

Allegations that Nigeria lost billions in oil cash stirs anger

LAGOS, NIGERIA: A probe alleging Nigeria has lost out on tens of billions of dollars in recent years through questionable practices in Africa's biggest oil-and-gas industry has stirred controversy and calls for action.

The report from a government-appointed task force has not been officially made public, but leaked copies have generated strong responses from officials, the state oil firm and private companies, which dispute many of its findings.

Anti-corruption activists seeking changes to an industry that operates with little transparency and which has long been seen as awash with graft have sought to pressure the government into addressing the problems alleged.

The 139-page report, a copy of which has been obtained by *AFP*, is a rare look at the inner-workings of an industry that provides Nigeria with more than two-thirds of government revenue and nearly all of its export earnings.

It alleges that Nigeria's government has been short-changed billions of dollars due to issues including unpaid royalties, exchange rate disparities, theft and pricing discrepancies.

It questions Nigeria's bidding process that grants licences to oil producers as well as the practice of using private traders to act as middlemen in certain aspects of the industry, which it says creates obvious avenues for graft.

Some examples of the amounts the report says Nigeria may have lost or is owed include:

- US\$29bn due to what appeared to be lower-than-usual prices for gas sales to NLNG, whose shareholders include Shell, Total, ENI and state oil firm NNPC
- More than US\$6bn a year through crude theft. It says there is evidence members of the security forces profit from it.
- US\$4.6bn due to price discrepancies in domestic crude sales
- US\$3.03bn in unpaid royalties
- US\$947m from gas produced from a Shell offshore field
- US\$560 million in unpaid signature bonuses

Most of the findings were based on a review of the industry between 2005 and 2011, though some data goes back to 2002.

NNPC disputes much of the report, saying there were major flaws in calculations alleging price discrepancies, exchange rate disparities and apparent losses linked to gas.

The state firm argued in a statement which detailed its objections that it had presented its analysis to the task force.

"We therefore question the basis of the decision of the task force to ignore this information and data which would have ably assisted it in arriving at verifiable conclusions and recommendations without misleading the public as the report clearly did," it said.

Shell also refuted the findings that it owed Nigeria for gas produced at its offshore Bonga field.

"That allegation is incorrect but we cannot comment further as we do not know the basis of the calculations that yielded the US\$947m number," Shell said in a statement in response to questions from *AFP*.

Concerning sales to liquefied natural gas firm NLNG, Shell said an analysis based only on end-user prices would be wrong since it did not consider costs related to transport and processing, among others issues.

Among the other shareholders in NLNG, France-based Total declined to comment on the report, saying that "to the best of our knowledge it has not been adopted by the federal government of Nigeria."

Italy's ENI referred questions on that specific matter to NLNG, which issued a statement disputing the findings in line with Shell's.

The report has been presented to President Goodluck Jonathan, who has appointed a committee to study it. Such reports are often quickly forgotten in Nigeria, though anti-graft groups have pressed for action.

Instead of using the findings "to combat impunity for corruption in the oil sector, the government has embarked on a widespread public campaign to rubbish the report of a task force that it voluntarily commissioned," prominent anti-graft organisation SERAP said in a statement.

The task force was appointed in February after a nationwide strike and protests brought tens of thousands of people into the streets. It was led by Nuhu Ribadu, a former head of Nigeria's anti-graft agency.

The protests were sparked by an attempt to remove fuel subsidies, which Nigerians view as their only benefit from the oil industry because they keep petrol prices low.

However, the demonstrations grew to embrace a range of issues, particularly corruption in a country viewed as one of the world's most corrupt.

The government was forced to take action, partially reneging on fuel subsidies and appointing the task force.

President Jonathan, speaking during a recent televised question-and-answer session, sought to assure a sceptical nation that corruption in the oil industry was being addressed.

"There was never a time that the oil industry has been so attacked from all angles, because a number of Nigerians feel that a lot of wrong things are being done," he said.

Source: *AFP* via I-Net Bridge

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