

Way Out for Nigeria: No More Oil Blocks!

Let's leave the oil under the Ground

ERA briefⁱ by Nnimmo BASSEY

As the Niger Delta boils and as Nigeria looks towards a bleak future with diminished oil revenues, the oil corporations operating in Nigeria continue to garner obscene profits. This happens because the corporations are not paying for environmental costs of their operations and because ecological debts go unattended to. Local communities have shouldered the burdens while the corporations laugh all the way to the banks secured by their opaque Joint Venture agreements.

The trend of profits made by oil companies over the past couple of years are very telling. These companies reap profits in the face of whatever woes the world is confronted with.

In 2007 Shell's net profit rose to \$11.56 billion from \$8.67 billion a year earlier.ⁱⁱ According to reports, Exxon, the world's largest privately held oil company, reported a 14% rise in profit to a record \$11.68 billion, which was adjudged to be the largest ever for a US corporation. In the first quarter of 2008, Exxon made nearly \$90,000 profit a minute!ⁱⁱⁱ

Today, we expect Shell to declare another big profit underscoring the fact that the Niger Delta environment is still not receiving the attention it deserves. Spills remain unattended to at Ikarama in Bayelsa State, Ikot Ada Udoh in Akwa Ibom State, Uzere and Iwerekhan in Delta State. **Today we demand that they use their "profit" to clean up their mess in the Niger Delta.**

The convulsions currently gripping the global system have directly impacted on the economic outlook of Nigeria. Banks and other money-gobbling corporations have begun to bop belly side up and citizens of the world have been forced to bear the brunt of their profligacy. What we are witnessing may be on a new scale, but certainly it is not a novel thing. We do well to note that crises of capital would always heap the burden on the producer and consumer while the middlemen constrict both and live off their blood.

The major challenge of the Nigerian State is related to the collapse of crude oil revenue from an unprecedented height of about \$150/barrel to below \$40/barrel. This crash has revealed that behind the cheap piles of petrodollars is the true face of active fingers behind the forces that shape the market. We quickly note at this point that the so-called market forces are not as free as international financial institutions would want the world to believe.

Some Nigerians are equally worried that even the cheap oil that we depend on may soon be set aside due to the real possibility that the world will move on to new alternative energy sources. If that happens and crude oil attracts less attention, what will be the consequence for the Nigerian economy?

While these are legitimate concerns, they also present us with a great opportunity to transform our environment and by extension our economy. And this is why we are making this proposal.

Cheap petrodollars drove us into believing that money was not a problem but how to spend it. They drove us into debt and debased our sense of nationhood. Cheap petrodollars turned Nigerian politics into a struggle for the control of the national purse and led to a massive regime of conversion of public funds and properties into private control. That has been the visible meaning of privatisation in our nation. Cheap petrodollars invited the jackboots into Dodan Barracks and into Aso Rock and rocked and overturned every sense of common good and collective ownership in our dear nation.

The drive to maintain the flow of foreign exchange into the national coffers made it impossible for the government to see that a safe environment is a basic requirement for citizens to be productive. The government overlooked the fact that in a largely subsistence economic system where the vast proportion of the citizens thrive outside of the formal economy, the first thing that must be secured for national health and productivity is an environment that supports the people's efforts in the areas of family farming and livelihoods. The grave inability to grasp this truth allowed oil companies (national and transnational) to operate with impunity in the oil fields and to pollute, destroy and dislocate the very basis of survival of the people in the region. This inevitably spread to the entire nation since we run a quirky unitary federalism.

We have a clear proposal on how to turn the crises into a real opportunity for breaking from an ignoble system and moving on to a sustainable path. As they say, it will require sacrifice: especially that of jettisoning our firmly held prejudices.

- **Quench the Flares**

The issue of gas flaring is a burning one that must be addressed once and for all. An estimated 168 billion cubic meters of natural gas is flared yearly worldwide and 13% of this is flared in Nigeria (at about 23 billion cubic meters per year). After years of paying lip service the Nigerian state must wake up to its responsibilities to protect the lives of Nigerians. The many health impacts of gas flaring are well documented and include: leukaemia, bronchitis, asthma, cancers and other diseases.

In economic terms, Nigeria sends over \$2.5 billion worth of gas up in smoke annually, going by 2005 estimates. If we assume that this rate held good for the last 10 years, we are talking of \$25 billion wasted and if we extend it to the past 20 years that figure doubles. For each additional year that the government refuses to act in this regard the amount wasted continues to rise, as does the log of the dead due to the poisonous nature of the gases.

We are worried that at a time when the world is seeking ways to combat global warming we are busy cooking the skies through gas flaring. From pronouncements on climate change emanating from government agencies it is obvious that the government cannot plead ignorance of the massive contributions of gas flaring to global warming. This places every citizen of this country, and indeed the world, at risk. There can be no excuse for this unhealthy and uneconomic act.

