



LUKMAN: LOOKING TO VENEZUELAN MODEL IN NEW BILL

Industry faces big royalty hit in revised oil bill

The Nigerian government has presented the National Assembly with an extensively revised Petroleum Industry Bill and withdrawn the much-criticised previous draft presented as an executive bill in 2008.

The new draft changes a number of the structural and fiscal provisions for the oil sector. Of the fiscal changes it generally cuts the assessable tax for onshore and shallow water to 70% from 85% but jacks up the royalty rate to 25% from 20%, except in the case of small producers.

Consultants looking at the second version of the bill say that positive aspects, such as the reduction in assessable tax, are far outweighed

by the upward reset in royalties, which they claim will hit long-term investment. There is no change in the tax rate for deep water, for example, which would stay at the current level of 50%, prompting claims that deep water producers would be put at disadvantage.

Nigeria Focus understands that the new bill was taken to the leadership of the Senate and the House of Representatives at the beginning of June by the presidential liaison officer, who has asked them to adopt the new bill in place of the former draft.

With the second draft already encountering critical scrutiny, **Nigeria Focus** has also learned that a third draft is in circulation with **Nigerian**

National Petroleum Corporation (NNPC) management but is being kept out of sight of members of the National Assembly, some presidential advisers and international oil companies that could suddenly be faced without consultation with further fiscal changes. Supporters of the new 'Venezuela version' are trying to resist its introduction in place of the version sent to the National Assembly in early June.

The government appears to hope that by securing an 'adoption' by the legislature it can short-cut the time-frame for deliberation. However, senior lawmakers doubt that a new draft can be fast-tracked and are arguing that, as it is essentially a new bill, it must for legal

reasons adhere to the procedure for first and second readings, stages that the previous draft had already passed.

The request for adoption coincided with a plea for a fast-track from NNPC group managing director **Mohammed Barkindo**. Called before the Ad Hoc Committee of the House of Representatives investigating NNPC on 10 June, Barkindo devoted his opening remarks to the need for the bill to be passed, but was rebuffed as the hearing was concerned with probing the past activities of NNPC.

Barkindo and his long-time mentor, minister for petroleum **Rilwanu Lukman**, are the two figures behind the drafting of the bill. Both seem to >>>

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have recognised the errors made in the drafting of the bill first presented to the National Assembly, especially some of the structural issues it raised in terms of the division of responsibilities in the oil sector.

Lukman's Chavez bill

After sounding out what were the grievances of industry and other stakeholders in Nigeria, Barkindo and Lukman are said to have discussed the issue with some Venezuelan Opec contacts and then sent the bill for redrafting by a consultant who previously acted for President **Hugo Chavez** in drafting Venezuela's petroleum laws. The result is a bill that leans on the Venezuelan model in seeking to extend the fiscal take of the government.

Lukman and Barkindo have evidently listened to the industry on the deleterious effect that the former bill would have had on gas investment. Accordingly the reworked bill takes account of the major industry concerns about the proposed elimination of the Associated Gas Fiscal Agreement following claims by the Oil Producers' Trade Section – the body that represents the joint venture operators in Nigeria – that domestic gas development would become non-commercial. The solution they have come up with is an offsetting mechanism in which the industry can claw back the costs in domestic gas development.

Yet if this change is an important reprieve for the industry it is more than superseded by the sudden realisation that the new Venezuela-style bill is even more aggressive on the fiscal take. Most significantly, it seeks a big hike in royalties that could, in the eyes of some operators, jeopardise a number of oil field developments, especially in deep water, where the key production growth has been in recent years.

Deepwater fiscal woes

Political sources in Abuja believe that what NNPC and the presidency are trying to do with the fiscal aspects of the bill is acquire a new source of revenue for the hard-pressed federal budget, rather than begin the politically difficult task of cutting spending. The problem is that whatever direction they go in to bolster revenues will in fact deter future investment.

In the case of the first draft, the fiscal objective had been to cut the support for domestic gas projects – but that clashed with the top priority of President **Umaru Yar'Adua** of developing power-generation capacity. In the second draft, the target for enhancing the revenue flow has become deep water oil production.

Politically the shift has some logic. In the Petroleum Ministry and **Central Bank of Nigeria** it has been a source of irritation for some time

that the revenue flow from deep water is limited by the cost-recovery terms exercisable under production-sharing agreements. By going down the route of royalties, the federal government can secure increased revenues while the tax take is reduced by the temporary rise in cost oil.

This is important in Nigeria for two reasons: firstly, the take from the petroleum profits tax from onshore oil production, which is especially important to the federal accounts, has been sharply cut by the loss in production caused by the ongoing sabotage and conflict in the Niger Delta; secondly, Nigeria is going through a period when oil fields that have come on stream – Bonga, Erha, Agbami and Akpo – are undergoing a phase of recovering costs, limiting the tax take.

Asians unaware

As yet, so limited has been the circulation of the redrafted bill, many of the IOCs that have bid for oil prospecting licences and signed PSCs still appear unaware of the consequences. They have not remodelled the economics of PSC development on the basis of the new formula; this applies to **ONGC Mittal Energy**, **ONGC Videsh** and **China National Offshore Oil Corporation**.

There are claims that the proposed new royalty terms will effectively wreck the economics >>>

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of Nigerian deep water and cost Nigeria the development of a number of major fields. Indeed, it is being argued by some consultants looking at the redrafted bill that some of the recent big deep water developments, such as Akpo, could not have happened under the new royalty and tax regime.

For deep water in particular, IOCs will suddenly be faced with a blowout 25% increase in the royalty rate for both oil and gas production. According to clause 421 (2) iii of the proposed bill, the royalty rate for production from fields in excess of 200 metres will be "25% for the part of the production over 20,000 barrels a day". This compares with an existing rate of 20%, which has applied for many years and formed the cornerstone of all economic modelling.

