



**REPORT OF THE NATIONAL ECONOMIC COUNCIL
(NEC) AD-HOC COMMITTEE ON CRUDE OIL THEFT,
PREVENTION AND CONTROL**

**SUBMITTED TO
THE NATIONAL ECONOMIC COUNCIL**

SEPTEMBER, 2019

INTRODUCTION

Introduction

At the National Economic Council (NEC) meeting held on 18th October, 2018, following assessment of the continued negative impact of vandalism, crude oil theft and illegal bunkering of oil production activities, Council approved the reconstitution of the Ad-Hoc Committee on Crude Oil Theft, Prevention and Control under the Chairmanship of the Governor of Edo State, Mr. Godwin Obaseki

The Committee was constituted to address the following:

1. impact of vandalism, oil theft and illegal bunkering on oil production.
2. effectiveness of the activities of the JTF and other Security Agencies.
3. operational and legal bottlenecks.
4. policy guideline on oil theft prevention.
5. advocacy and sensitization of host communities.
6. consider the set-up of Special Courts to prosecute offenders.

Membership of the NEC Ad-Hoc Committee

1	Governor of Edo State	<i>Chairman</i>
2	Governor of Bayelsa State	Member
3	Governor of Rivers State	Member
4	Governor of Cross River State	Member
5	Governor of Akwa Ibom State	Member
6	Governor of Ondo State	Member
7	Governor of Delta State	Member
8	Hon. Minister of Finance	Member
9	Hon. Minister of Budget & National Planning	Member
10	Hon. Min. of State for Petroleum Resources	Member
11	Security Agencies	Co-opted Member
12	International Oil Companies (IOCs)	Co-opted Member
13	Permanent Secretary, MBNP	Secretary

Terms of Reference (TOR) of the NEC Ad-Hoc Committee

1. Restore and sustain the three major Oil pipelines, namely:
 - i. Trans Niger pipeline (TNP).
 - ii. Nembe Creek Trunk Line (NCTL).
 - iii. Trans Escravos Pipeline (TEP), in collaboration with the appropriate Agencies.
2. Assess the challenges and draw up a clear roadmap to guide further actions that would be taken by NEC towards finding a lasting solution to the problem;
3. Co-opt and/or invite any individual or corporate body deemed appropriate to facilitate the work of the Committee; and
4. Update Council at regular intervals.

**INAUGURAL MEETING OF
THE NEC AD-HOC COMMITTEE**

Methodology

- The Committee held meetings, reviewed presentations and submissions by members. The committee also consulted with security agencies, Pipelines Surveillance Contractors and other stakeholders to resolve the menace created by the activities of oil thieves/vandals and proffer workable recommendations and positive tracking mechanism for the prevention of oil theft, vandalism of oil and gas infrastructure.
- In order to unravel these challenges, the opinion of relevant stakeholders on the way forward was sought. A Sub-Technical Committee made up of Representatives of Oil Producing States, key MDAs, International Oil Companies (IOCs), Joint Task Force (JTF), Defence Headquarters (DHQ) and other relevant Security Agencies was constituted.

KEY FINDINGS

Losses on the Pipelines:

- NNPC reported that Nigeria in 2019 recorded a loss of 22.64million barrels of crude oil valued at USD1.35billion for half year and USD2.7billion for full year at a global oil price of USD60 per barrel. The losses were recorded on the following pipelines:

	PIPELINES	PIPELINE MANAGER	LOSSES
1	Nembe Creek Trunk Line (NCTL)	AITEO Eastern Exploration and Production Co. Ltd	9.2million barrels
2	Trans Niger Pipeline (TNP)	Shell Petroleum Development Company(SPDC)	8.6million barrels
3	Trans Forcados Pipeline (TFP)	Shell Petroleum Development Company (SPDC)	3.96million barrels
4	Trans Escravos Pipeline (TEP)	Chevron Nig. Ltd	877 Thousand barrels

The Pipeline Surveillance contractors in their briefing submitted as follows:

**Ocean Marine Solution
Ltd**

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1. Manages the Escravos - Warri, Bonny-Port Harcourt & Opuama - Otumara pipelines owned by NNPC;
2. Took over the management of the lines in 2016 and within three (3) years have sustained reduction of oil theft from 70% to about 10%; and
3. The Company was able to achieve this as a result of the following.
 - total commitment and dedication to work
 - robust engagement with host Communities along its right of way
 - signed and implemented a robust Memorandum of Understanding (MoU) with the Nigerian Navy.
 - built trust among its stakeholders with prompt payment of salaries and allowances and in return, the communities provide information and intelligence on the activities of oil thieves to the Company.

