

## **Sociology of Crude Oil Stealing**

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The business of stealing crude oil from pipelines is big and profitable in Nigeria. It is sophisticated and the return on investment is comparable only to fuel subsidy manipulations. Those who engage in this illicit trade have their own style, norms, culture and modus operandi. The uninitiated cannot fathom the depth or the level at which the operations are run. The kindergarten level in the business is illustrated with the occasional scooping of refined petroleum products from vandalised pipelines into plastic cans often seen on television or published in newspapers.

Crude oil theft, a.k.a oil bunkering, is a lot bigger. The racket is so structured and profitable to the extent that the thieves, sorry businessmen, make more money than the combination of legitimate Nigerian indigenous oil and gas exploration and production companies.

### **Big Business**

Today, crude oil theft in Nigeria has grown to become somewhat established run with style and panache and showcasing the trappings of authentic international enterprise. It is more than a cult!

Crude oil thieves regularly create holes in the pipelines that crisscross the creeks in the Niger Delta, insert valves – a highly risky practice that often manifests in explosion and/or death – and pump the crude into their own storage facilities. When they get daring, the thieves steal directly from the wellhead. In other instances, oil thieves hijack tankers laden with crude oil. Crude oil loading at designated terminals has also become subject to attack by thieves. A government official was reportedly quoted as saying that crude oil loading at the terminals is restricted to a period of six hours every day in view of the security situation.

Often times, stolen crude oil is initially moved using small barges before the loot is transferred into huge super tankers which transport it across the globe. In some cases, stolen crude oil from Nigeria is exported by barges for refining in other parts of West Africa or shipped to distant destinations such as Brazil or Eastern Europe.

The volume of crude oil stolen in Nigeria on a daily basis is not known. Conservative estimate puts it at a minimum of 100,000 barrels of crude per day. Others put the figure at 300,000 barrels per day. A 2009 report states: “there are indications that crude oil theft from the upstream sector of the oil industry in the country has worsened in the last six months, accounting for about 680,000 barrels per day of about 1.3 million barrels per day”.

Indigenous oil and gas companies in Nigeria cumulatively produce an estimated total of about 80,000 barrels per day. Using the conservative estimate of 100,000 barrels per day, the oil thieves steal 125 per cent of what legitimate local operators produce without the associated cost of production. In addition, unlike the legitimate producers, the oil thieves do not pay tax.

At \$100 per barrel of oil, 100,000 barrels would fetch the oil thieves \$10 million per day (N1.5 billion at N150 to the dollar). Even from the turn over, it is crystal clear that the man on the street can not engage in the elite business described as crude oil stealing.

### **Threat to the economy**

The oil and gas industry as well as the government lose billions of dollars to oil thieves. Industry operators lose revenue as a result of the theft. They are also subjected to additional cost as a result of damage to pipelines that require repairs. Equally, they incur additional expenditure on security.

The criminal nature of their business discourages oil thieves from subjecting their income to taxation. As a result, government loses significant amount of money otherwise payable as tax. Expectedly, the situation reduces the amount of money accruable to the federation account and by implication, the amount of money available to government to fund social services and infrastructure (sorry, amount of money available to be shared in Abuja).

Take the case of Shell Petroleum Development Company (SPDC), for example. In April this year, the company raised an alarm over increased crude theft activities on the new Nembe Creek Trunkline (NCTL), barely 16 months after the old line was replaced due to repeated sabotage. According to SPDC, the line was shut down in December 2011 because of leakage caused by two failed bunkering points. Since the repairs were completed, more than 50 “theft valves” have been discovered. In one case, SPDC said, some 17 illegal bunkering points were found within a distance of 3.8km.

“The level of crude theft at NCTL can no longer be tolerated,” Country Chair of Shell Companies in Nigeria and Managing Director SPDC, Mutiu Sunmonu told journalists. “There have been multiple facility trips caused by pressure drops resulting from illegal off take. This is more than Nigeria losing money from lost production, costly repairs and clean-up and facility downtime. It is a sad story of consistent pollution of farm lands and rivers by people who are not bothered by the effects of their actions on the environment. The Shell Petroleum Development Company of Nigeria Joint Venture suffers a daily loss of at least 43,000 barrels to crude theft and illegal bunkering in a trend that negatively impacts the environment, robs the country of badly-needed revenue and fuels criminality in communities”.

Sunmonu said that the SPDC’s Nembe Creek Trunk line was replaced in 2010 at a cost of \$1.1bn. “The new line is still a favorite target of crude thieves” he added.

The criminals are neither concerned about the safety of the environment, nor are they concerned about their own safety. In the course of stealing, the labourers hired by the thieves expose themselves to potentially disastrous situations such as blowouts and fire outbreaks - incidents for which they are not prepared. On several occasions, the oil thieves have reportedly been stewed in their own juices, getting killed or suffering severe burns when Mother Nature brings down disaster.

### **A Social Problem**

Crude oil stealing is creating a deeper damage with social consequences. The situation is breeding a generation of disgruntled youths that see oil thievery as a career alternative. Some young recruits would not allow the many lives lost in the

course of the nefarious activities to discourage them from a job that pays better than most legitimate occupations.

“A lot of people have died in this illegal activity, they get terrible burns,” said a source familiar with the situation. It estimated that a local oil smuggler in Nigeria earns up to \$2,000 to \$3,000 per shipment. Some thieves who masquerade under the guise of agitating for improved living conditions in Niger-Delta take advantage of the restive nature of the region to pillage the pipelines and wellheads.

“Crude theft is a crime, we should not give excuse to people stealing crude in the name of resource control or agitations,” said Sunmonu, while speaking to delegates at an oil and gas conference in Abuja.

The issue of crude oil theft is only symptomatic of a broader societal illness. Everywhere you look, the same underlying motivations are driving men and women into committing heinous economic crimes against the state. Many powerful members of the Nigerian elite superintend the system through which the country is looted dry by means of payments for subsidies on petroleum products that were never supplied. What of bribery? From ministers to office assistants, the country is held hostage by officials who must be paid kick-backs before they do their work. The result is a depleted treasury and a bourgeois class of bureaucrats who live in obscene opulence. What about the ex-governors and their loot, the wonder bankers, etc?

The fight against crude oil theft ought to be urgent. The big worry, however, should be the general disposition towards all these economic crimes. While the big stick should come heavily on the criminals, the motivation that drive people to these lengths should attract the attention of the lawmakers in Abuja. After all, they investigate these issues. Indeed, several people are wondering why the Senate and the House of Representatives have not made an oversight trip to the locations where crude oil is stolen or set up a Farouk committee to investigate crude oil stealing!!!

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