

MANAGING CRISIS AND THREATS TO OIL INSTALLATIONS IN THE NIGERIAN ECONOMY; A CONTEMPORARY STRATEGIC STUDY

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Abstract

The frequent cases of vandalism of installations and disruption of oil companies' operations in (lie Nigerian economy have been a source of great concern to investors for a long time. The immediate past year, in particular, had its fair share of such upheavals, even with increased security and welfare - oriented initiatives. This study addresses these issues; identifies a strategic missing link, relating to little/or no coordination of private, public, and communal security apparatus in the affected areas. Using relevant data from literature and The Shell Petroleum Development Company (SPDC) Limited, chi-square (χ^2) statistical method-was applied in analysis. Given the significant level of the number of such disruptive events, it is recommended that the *partnering/networking* option be promptly explored while indigenes of host communities should be more enlightened on how and where to channel their development expectations.

Introduction

Oil prospecting is believed to have started in Nigeria as far back as 1908 when a German company - the Nigeria Bitumen Corporation started exploration in the Araromi area of the present Ondo State. This pioneering effort however, ended with the outbreak of World War 1 in 1914.. After a break of twenty-three (23) years, oil prospecting resumed in Nigeria. Shell D' Arcy, now known as The Shell Petroleum Development Company (SPDC) was awarded the sole concessionary right in this regard. It was to cover the whole of Nigeria. However, in 1955, oil was discovered in commercial quantities in Oloibiri, in present day Bayelsa State of Nigeria.

Oil production in Oloibiri field by SPDC started at the rate of 5,100 barrels of oil per day (bpd). The quantity doubled the following year and crude oil export from Nigeria rose to two million barrels per day in 1979. Nigeria thus attained the status of a major oil producer, ranking seventh (7th) in the world by 1979 and later the sixth (6th) largest oil producing country in the world (Central Bank of Nigeria, 1983), SPDC is still Nigeria's largest and longest - standing corporate development partner (SPDC, 1998; SPDC, 1999).

Within Nigeria's oil producing regions, SPDC has projects across all the states in the South-South geo-political zone of the country, affecting the lives of over six million people. Its investments in the region cover the provision of social services and economic infrastructure. Over the years, SPDC has incorporated development partners at various levels such as the International Institute of Tropical Agriculture (IITA), universities and research institutes, bilateral and multilateral donor institutions, local and international non-governmental organizations and government agencies at all levels.

In spite of these efforts geared towards developing social and economic life in these oil-producing communities, stakeholders' dissatisfaction still persist, considering the number of attacks and disagreements between oil companies and host communities. SPDC, for instance, after more

than 40 years of oil production and relationship management, is still grappling with the problem of effectively blending development project efforts and the human elements through communication.

Many indigenes of the Niger Delta Region feel strongly that they are yet to have a fair share of the oil revenue available in the country. Basic indices of development such as electricity, potable water, roads and medical facilities and services are still not available in the area. Even more than that, is the feeling that the presence of these oil exploration and exploitation companies is threatening the fate of future generations in these areas. A rapidly growing population and a high rate of urban migration, in response to the oil economy has put so much pressure physically and socially on the society.

Anger is growing with increasing militancy, threatening the traditional social order in many of these communities. There are numerous cases of deforestation, land and water pollution, while value systems are increasingly being challenged, as militant youth groups now openly confront their elders, who hitherto were highly respected as community leaders. Some younger women are taking on socially derogatory life styles such as prostitution in their bid to access the opportunities brought about by the oil economy. This situation tends to a fragmented and unproductive relationship that cannot bring about enduring development.

This study, in addition to examining various perspectives of the subject - matter of this paper, analysed various cases of upheavals recorded by the SPDC all through the year 2002, in all its areas of operation. The main hypothesis (H) was:

HO; There is no significant difference in the cases of hostilities against oil company operations in Nigeria at areas A, B, & C and GPHC and T.