1. the Company since March 2016 has been managing the Warri – Kaduna system 2c pipeline segment owned by NNPC –PPMC;
2. the 613.5km 16inch crude oil pipeline runs from PPMC Warri in Delta State to Kaduna Refinery and Petrochemical Company Ltd (KRPC) in Kaduna;
3. the pipeline spans over the swampy and mangrove terrains of the Niger Delta environs to the forest of North-Central State characterized with high rate of militancy, kidnapping, herdsmen attack and other nefarious activities;
4. System 2c was completely out of service for several years due to large scale vandalism but was restored back to operations within four months of takeover by the Company;
5. large scale deployment of Nigerian Security & Civil Defense Corps (NSCDC), community guards and pipeline maintenance teams made this possible;
6. MRS efforts ensured successful and continuous pumping of crude oil from Warri to Kaduna from 2016 to June 2017; however,
7. the pipeline was shutdown in June 2017 at the instance of NPSC.

1. The Company manages the Nembe Creek Trunk Pipeline (NCTP) briefed the Committee on the Company operations and achievements as follows:
 - i. the NCTP has an installed capacity of 600,000 bpd but is presently delivering between 200,000 – 250,000 bpd based on level of production – the production level is characterised by high volatility i.e. high picks and low down
 - ii. the Pipelines that runs through the entire Niger Delta is characterised by multi-dimensional pipelines of 24” and 30” diameters; the pipelines carry crude oil for six oil companies – Shell, Eroton, Belema, Aiteo, etc and adopted human and technology to secure the pipelines.
2. The Company also highlighted the challenges of its operations, achievements and proffer a way forward namely:
 - i. weak or non-prosecution of arrested oil thieves by Government Security Agencies;
 - ii. slow or non-response by security agencies when alerted of breaches on the pipelines.

3. Close working relationship with the stakeholders to improve security on the pipelines through:
 - i. engagement with NNPC and Bayelsa State Government to ensure synergy among the key stakeholders;
 - ii. procurement of 70 boats to improve patrol which has also generated additional 120 jobs;
 - iii. consultation with the JTF to ensure that the boats are well manned and properly utilized;
 - iv. procurement of gun boats to be deployed to the security agencies;
 - v. built a Liaison Office in its operational base in Mede as well as full Office complex in Yenegoa in Bayelsa State; and
 - vi. recommends a 24/7 patrol of the six major waterways linked to the pipelines from which stolen products are moved to the high sea.

- 4 1. The Company reported that most of the crude oil losses on its operation- East and West are in the Trans Niger Pipeline (TNP) irrespective of the discrepancy on the volume of loss reported.
2. The Company with the aid of an aerial-view map of the TNP pipeline route shows that the TNP is separated into eleven (11) zones for effective surveillance. TNP is a network of pipelines that started from Bonny Creek in Port Harcourt, through Ogoniland, Imo River, Rumuekpe to Oguta and also from Bonny through Belema, Soku et.c Traversing Rivers, Bayelsa and Imo States.
3. It was reported that the surveillance of these pipelines were in two layers: Community Based Surveillance, where unarmed indigenes of the host communities were hired to monitor and gather information on any interference on the pipelines and to report to the security agencies. However, these surveillance crudes find it difficult to cope with the pipelines vandals who usually overpower them with their sophisticated ammunitions. The second mode is being carried out by the Operation Delta Safe, in collaboration with other security agencies.

