

Shell, Nigeria and the Record Price of Oil

Written by John Donovan

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JOHN DONOVAN, MAR 7 2008

The extraction and drilling of petroleum in Nigeria is the largest industry and main generator of GDP in the West African nation which is also the continent's most populous. Since the British discovered oil in the Niger Delta in the late 1950s, the oil industry has been marred by political and economic strife largely due to a long history of corrupt military regimes and complicity of multinational corporations, notably Royal Dutch Shell.

The above is the current opening paragraph of the Wikipedia article "Petroleum in Nigeria". Although all oil companies operating in Nigeriahave faced the same basic problems, Shell has acquired far and away the worst reputation, particular in the Niger Delta with minority ethnic groups. This stems from alleged exploitation of oil and gas resources and environmental pollution resulting partly from long term gas flaring.

There is also a residual bitterness from Shell's alleged association with the hanging on false charges of Ogoni campaigners, including Ken Saro-Wiwa, the playwright and author who, like Ghandi, advocated entirely peaceful protest.

Before proceeding further, it is appropriate to declare that I operate a news based website – royaldutchshellplc.com – focused on the activities of Shell. In July 2008, the One World Trust, an independent organisation affiliated to the UN and the UK Houses of Parliament, said that we had shown "the power an individual website can have in holding a global organisation to account". The same article observed that "the Ogoni tribe of Nigeria also use the website to spread information about Shell's activities in the Niger Delta". Eminent energy journalists such as Ed Crooks of the Financial Times and Max Delany of The Moscow Times have written front page stories based on information and leaked Shell documents we supplied. If the authenticity of any leaked information is suspect, we verify it with Shell before using the material. For this reason the credibility of our Shell insider information is extremely high.

In 2004, a confidential document meant solely for Shell internal consumption was leaked to us. The 93 page report by WAC Global Services was entitled: "PEACE AND SECURITY IN THE NIGER DELTA". Its leakage resulted in a number of news stories. The following are three examples, all published on 11 June 2004, citing findings in the report that Shell fuelled conflict, poverty and corruption through its activities inNigeria.

BBC News: Shell admits fuelling corruption

CNN News: Shell admits blame in Nigeria

The Times: Shell 'may have to abandon Nigeria'

As such, there is no shortage of controversial subjects and issues arising from Shell's presence in Nigeria. I will, however, in view of time and publication constraints, focus on one subject of topical interest – the link between oil production cuts in Nigeria resulting from militant attacks and the record high cost of oil which threatens global financial stability.

We publish hundreds of news articles every week and they frequently include reports of attacks by militants on Shell infrastructure in Nigeria. Many reports have correctly linked rising high oil prices with the hostage taking and the militant attacks, some of which have resulted in the death of Shell employees. The following extract is from a report in The Scotsman on Friday 13 July 2007: "The attacks have contributed to a drop in production of about 25 per cent,

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driving up oil prices worldwide with no end to the kidnappings in sight”.

Until recently Shell was the undisputed leading oil producer in Nigeria. To the outside world Shell appears to be an unfortunate victim of regular attacks by militants on its employees, pipelines and installations which drive up the price of oil. The true circumstances are more murky and disturbing.

We carried out some research after being contacted by a Shell Nigeria insider who said that senior colleagues had a commercial relationship with militant leaders of gangs carrying out the attacks. We established that the source was authentic. Indeed, to our surprise we discovered that The Financial Times had already confirmed the basics of our source's allegations (see “Shell gives Nigerian work to Militant companies”). Two possible interpretations come to mind.

The first is that Shell entered into the murky dealings against the backdrop of a very difficult situation and with the worthy objective of keeping the oil flowing, believing this would be in the best overall interests of Nigeria and Shell stakeholders, including Shell Nigeria employees.

The less attractive possibility is that there is much more money to be made by Shell on a global basis by stemming oil flow from Nigeria than in keeping it flowing. Production cuts due to militant attacks take place with alarming frequency. It only takes a small crimp in the oil pipeline applied on a regular basis to drive up the global oil price and keep it at a high level, thereby generating billions of extra dollars in annual profits: in the case of Shell alone, \$27 billion last year.

However, neither interpretation is compatible with Shell General Business Principles pledging among other things honesty, integrity and openness in all of Shell's dealings.

If Shell had stuck to its principles then it would not have ended up with the admissions in its own internal report. Furthermore the reserves scandal would not have occurred and Shell's reputation in Nigeria and elsewhere would still be intact. Instead of setting an example in a corrupt political and business climate, Shell management took the easier path.

As a long term Shell shareholder I would like the company to conduct its business in accordance with its own stated business principles. That does not seem an unreasonable ambition under the circumstances. If Shell could convince the Ogoni and other minority ethnic groups in the Nigerian Delta of a conversion to a genuinely ethical policy, rather than one used perhaps only for public relations purposes, then they might be able to make a fresh start in Nigeria. Unfortunately, the time for making any such transformation appears to be running out and the fears expressed in the report that Shell will have to abandon Nigeria may come to pass.

John Donovan maintains the website royaldutchshellplc.com with his father Alfred. The website has broken a number of major stories on Shell and has become a hub for activism against the company. The One World Trust asserts that it has cost Shell billions of dollars by exposing damaging documents leaked by former employees. Further information about the website and the author can be found [here](#)