

# Working in challenging locations

How we are addressing environmental and social concerns at two of our most important and challenging locations.

## Nigeria

Interview with Basil Omiyi by Roger Hammond



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2006 saw an alarming escalation of violence in the Niger Delta. What is going on?

There are three issues. The first is poverty in the Delta. It is being addressed, but too slowly. The second is the way the Delta is represented in national politics. The third is the rise of organised crime, fuelled by large-scale thefts of crude oil. Think of these as overlapping circles – the bigger the overlap, the bigger the crisis.

The approach of the presidential election [Editor: April 2007] has made the current crisis so big.

The politically motivated militia groups continue to demand, among other things, the release of a former state Governor and of a militia leader held on treason charges, and a greater share of oil revenue for the Delta States.

The rise in violence is bad for the Delta and Nigeria. We have had to shut down most facilities in the Western Niger Delta, reducing production in 2006 by 50%. Militants have sabotaged flow stations and pipelines and made it impossible for us to get to many of these facilities to repair the damage or do normal maintenance. The Finance Ministry has estimated that the crisis cost the Government \$4.4 billion in lost revenue.

Fifty-four of our staff and contractors were kidnapped last year. Nine were killed in assaults or kidnappings. That is a terrible loss that I feel very deeply.

Isn't there a major risk that the Government will take a military approach that violates human rights?

I don't think so. It knows that being heavy-handed risks causing further incidents and losing local support. The Government's approach has been to lead with development, continue with dialogue and ultimately improve law and order.

Our role, as a company, is to support this effort and encourage government to respect human rights. I am proud of the way we are doing that with the two groups providing security in the Delta. One is the Supernumerary Police, seconded by the Nigeria Police Force. They

protect our facilities and are usually unarmed. We agree their terms of engagement, making sure they are in line with our security guidelines. We also run human rights training programmes for them and report any violations of our security standards.

The second group is the Joint Task Force. Its military personnel guard the handful of our facilities that are designated as national strategic assets. We make clear our stand on human rights to the Joint Task Force, including our commitment to the Voluntary Principles on Security and Human Rights and our guidelines on the use of arms. All our frontline staff also do human rights training to help them follow our procedures and monitor the security staff guarding our facilities.

What are the chances for reconciliation with the Ogoni people?

Overall, I am cautiously optimistic. We left Ogoniland in 1993 and haven't produced oil there since. We still hold the concession including oil wells, which are still occasionally sabotaged or set on fire.

We have consistently said that we will only go back with community acceptance. To that end we continue to support the President's reconciliation initiative that is trying to find lasting peace and reconciliation in Ogoniland.

Government and the traditional rulers both tell us they want us to come back. In my meetings with Ogoni leaders they have talked about putting the past behind us and sitting around



## WHAT IS IT?

The Shell Petroleum Development Company of Nigeria (SPDC):

- Operator of Nigeria's largest oil and gas joint venture (Nigerian National Petroleum Company 55%, Shell 30%, EPNL 10%, Agip 5%).
- In a typical year produces approximately 40% of the country's oil from over 1,000 onshore wells in the Niger Delta.
- Generates more than \$40 for the Government for every barrel produced (and \$1.46 for Shell) at oil prices of \$50 a barrel.

Shell Nigeria Exploration and Production Company (SNEPCo):

- Operator and 55% shareholder in the offshore Bonga oil field, Nigeria's first deepwater project.

Nigeria Liquefied Natural Gas Company (NLNG):

- Joint venture (Shell 26%) producing 8% of the world's LNG.

Shell-run operations in Nigeria paid \$3.5 billion in taxes and royalties to the Government in 2006.

the table to talk. It will take patience and understanding, but I think we will get there.

### You have made tackling corruption in Shell in Nigeria a priority. An impossible task?

In 2006, we kept the spotlight on this problem in SPDC and our other operations in Nigeria, despite the security crisis. Integrity is part of staff assessments. SPDC publicises proven corruption cases on its website so people are aware of what happens if they cross the line.

### Shell has been accused of using lower environmental standards in Nigeria. True?

Absolutely not. We apply the same Shell standards worldwide and all our assets in Nigeria are certified to ISO 14001 standard by external assessors. We do, however, have a substantial backlog of asset integrity work to reduce spills and flaring. That backlog is caused by under-funding by partners over many years, operational problems and, more recently, the lack of safe access to facilities.

In 2006, we kept moving forward with asset integrity work, despite the security crisis. For example, of the 253 old spill sites that were scheduled for clean up in 2006, we successfully restored all the 179 sites where we could get access. We completed the pipeline inspection work we had planned for 2006 wherever we had access – about half the total originally planned. We're currently discussing different ways of funding this work with the Government that would allow it to go much faster in the future.

### You mentioned flaring – will you meet your commitment to end continuous flaring?

Already today, there is no continuous flaring of natural gas at our offshore operations and NLNG. We remain committed to ending continuous flaring at the SPDC joint venture's more than 1,000 wells during 2009. We believe this can still be achieved, provided we get access in time and the needed funding. I'm afraid I can't be any more definite. The security situation means we don't know exactly when we will get back to specific locations. However, when we get access, we plan to accelerate the remaining gas-gathering projects, doing many of them as part of the repairs needed to get shut in facilities running again. Ending continuous flaring is a massive effort. We have already invested over \$3 billion in it since 2000, reducing our flaring by 30% by 2005. In 2006, we did manage to install gas-gathering equipment at one site.

### So much clearly depends on the security situation. So what is the way out of the current crisis?

The three overlapping circles of the crisis must be pulled apart. Development is the most important. Making progress on it will help tackle the violence. It would undermine the support that criminals enjoy because they pretend to be the voice of the oppressed. There is enough money going to the state governments for development in the Delta now. The four Delta states where we operate now typically get more than \$3.5 billion a year from the federal government. However, the money is not being properly used, because of corruption and a lack of local capacity to invest it.

### A problem for government then, not for Shell?

No. We are part of life in the Delta and Nigeria. Our success depends on peace and prosperity here. And we are deeply committed to helping make this happen. We do this not only by generating oil and gas revenues for the Government; we help the Government strengthen public institutions, for example through the Extractive Industries Transparency Initiative, and through our relationships with international development experts. We also help through our own development programmes. Shell-run operations spent over \$59 million [Shell-share \$18 million] in 2006 on these programmes, and contributed a further \$114 million [Shell-share \$61.5 million] to the Government's Niger Delta Development Commission.

### Overall, how do you see the future for the Delta and Shell's operations there?

This is a very challenging time for all Nigerians. I am pleased that our offshore operations and the NLNG joint venture have been able to expand so successfully through this period. My main concern though is safety – of our staff, contractors and the local communities. We are wholly committed to working with the Government to promote peace and security in the Delta and bring the development that the region so desperately needs.

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