4. The second layer is full coverage of the 11 zones of the TNP by deployment of Government security Agencies for more effective surveillance and rapid response to deter and stop the armed vandals.
5. The presentation highlighted that the 11 zones of their surveillance area on the TNP had a total of 225 aversions by Government Security Agencies but the company recorded 108 incidences in the last 6 months of 2019. The vandals are very daring and operate mainly at night. It was further reported that SPDC in collaboration with the security agencies had deployed technologies like the drones for night surveillance, mostly in difficult terrains where most of the infractions occur. The company believes that the following actions will curb the menace of crude oil theft:
 - a. empowerment and job creation Programmes in the oil producing States to redirect the energy of the youths to more productive activities;
 - b. maintenance of law and order in remote areas;
 - c. quick prosecution of criminals involved in crude oil theft; and
 - d. efficient storage and disposal of recovered stolen crude oil including destruction of seized vessels and boats and ancillary equipment used for crude theft and illegal crude oil refining to prevent them from being recirculated for illegal operations.

**ISSUE SUMMARY,
RECOMMENDATIONS AND ACTION PLANS**

ISSUES SUMMARY, RECOMMENDATIONS AND ACTION PLANS

The committee evolved a summary of issues and recommendations from various submissions and consultations with key stakeholders in the following impact areas.

1. Governance Structure for the various strategic pipelines
2. Legal Framework
3. Recovery and Handling of Stolen Products
4. Disposal of Scrap Metals/Vessels/Containers
5. Market for The Stolen Crude Oil
6. Socio-Economic Environment
7. Funding of the Projects

1. Governance Structure for the various strategic pipelines

Issues

The need for a governance structure to allow for proper accountability on the pipelines; The Committee, observed that are three (3) scenarios as follows:

1. Operators owns and secure the pipelines;
2. an operator owns the pipelines but outsourced the security;
3. having different ownership, operator and security of the pipelines; and
4. An operator secures the pipelines but not the owner.

Recommendations

- The pipelines should be temporarily release to NNPC in the short term and then offer them out through lease arrangement or other feasible terms.
- It was also recommended that after this exercise, a Contract Agreement for Surveillance of the pipelines can be effected. This, the Committee believes will reduce ineffective community surveillance.
- The successful surveillance contractor in the west has an arrangement where the Security Agencies, communities and respective States are fully involved.

Action Required

To put in place a governance structure for the various strategic pipelines.

Responsibility Party

MPR, NNPC, DPR, FMJ and IOCs to consult on how to go about the process within One (1) year.

2. Legal Framework

Issues

- slow prosecutions of oil thieves
- weak legal framework

Action Required

- set-up Special Courts to try offenders
- appoint and train special Judges to handle cases of oil theft and vandalism
- set-up Legal Task Force to coordinate the prosecution of arrested offenders
- set targets and deliverables for the Legal Taskforce
- to brief NEC Committee on a monthly or quarterly basis on deliverables
- set aside special funding to aid the operations of the Legal Task Force.

Recommendations

- a. Appoint Special Judges to handle such cases
- b. the need for speedy and diligent prosecution of arrested culprits to serve as deterrent.
- c. Identify the oil thieves and their sponsors so that the security agencies can arrest and prosecute them.
- d. Amend the existing legislation on criminal justice to be able to address current challenges.
- e. Convene regular meetings of Service Chiefs, NNPC, IOCs, Federal Ministry of Justice and the NEC Committee members with the Vice President be convened to secure their buy-in.

Responsibility Party

- a. Federal Ministry of Justice (FMOJ)
- b. Nigeria Judicial Council
- c. Prosecuting Agencies (NSCDC, EFCC, NPF, FMOJ)

3. Recovery and Handling of Stolen Products

Issues

- Poor handling of recovered products due to the lack of adequate evacuation, transportation, reprocessing and storage facility for recovered stolen crude oil products.
- The Committee observed that most often, the stolen products are destroyed leading to pollution of the environment.
- Conflicts as to which agency of Government should be responsible for disposal/evacuation of recovered assets.