At this point we want to quote a 1963 confidential communication from the British Trade Commissioner to the UK Foreign Office^{iv}:

“Shell/BP’s need to continue, probably indefinitely, to flare off a very large proportion of the associated gas they produce will no doubt give rise to a certain amount of difficulty with Nigerian politicians, who will probably be among the last people in the world to realise that it is sometimes desirable not to exploit a country’s natural resources and who, being unable to avoid seeing the many gas flares around the oilfields, will tend to accuse Shell/BP of conspicuous waste of Nigeria’s ‘wealth’. It will be interesting to see the extent to which the oil companies feel it necessary to meet these criticisms by spending money on uneconomic methods of using gas.”

“In the longer run, Shell/BP is going to have to consider very carefully how it should explain publicly the large outflow of capital that is likely to take place towards the end of the decade... it will no doubt come as something of a shock to Nigerians when they find that the company is remitting large sums of money to Europe. The company will have to counter the criticisms which will very probably be made to the effect that the company is ‘exploiting’ Nigeria by stressing the very large contribution it is making to Nigeria’s export earnings.”

From the above quote, it is clear that the oil corporations have been engaged in this action for at least half a century now. The 50 years old script of pacification by underhand play requires urgent critical political, environmental and socio-economic examination and replacement.

It was not until the 1979 Associated Gas Reinjection Act that routine gas flaring was finally outlawed in Nigeria. Section 3 of the Act set 1984 as the deadline after which companies could only flare gas if they have field(s)-specific, lawfully issued, ministerial certificates. There are over 100 flare sites still emitting a toxic mix of chemicals into the atmosphere in the Niger Delta. Through this obnoxious act the country has lost about \$72 billion in revenues for the period 1970-2006 or about \$2.5 billion annually.^v

The proposal by the Gas Flares Prohibition Bill before the Senate allowing for the penalty for gas flaring to be at the market price of gas being flared is a good intention but the government must order the immediate stoppage of gas flaring even if it means shutting down the offending oil wells.

- **Detoxify the Land**

The stoppage of gas flaring will mark a major step towards detoxifying the Niger Delta environment. The other steps are two fold. First is the immediate auditing of all oil spills, drilling mud and cuttings discharges, produce water handling and other related polluting incidents in the entire Niger Delta. Second to this is the immediate commencement of thorough clean up of the environment to international standards such as those set by WHO for safe drinking water and air quality.

These steps will make it possible for the people to farm and fish with reasonable hope of achieving living incomes from such activities. Life expectancy would also increase beyond the current 41 years, as the environment would once more become people friendly.

- **No More Oil Blocks**

ERA proposes that Nigeria should learn that there is no future in crude oil as the major revenue earner. We propose that, as a starting point, Nigeria should not make any new oil block concessions. We agree that existing fields should continue to be exploited, but at internationally acceptable standards. Halting the giving out of new oil blocks would not mean a major loss in revenue. To start with, the current lowering of oil prices is also leading to production cuts. This means that the current fields can meet Nigeria's quota for quite some time. Leaving the oil underground does not translate to losses but saving. We must learn to save. The oil under the ground is still our oil. We must not exploit every resource simply because we have it. This is simple wisdom. Nigeria must step back and think!

Generally, it is believed that the world will soon witness a peak in oil production and this will coincide with the world having used more than half of all currently proven reserves^{vi}. It is already estimated that Nigeria reached her own peak oil level a couple of years ago. Nigeria's production stands at 2 million barrels/day. That is the official figure. The plan to increase this production level to 5.2 million barrels a day by the year 2030 is a thinking that fits our profligate pattern. The country should at this time be working on halting the daily theft of crude oil from the oil fields. That amount which estimates place at between 200,000 to 1,000,000 barrels/day would serve either to boost production or to increase/sustain reserves.

Economic Considerations

Let us assume that Nigeria would have probably been in a position to increase her crude oil production from 2015 by say 2 million barrels/day from new oil blocks which we are demanding should not be given out to the bidders. By this simple act, Nigeria would have kept the equivalent tonnes of greenhouse gases out of the atmosphere. This would be a direct measure of curbing global warming through an infallible technology of carbon sequestration. This is a foolproof step that requires no technology transfer and does not require any international treaty or partnership.

If Nigeria were to trade that amount of carbon using any of the available market mechanisms for tackling climate change, such as the so-called Clean Development Mechanism, the country would surely earn some good income from keeping the oil under the ground. But we do not support the use of market mechanisms for this purpose. We would rather suggest the halting of the massive capital flight from Nigeria to boost the economy and offset whatever may be seen as 'lose' of projected revenue from crude.

But, let us do some calculations here, supposing crude oil prices stabilize at \$30/barrel over the next several years. In that case 2 million barrels/day would mean daily revenue of \$60 million or an annual income of \$21.9 billion. Now, assuming our

population to stand at 140 million, this means that the amount due to each citizen would be \$156.4/year.

If we factor in production costs (including staff salaries, payment of the military, etc) and company profits, we can safely say that the amount that would get to each citizen would be less than \$156.4/year.

