

THE 'PIMPS AND WHORES' IN NIGERIA'S OIL TRADE

The effects of Oil theft in Nigeria is spreading like the Sobig.F virus and is in danger of eroding the integrity of the global commodities sector...

GLOBAL OIL SECTOR, LONDON, UK, December 3, 2013 /EINPresswire.com/ -- The locals in the Niger delta region of Nigeria have become accustomed to seeing thick black smoke darkening the skies above; the creeks and waterways around the villages covered with several barrels of spilled crude oil. Akpomene is a local child growing up in the Niger delta region of Nigeria, she regularly fishes in the creek and sells the fish to help her family. Akpomene is sitting in a canoe near river Nun in Bayelsa State coated in oil stains, although she has a wash after fishing, she still has sticky rashes on her body.



Despite the oil wealth generated from the Niger delta region, the locals still live in dire poverty fifty seven years after oil was first discovered there.

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It is impossible to measure progress in the fight against oil theft in Nigeria without accurate loss estimates but what's more worrying is the problem has grown fivefold between 2009 and 2012.”

Ken Uwotu

In 2010, Nigeria exported over one million barrels of crude oil and petroleum products per day to the United States, representing 9% of U.S. total crude oil according to US Energy Information Administration. Today, Nigeria is classified as the 13th largest oil producer in the world.

Nigeria depends on crude exports for about 80 percent of government revenue but these earnings are now under threat from the illicit trade of oil theft. The economic fallout from oil theft activities is enormous and is likely to impact on the nation's ability to meet its contractual

obligations to its international partners in the near future if the rising trend continues to escalate. A Chatham House report draws the world's attention to the fact that stolen Nigerian oil is reaching global markets and beginning to threaten the integrity of global financial system and legitimate oil trade.

Dr. Ngozi Okonjo-Iweala, Nigeria's finance minister and coordinating minister of the economy told London Financial Times the trade in stolen crude led to a 17% drop in official oil sales in April last year, an equivalent to around 400,000 barrels a day. Nigeria's biggest International Oil Company (IOC) Shell Petroleum Development Company (SPDC), estimates the daily loss to be much lower at 150,000 to 180,000 barrels, approximately 7% of production but in a recent [report commissioned](#) by the Nigerian government, Mr Ribadu puts the scale of daily sales losses at 250,000 barrels.

These huge discrepancies in reported sales figures are signs of how difficult it is to get accurate figures attributed to oil theft in Nigeria. [KPMG's audit assessment of NNPC](#) conducted in 2010 identified lack of transparency, inaccurate financial records, incomplete and inaccurate reporting and poor data management as possible reasons for these discrepancies.

While it is impossible to measure progress in the fight against oil theft without an accurate estimate of sales losses, what is even more worrying is the suggestion by Mr Ribadu that the problem is growing; noting Shell claimed a fivefold increase in losses between 2009 and 2012, from 10,000 barrels per day to 50,000 in March of last year.

Much of Nigeria's stolen oil is exported to foreign refineries or storage facilities according to an [FT report](#), with buyers in West Africa, the US, Brazil, China, Singapore, Thailand, Indonesia and the Balkans and the proceeds of this illicit trade laundered through banks and other channels in various African countries, Dubai, Indonesia, India, Singapore, the US, the UK and Switzerland. This claim is supported by a BBC article which specifically identifies the Balkans and Singapore as the main buyers of an estimated 180,000 barrels of stolen Nigerian oil each day.

The threat posed by this illicit trade is not limited to Nigeria's oil and gas sector industry but could also affect the security of the Gulf of Guinea and by extension the global economic order, it is therefore in the interest of Nigeria's oil trading partners and the International community to act decisively on the issue. International bodies like the Extractive Industries Transparency Initiative (EITI), who have the expertise to ensure refineries receiving stolen crude oil from Nigeria are identified and punished, must actively join the fight in assisting Nigeria's effort to combat the problem.

Research by Stakeholder Democracy Network (SDN) estimates 75% of stolen Nigerian oil is being exported while the rest is being refined locally in illegal "artisanal refineries". The Nigerian government's strategy must focus mainly on stopping stolen oil from being exported; one way of achieving this is to strengthening Nigeria's internal quality control (QC) systems at the state oil company, Nigeria National Petroleum Corporation (NNPC). A local newspaper reported the Trade and Investment Minister, Dr. Olusegun Aganga told the President 24 million barrels of oil worth \$1.6bn (N252bn) were stolen between July and September last year, it was further revealed the Minister's signature was forged on the export clearance permit used to export the crude oil from Nigeria; this is an example where QC checks along the supply chain were inadequate.

Shady oil trading and non-transparent financial transactions are also seen as major hindrances in the global fight against oil theft, these areas of concern have the potential to undermine the entire commodities sector. In a recent development, the British government announced plans to create a public register to crackdown on the 'cloak of secrecy' and reveal ultimate company owners; France and the US are now considering similar measures to the UK initiative.

If the fight against oil theft is to be won, Nigeria must take the initiative by working with foreign governments and its international partners to develop 'workable' strategies that target the 75% of stolen oil being exported. Any local efforts to address the problem of oil theft must focus on creating opportunities for the locals.

More resources on Nigeria's oil sector

Nigeria losing \$1bn a month to oil theft, Financial Times, 26 July, 2012

Stolen Nigeria oil 'goes to Balkans and Singapore', BBC News Africa, 23 Oct, 2012

Crude Oil Theft Another Face of Terrorism, AllAfrica, 28 Oct, 2013

Aganga Writes Jonathan Over 'Missing' U.S.\$1.6 Billion Oil Money, AllAfrica, 23 Oct, 2013

£1bn a month: the spiralling cost of oil theft in Nigeria, The UK Guardian, 06 Oct, 2013

Dark Business, Dirty Profits: Swiss Commodity Traders in Nigeria(Bernes Declaration), 04 Nov, 2013

Register revealing firms' true owners will be open to public, The Guardian, 31 Oct, 2013

Criminal Networks Blamed For Nigeria Oil Theft, Financial Times, Sept 19, 2013

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