The profile of incidences considered relate to assault, blockage, bunkering, demonstration, disruption, facility shut-down, hijack/seizure, hostage taking, invasion, and kidnap. The SPDC being the foremost oil company in the Nigerian economy was adopted as representative organization. One of the intractable challenges facing the Nigerian oil industry today is that of worsening operating business environment occasioned by high security threats from host communities.

The management of risks to oil companies assets is complex, having to do with erroneous/malicious practices, crime, civil disorder, political insinuations, tribal/community agitations, militant activism, extremism, terrorism, and conflict/confrontations. Like wild fire, communal crises have been spreading over the Niger Delta Region. In recent times, it has assumed a frightening magnitude, giving rise to what is now known as the *Niger Delta problem*.

Youths now spear-head violent agitations against the oil companies, and in most cases, staff are either kidnapped or mal-handled. Furthermore, companies' vehicles, aircraft, boats and other means of transportation are hijacked, while other valuable properties get stolen, destroyed or brazenly seized even in broad day light, all in the name of community agitation (Bassey, 2003; Ekanem, 2001; Iwuoha, 2000; Uzukwu, 1998). Whenever the host communities have internal disagreements and are unable to resolve them amicably, the oil companies get the brunt.

For instance, when public utilities such as water, electricity, etc. fail, oil companies become the targets.

Some communities specialize in breaking pipelines with a view to causing spillage so that they can claim compensation whilst others would at the same time look for contracts to clean the spillage resulting from the vandalised pipes. Another dangerous dimension to the ugly phenomenon is the burning desire by some communities who want to have control of the mineral resources in their area and have decidedly given the oil companies 'quit order'¹ or face dire consequences. It is in this

light that the responsibility for a secure operating environment is seen as a collective task. While industrial security is concerned with protecting the oil organizations' assets and personnel, the government's law enforcement agencies protect the society, of which the oil companies are a part. Essentially, there are many sources of threats of sabotage to oil installations, which have been identified to include the following:

- a) **Landowners of where oil installations are established;** Many people mistakenly think that illiterates do not know the role which oil plays in the survival of this nation. Nigerians believe that the revenue derived by the Federal Government of Nigerian is a national cake, which must be fairly shared. Thus, communities on whose lands oil installations are located strongly demand -compensation. Often, they give stiff conditions to the oil companies, including: employment of their sons and daughters at a high percentage in the oil installations,
 - i) provision of electricity,
 - ii) provision of potable water,
 - iii) tarring or maintaining of roads within the communities, and
 - iv) granting of scholarships to the indigenes, amongst others.

The communities see these demands as their legitimate right, which many contend is quite in order. However, their approach which ultimately results to violence, loss of lives and property are very unconventional. In the event where the authorities of the oil installations fail to accede to the requests of the communities, they take the law in to their hands,

- b) **Illegal Oil Dealers:** These individuals form syndicates, and use various tactics in carrying out their activities. They, among others, collude with the workers at the installations and with highly

placed oil company officials to indulge in unhealthy practices, use fake documents to defraud the government and oil companies, and take pleasure in siphoning of oil by vandalizing oil pipe lines.

- c) **Disgruntled elements:** These include people, who, for one reason or the other have an axe to grind with the government, including banned politicians, retired officers (civil /military), and others. They instigate communities to make subtle demands which if not met results in confrontation with the owners of the oil installations. When crisis erupts, operations are disrupted at such oil installations, which result in loss of revenue, even to the government.
- d) **Oil Pollutions and Spillages:** These often generate conflicts between communities and oil producing companies when their requests and reparations are not met. They usually have far reaching effects on the socio-economic lives of the people.

