more jobs with contractors and in supporting industries.



And in 2008 we began starting up the new 650 megawatt Afam 6 power plant and the Okoloma gas plant in Rivers State, the Niger Delta (see separate briefing note). When it hits full production sometime in 2009, this integrated project will increase Nigeria's electricity supply to homes and businesses by about 20%. It will also increase the country's gas supply also by 20%.

### Spreading the wealth

In 2008, the four main oil-producing states – Bayelsa, Delta, Rivers and Akwa Ibom – with around 10% of the country's people, received approximately 33% - about \$4 billion - of all oil revenue money that the federal government allocates to Nigeria's 36 states.

Corruption has been one of the barriers to turning oil revenues into benefits for the people of Nigeria. Shell initiated and was a leading sponsor of the Nigerian Extractive Industry Transparency Initiative, which openly publishes payments made to the government by the energy industry and the allocation of money to states by the federal government. We are keen that oil producing state governments adopt similar initiatives.

However, even if well spent, Nigeria's oil revenues do not go far in Africa's most populous country. The total revenue from oil and gas divided between the 140 million population amounts to less than one dollar per person per day.

### Community development

In addition to generating revenue, we actively support projects in the Niger Delta that support small business and agriculture, training, education, health care and capacity building (see separate 'Improving lives in the Niger Delta' briefing note). Much of this is done in partnership with the

government, through the Niger Delta Development Commission. In 2008, operations we run contributed \$158.2 million (Shell share \$56.8 million) to the commission, as required by law.

In 2008, SPDC and the joint venture partners contributed directly a further \$84 million (Shell share \$25.2 million) to community development projects, many of which were delivered in partnership with others. We work together with government agencies, companies, local and international NGOs, and the United Nations Development Programme (UNDP). SPDC also pays 2% of its chargeable profits into an education fund for the rehabilitation, restoration and consolidation of education in Nigeria. In 2008 the company paid \$17 million into the fund, bringing the total investment in the past eight years to over \$186 million.

More information on Shell's operations in Nigeria can be found at [www.shellnigeria.com](http://www.shellnigeria.com)



> SPDC runs Nigeria's largest private oil and gas production joint venture on behalf of the government-owned Nigerian National Petroleum Corporation (55%), Shell (30%), Total (10%) and Agip (5%).

> SNEPCO operates and is 55% owner of the offshore Bonga oil field, Nigeria's first deep-water project, and owns part of the Erha field.