ERA proposes that **rather than exploit new oil fields** with the attendant pollutions, human rights abuses and malformed political system, we should keep the oil under the ground and require **that every Nigerian pays \$156/year as a crude oil solidarity fund** (for want of a better name). This will bring additional revenues to whatever the country makes from current oil fields, including the corked ones.

ERA recognises that not every Nigerian can afford to pay \$156/year into the national coffers. We can reasonably expect about 100 million Nigerians to enthusiastically make this payment if the benefits are carefully made public. Those who can pay multiples of the minimum amounts would take up the amount the remaining 40 million Nigerians could not pay. International aid agencies, philanthropists as well as other countries can be approached to symbolically buy some barrels and the entire budgeted income would be met.

Moreover, by 2015 there would be more Nigerians^{vii} and the burden would thus be less. We also consider that the Naira would regain strength as corruption goes down and as governance becomes more transparent. If that happens, the Naira equivalent of the amount to be contributed by each Nigerian would further decrease. Note that these payments would not need to commence until 2015 and this will give us sufficient time to take caravans around the nation to explain the beauty of this economic move.

9-Point benefits of No More Oil Blocks:

1. Carbon capture and storage thereby tackling climate change
2. No oil spills and gas flares from new oil fields
3. No destruction of communities or high sea environments
4. No socio-economic ills related to oil field activities
5. Nigerians would have a direct stake in how national revenues are spent. There would be greater accountability and transparency. Moreover, hawks would no longer gather for so-called "excess crude cash."
6. Halt to the corrupt nature seen in the oil blocks allocation exercises
7. No bunkering since the oil will be left in the ground
8. Safe and clean environment
9. Reduction and ultimately elimination of violent conflicts in the Niger Delta

It is our considered opinion that the best foot forward for Nigeria is to halt new oil field developments and to leave the oil under the ground.

Oil in a Dead End

Decades of oil extraction in Nigeria have translated into billions of dollars that have spelt nothing but misery for the masses of the people. It is time for Nigeria to step back and review the situation into which she has been plunged. The preservation of

our environment; the restoration of polluted streams and lands; the recovery of our dignity will only come about when we stand away from the pull of the barrel of crude oil and understand that the soil is more important to our people than oil.

Oil blocks licensing has become a bazaar in Nigeria^{viii}. Huge signing fees are exchanged as though the players in the game were soccer or music stars. This signals the fact that there is something fundamentally faulty about the entire enterprise. This is the time for all Nigerians to demand that **no more oil block** should be given out for exploration or for exploitation. Nigeria was richer through her great agricultural produce before the ascendancy of crude oil as the major foreign exchange earner for the nation. Crude oil brought about crude actions in every realm of national life. ERA is making a modest contribution to give Nigeria a better future by urging the nation to look away from oil and at the same time keep a stable economic platform from where to leap unto greater heights. This will be through agriculture with supporting governmental structures. We must end our decades old dependence on oil rents that has damaged our national psyche and sense of commitment to nation building.

Let every Nigerian contribute to the national purse. This will make it clear to politicians that when they misappropriate public funds they are indeed stealing from the suffering people. Our life and our future are in our hands.

29 January 2009

End Notes

ⁱ This briefing note issued 29 January, 2009 in Lagos, Nigeria

ⁱⁱ <http://www.iht.com/articles/2008/07/31/business/oil.php>

ⁱⁱⁱ <http://wsws.org/articles/2008/aug2008/oil-a06.shtml>. This report indicated that “The major US oil companies appear headed for a combined \$160 billion in profits for 2008. That compares to \$123 billion in 2007. Exxon and other oil companies have rewarded their CEOs with multi-billion dollar payouts. Last year Exxon CEO Rex Tillerson cashed in \$16.1 million in stock options in addition to his \$1.75 million salary. He also received a \$3.36 million bonus. Conoco Chairman James Mulva received \$31.3 million last year.”

^{iv} Quoted in ERA/CJP, **Gas Flaring in Nigeria: A Human Rights, Environmental and Economic Monstrosity**, Amsterdam, June 2005. This booklet can be found at both www.climatelaw.org and at www.eraaction.org

^v ERA Fact Sheet on Gas Flaring, December 2008

^{vi} Multinational Monitor, *The End of Oil* (editorial), (Washington: January/February 2007 edition). P. 6. This issue of the Multinational Monitor illustrates, among others, that the “Corporate control of energy policy and energy resources, especially in the United States, the country that consumes more energy than any other, is the single greatest obstacle to slow and hopefully reverse the world’s headlong rush to disaster.”

^{vii} At a growth rate of 2.025%. See <https://www.cia.gov/library/publications/the-world-factbook/print/ni.html>

^{viii} New reports abound to show this. See for example, Obinna Ezeobi: **FG suspends oil bid rounds**, *The Punch*, Saturday, 23 Aug 2008 at <http://www.punchontheweb.com/Articl.aspx?theartic=Art200808231593070>