It is also worthy of note that, there exist numerous factors which undermine efforts aimed at managing crisis and threats to oil installations in Nigeria. They include:

- (i.) inadequate/ineffective security,
- (ii.) poverty of the indigenes,
- (iii.) oil company workers who complain of poor fringe benefits and other welfare items,
- (iv.) inadequate/incompetent manpower, for effective monitoring duties,
- (v.) little/no intelligence penetration of affected communities, and
- (vi.) little/no co-operation among security agencies detailed to provide the coverage of the oil installations in the oil producing areas. (Demas Consulting, 1999).

Methodology

Secondary data for (his study were gathered mainly from relevant literature on communal crisis management, industrial security strategy, and general oil/gas sector dynamics. The primary data comprised records of various disruptive incidences relating to SPDC all through 2002, covering all their operational areas in the Federal Republic of Nigeria. The instruments used in the data collection process included interview schedules and requisitions for relevant reports from the selected oil company. The statistical methods for data analysis and test of the hypothesis (H) were tabulations and chi-square (X^2) technique. A 99% level of confidence was specified for the purpose of data analysis.

Results

Given the details contained in Table 1 below and the statistical specifications highlighted above, the hypothetical results from the empirical process are as follows:

Table 1: Data for Chi-square (x^2) Computation/Hypothesis Testing

Nature of Incidents	Number of cases in various locations (Areas)		
	Areas A, B, & C Of(E)	GPHC & T Of(Ef)	Total
Assault, Blockage, Bunkering, Demonstration, & Disruption	68 (92)	50 (26)	118
Facility Shut-down, Hijack/seizure, Hostage taking. Invasion & kidnap	144(120)	10(34)	154
Total	212	60	272

Source: SPDC (2002) (Records of Crisis Situations in various Operational locations in the course of the year).

Thus, $X^2_{cal} = 50.15$; while $X^2_{tab} (0.01, 1) = 6.64$. $\therefore X^2_{cal}$

$> X^2_{tab}$; Reject H_0 .

It is therefore objectively established that there were significant cases of hostilities against oil companies operations in Nigeria in recent times.

Discussion of Results

The all-year-round incidences of assault, blockage, bunkering, demonstration, disruption, facility shut-down, hijack/seizure, hostage taking, invasion, and kidnap, which occurred in several operational locations, especially of SPDC, undermined production and revenue targets of the year, from (he point of view of the oil companies themselves, and the government of the federation. The host communities however are earnestly asking for more:

- i) Social amenities
- ii) Employment opportunities
- iii) Industrialization/economic empowerment, and
- iv) Educational/training facilities.

Recommendations

In view of (he findings of this study, and to achieve the purpose of efficiently and effectively managing crises and threats to oil installation, it is strongly recommended that:

- (i.) Security departments of oil companies, government law enforcement agencies, and other legitimate security groups should form a workable system network that will bring about the economies of strategic intelligence operations.
- (ii.) State governments of the areas where oil installations arc located should maintain up-to-date records of the peoples' complaints and demands, and liaise with the Federal Government for appropriate administrative actions.
- (iii.) There should he belter orientation and education of host communities that owners of oil installations have been licensed by the Federal Government to carry on oil/gas - related activities, and as such their requests should always be channeled to the respective tiers of governments, as the oil companies continue to pay their dues to the Federal Government
- (iv.) Workers engaged in oil/gas installation locations should be given adequate fringe benefits and oilier welfare incentives, in order to prevent collusion with saboteurs.
- (v.) Oil companies should continue to render help to the communities in the areas that will visibly improve the standard of living of the people and so strengthen the relationship between them.
- (vi.) Issues relating to employment of indigenes should be tactfully handled through collective negotiations with leaders of thought, particularly with a view to clarifying and convincing them of (he sensitive functions that must of necessity be handled by professionals, sourced by merit. (vii.) All tiers of government over-seeing oil bearing communities, should be more responsive to the socio-economic development needs of the people, as these dividends of democracy when adequately provided by the relevant authorities, would minimize hostilities against oil companies operating in these areas and make the environment safer for all investors/stakeholders.

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