

Shell in Nigeria

The operating environment



Many years of oil and gas operations in the Niger Delta have generated billions of dollars in revenue, but most of the 30 million people living there remain poor. Unrest has grown. Frustrated by the lack of benefits from oil production, communities have targeted the operations of energy companies, including the Shell Petroleum Development Company (SPDC). They demand better public services and a greater share of government revenues.

The unrest has turned into a worrying criminal movement, which feeds on massive thefts of crude oil. Heavily armed and well-organised groups invade oil and gas facilities in the delta, shut down operations, kidnap staff and sabotage pipelines. Rival gangs and ethnic groups have clashed violently in several of the delta's towns. Barges take stolen oil to tankers waiting offshore for export.

All this has reduced the amount of oil we are producing, created major environmental problems from oil spills and reduced government revenue that could be used to develop infrastructure and services. How much oil is stolen is difficult to estimate and varies according to the source.

In 2008, there were 87 incidents of crude oil theft (known locally as illegal bunkering) from SPDC facilities. Incidents of malicious damage and pipeline theft increased by 48%. Authorities arrested a total of 82 people, and seized 43 tankers, 17 vehicles and 11 barges. These almost certainly represent a small fraction of the true scale of the problem.

In early 2006, a series of attacks forced SPDC to shut down all operations in the western delta. As a result of these and other attacks Nigeria has lost around one quarter of its oil production. In September 2007, SPDC began restarting our western delta operations step-by-step and cleaning up spills. We are making steady progress, though security problems continue.

The threat to people working in oil and gas operations in the delta remains high. In the last three years (2006 – 2008), gangs kidnapped 133 SPDC employees and contractors (19 last year). Five people working for our joint venture were killed in assaults and kidnappings in the same period.



Shell Nigeria Country Chair Basil Omiyi describes the crisis in the delta: "Poverty, militancy and criminality are three overlapping problems... the bigger the overlap, the bigger the crisis. We are part of life in the delta and our success is closely tied to the peace and prosperity of the region. We are deeply committed to helping bring about peace and addressing poverty through development, not only by generating the oil and gas revenues for government, but also by helping to strengthen institutions and build capacity, leveraging our relationships with international development experts and improving our relationships with the communities."



Shell Nigeria Country Chair, Basil Omiyi

Shell believes in using peaceful means to resolve issues with host communities. Nigeria Police Force (NPF) personnel assigned to guard SPDC facilities are mostly unarmed. SPDC provides training on security and human rights to the security staff and Supernumerary Police – NPF personnel seconded to SPDC – supporting its operations so that they can work according to the United Nations Code of Conduct for Law Enforcement Officials. Awareness sessions are also held for government security agencies assigned by the federal government to provide security for SPDC operations.

Shell and SPDC are active supporters of the Voluntary Principles on Security and Human Rights, a set of guidelines developed in 2000 by governments, extractive industry companies and human rights organisations. SPDC applies these principles in the delta and engages various government agencies (including the National Human Rights Commission) and security authorities about how it could

contribute to implementing VPSHR in the country. Shell is a member of the Nigeria task force in the VPSHR.

One of SPDC's most important activities is a human rights and conflict resolution training programme for company security officials that we introduced in 2007. By the end of 2008, we had trained 333 people under this programme. And in 2009 we aim to train a further 140 people, to continue efforts to raise awareness of the Voluntary Principles and its obligations and to provide practical help in applying them. The CLEEN Foundation, an NGO based in Nigeria formerly known as Centre for Law Enforcement Education, conducts the training. In addition, over 2,500 SPDC staff have received similar training which is endorsed by the Danish Institute for Human Rights.

More information on Shell's operations in Nigeria can be found at www.shellnigeria.com

> The Niger Delta

The Niger Delta Development Commission (NDDC) estimates the size of the Niger Delta at 112,000 square kilometres, inhabited by more than 3,000 long-settled communities. The population in the oil and gas producing regions of the Niger Delta is constantly rising. In 1991 there were approximately 20.5 million, today there are about 30 million and according to a report compiled by the UNDP, that figure will rise to 46 million in 2020 – with the oil industry as a key contributor to the surge in population. Subsistence farming and fishing are the mainstay of the people. The ecosystem is particularly sensitive to changes in water quality, such as salinity or pollution, or to changes in hydrology of the region. The Niger Delta is a wetland containing a number of ecological zones: sandy coastal ridge barriers, mangroves, freshwater permanent and seasonal swamp forests, and lowland rain forests.



> 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%).