Action Required

The detailed required actions are on slide 23 & 24

Recommendations

- Evolve strategies to aid the recovery and value adding reprocessing of these products including sighting modular refineries in remote communities to create jobs and provide petroleum product to end illegal crude oil refining practices.
- **For disposal of recovered stolen crude oil and Petroleum products:**
 - Engagement of Third-Party contractors for the disposal of recovered crude oil and petroleum products due to its varied advantage including upfront payment of proceeds into the Federation Account and cost savings from the combined logistics of evacuation, transportation and disposal operations.

4. Disposal of Scrap Metals/Vessels/Containers

Issues

The Committee further deliberated on the modalities of disposing vessels, tanks, scrap metals and containers that were seized alongside with the crude oil and petroleum products.

Responsibility

- a. **NNPC**
- b. **Department of State Security Services (DSS)**
- c. **National Intelligence Agency (NIA)**
- d. **Ministry of Foreign Affairs**

Recommendations

The Committee recommended the disposal of seized vessels, related tools like pumps, metal storage tanks, plastic storage tanks, cutters, valves, generators, engines, saws and welding equipment:

- a. Arresting agency hands over copies of digital evidence to prosecuting agency (within 7 days)
- b. Security Agency notifies appropriate superior authorities of available metals and equipment for disposal
- c. Forfeited items should be channelled to Ship Scrap Yard for crushing and the returns from the exercise paid into the Federation Accounts.
- d. Defence Headquarters (DHQ) and the NEC Secretariat to audits seized inventory quarterly and approves the items to be auctioned.

Action Details On Recovery and Handling of Stolen Products

Impound vessel containing crude oil product

Where a vessel is impounded with crude oil or petroleum products, the prosecuting agency shall approach the Court for an interim order for the disposal of the crude oil or products pending the determination of the case in line with the Harmonized Standard Operating Procedure (HSOP) document.

Disposal order issued in line with the HSOP

The Court order application by the prosecuting agencies for disposal of forfeited crude oil/petroleum product shall be specific regarding the appropriate agency (NNPC) to whom the disposal order will be issued in line with the HSOP.

Prosecuting agency shall hand over the seized products to NNPC for necessary disposal

Having obtained the order, the prosecuting agency shall hand over the seized products to NNPC for necessary disposal with other relevant agencies in line with the HSOP.

Issuance of necessary certification

NNPC, DPR, other relevant Security Agencies and the engaged service provider shall visit the place of incident (Locus Inquo) with a view to ascertaining categorization of the liquid and quantity and issuance of necessary certifications.

Disposal of product In-Situ through one of the third-party handlers

On the categorization of the relevant liquid, the ascertained liquid shall be disposed In-Situ through one of the third-party handlers' subject to the prescribed pricing mechanism as highlighted below.

The proceeds from such disposal would be kept in a designated escrow account

The proceeds from such disposal would be kept in a designated escrow account to be established by NEC or directly remitted into Federation Account except where the Court otherwise directs, then the proceeds would be kept in Court's interest yielding account pending the determination of the suit.

Channelling of forfeited scrapmetals, vessels or other such materials to Scrap Shipyard

Channelling of forfeited scraps, metals, vessels, tanks, containers or other such materials to Scrap Shipyard crushing and melting subject to NEC approval.

4. Market for The Stolen Crude Oil

Issues

The Committee was briefed on the internal and external markets of stolen crude oil. These markets include Ghana as well as some neighbouring countries where Nigerian refined petroleum products are sold due to price differentials.

Recommendations

The Committee recommended that NNPC should engage the National Intelligence Agency (NIA) to identify these markets especially the external ones and explore Diplomatic means to tackle it. For internal market, which include illegal volume swaps, onshore transportation of crude oil/illegally refined products for sale across Nigerian border posts, feeding the illegal refineries, NNPC assured that the market can be eliminated with the cooperation of the International/National-Oil Companies (IOCs) and Government Security Agencies.

The Committee also proposed the provision of additional resources to acquire the necessary facilities and equipment to effectively block all the identified channels to the open/ high sea through which the vandals convey the stolen crude oil/ illegally refine products outside the country.

5. Socio-Economic Environment

Issues

- a. The Committee noted that most filling stations in the oil producing communities lacked petroleum products which made them to resort to illegal bunkering and refineries.
- b. The rate of youth unemployment in the region is high making them available to be engaged in oil theft and pipelines vandalism as a means of livelihood.
- c. The state governments in the oil producing states with 13% derivation and the NDDC have traditionally provided programmes and projects that impact on the lives of the people in the communities. This, however, does not allow the communities to take ownership and protect the pipelines against vandals.

Recommendations

- a. Governors of the Oil producing States should initiate programmes and projects to develop their Communities with the 13% derivation allocation.
- b. The Niger Delta Development Commission (NDDC) should implement programmes and projects that will be impactful.
- c. Delink International Oil company (IOC) production cost which is covered by the joint venture cash calls from the Losses on the pipelines.
- d. Create employment for the Youth of the oil producing communities and make petroleum products available in these communities aimed at reducing hardship and criminalities in the region.
- e. Need for continuous advocacy and sensitization of host communities and securing their buy-in.

6. Funding of the Projects

Issues

The Committee noted that there are funding gaps for operations, procurement of equipment and logistics of the security agencies.

Recommendations

No Precise recommendation has been made here.

Other Recommendations

- i. The need to undertake study tour to Saudi Arabia, Abu Dhabi, Mexico and Azerbaijan to garner experience on how these countries manage their pipeline infrastructure. It was reported that Mexico has the highest record of oil theft and pipeline vandalism, while Azerbaijan and Abu Dhabi has near zero record of incidences;
- ii. Need to establish a robust Command and Control facility at the Office of the National Security Adviser (ONSA) to ensure that the activities of all stakeholders in tackling the challenge was well coordinated in order to avoid duplication of effort and security of the national asset. To achieve this objective, Government Security Agencies need to scale up their operations while adopting a Central Command structure including establishment of Rapid Response Centres near the key pipeline facilities for immediate actions against infractions;

Other Recommendations

- iii. Need to setup an Implementation Committee comprised of NSCDC, Military, ONSA, NNPC and IOCs to plan the Implementation of the rapid response platform as the platform for intelligent gathering on the mitigation of pipeline vandalism;
- iv. Need to expand the scope of the National Social Investment Programmes in the oil producing communities to engage the unemployed youths in those areas to redirect their energies to productive use and avert them being used for bunkering and oil theft;
- v. Surveillance contracts should have built-in insurance measures, so that the companies are held liable for theft or damage carried out in their area of operational responsibility;
- vi. NNPC and IOCs should initiate a programme of replacing aged or obsolete and surface pipelines with non-corrosive pipes buried deeper than what obtains presently;
- vii. Similarly, it was recommended that there should be strict monitoring of oil companies to address issue of false crude pumping whereby more of water than crude are being pumped into the terminal.

Prayers

The National Economic Council is hereby invited to note:

- i. that NEC at its meeting of 18th October, 2018 reconstituted the Ad-Hoc Committee on Crude Oil Theft, Prevention and Control under the Chairmanship of the Governor of Edo State with other members listed at paragraph 1.1 above;
- ii. the Terms of Reference of the Committee detailed in para. 1.2;
- iii. that the Committee had its Inaugural meeting on Thursday 13th December, 2018 and approved the setting up of a Technical Committee to review the ToR as well as the work done by the previous Committee;
- iv. the Committee adopted a variety of approach in executing its assignment including meetings, review of presentations, and other submissions by members;

Prayers

- v. the Committee findings include the report that Nigeria in 2019 recorded a loss of 22.64million barrels of crude oil valued at USD1.35billion for half year and USD2.7billion for full year at a global oil price of USD60 per barrel;
- vi. other findings of the Committee are stated at para. 4.2 to 4.8 of the Report;
- vii. the Committee amongst other recommendations request the implementation of a governance structure for the various pipelines which are national assets to hold the operators accountable for any loss of revenue to the Federation as a result of pipeline vandalism or oil theft;
- viii. that the work of the Committee is not terminating with the submission of this Report; and
- ix. adopt the Report of the Committee for implementation by all stakeholders as this will go a long way to address the issue of oil theft and vandalism in the industry.

Thank You