For gas in deep water, the bill sets the royalty rate at 25% for the part of the production over 120 million cubic feet a day – a development which the industry generally feels will greatly change the economics of standalone gas project investment. At present the royalty rate for gas is 7% based on volume; the rise to 25% would have massive implications for the commerciality of gas investment in Nigeria, it is argued.

In fact, the bill seeks to make the 25% royalty rate the new standard for Nigeria, instead of the 20% that has governed since 1982. It will also apply to onshore fields with more than 5,000 b/d of production and shallow water fields with production over 10,000 b/d.

The effect of the royalty changes is to reduce the difference in fiscal terms between shallow water and deep water – the difference being that the rate will apply after 10,000 b/d in shallow water and after 20,000 b/d in deep water. Industry sources say this represents an erosion of the concessions enjoyed by deep water development, as there would be no deepwater field producing less than 20,000 b/d.

Even more seriously, from the industry standpoint, the bill makes payable additional royalties if the price realised on crude sales is above \$40 a barrel, as it is now.

The real shocker for the industry, though, is the decision to levy company income tax at 30% while applying hydrocarbons tax at 70%.

Nigeria Focus could find no one with a PSC licence in Nigeria who believed that deep water development was tenable in such a fiscal environment. "It's a killer," said one source.

Part of the problem, is that the new version of the bill, though better drafted, is confused on whether the 70% hydrocarbons tax runs in parallel with the company income tax or on top of it. If they are on top of each other, which is how the bill actually reads, the result would be 100% taxation; in effect, the industry would be out of business in Nigeria. Even if it is in parallel the impact would be serious.

Consultants predict there will be casualties if the new bill is passed. Indeed it is already possible to see one: **Shell Nigeria Exploration and Production Company's** large-scale Bonga South-West development, already on hold for budgetary reasons, would be difficult to make work if the new regime comes into effect.

Among some IOCs there is unease at the retrospective nature of the changes, raising issues of confidence in Nigerian agreements if the terms on which they are entered can subsequently be changed without the consent of the industry.

The reality is that Lukman and Barkindo are struggling with a fiscal dilemma. The ongoing sabotage and oil field shutdowns in the Niger Delta have made deep water oil more important,

but the provisions of the PSCs that allow companies to set cost off against tax reduce the potential tax take from deep water. Royalties, it seems, are the answer, as they are not cost deductible.

In the short term, industry observers admit this might work in getting more revenues into the federal account (royalties would be paid to the new inspectorate taking over from the Department of Petroleum Resources). The implications for long-term investment in deep water are another matter. Inevitably, companies would face a higher threshold to make them commercial.

Militant counter-attacks follow JTF successes

The **Movement for the Emancipation of the Niger Delta** (MEND) and other militant groups have been hitting back in recent weeks in retaliation for the military offensive by the Joint Task Force known as 'Operation Hope'.

Their reprisal actions have been directed against the oil industry, and all three of the major onshore producers – **Shell Petroleum** >>>

Development Company, Nigerian Agip Oil Company and Chevron Nigeria - have been seriously impacted by vandalism and sabotage.

In consequence Nigerian production has suffered a sharp fall that will hit government revenues. However, most government leaders are resigned to the fact that the counter-attacks and loss of revenues are inevitable while the government takes on the militant groups.

Announcing its campaign to hit back, MEND in mid-June issued another quit order to all oil workers in the region ahead of its operation, code-named Hurricane Piper Alpha.

Chevron forced to suspend operations

Chevron was the first in the firing line, with attacks in Delta state forcing the company into a decision on 17 June to evacuate 300 workers from platforms in the Escravos system.

The evacuated workers were airlifted from the Escravos airstrip to Ozubi airport in Warri, where they were expected to make their journey to their different destinations. These workers were informed before their departure from Escravos that when the situation becomes normal they will be recalled.

MEND began its offensive against Chevron with the bombing of a flow station at Otunana, and another attack at Abiteye in Delta state. MEND justified this by saying it had been informed that Chevron's airstrip in Escravos was used by the military as a staging area for the jet fighters and helicopter gunships used in the attacks on rebels and bombing in Gbaramatu kingdom.

In launching the attack, MEND warned that Chevron would pay the price for allowing its facilities to be used in committing such attacks.

Despite the evacuation, Chevron maintains that it will go ahead with the implementation of key oil and gas projects in Nigeria despite the wave of attacks on its facilities in the Niger Delta.

The projects include the 34,000 b/d gas-to-liquids project, valued at \$2.8 billion, which is designed to process 320 million cubic feet a day of natural gas. Chevron announced recently that it would this year ship to site the remaining process modules.

There is also the Escravos Gas Plant (EGP) Phase 3A and 3B expansion project, with a total cost of \$4 billion, which the company had projected to go on stream in 2010.

A source with the company confirmed that the facilities targeted by the militants have not been in production since 25 May, after an attack on a major trunk line forced it to shut in 100,000 b/d of oil production.

Others attacks involved the company's Utunana pumping station and Makaraba-Utunana-Abiteye pipeline, as well as the Makaraba Jacket 5 facility and the Abiteye flow station, which feeds oil to the Escravos export terminal.

Agip assailed, Shell struck

Following the actions against Chevron, SPDC and NAOC were then targeted on 18 and 19 June respectively by groups loyal to MEND.

NAOC was forced to declare *force majeure* on exports from its Brass River terminal at Brass Island in Bayelsa state following an attack on 19 June on its Ogoda Manifold Brass Terminal pipeline, which stopped daily production of around 33,000 barrels of oil and 2 million cubic metres of gas. The company had declared *force majeure* on the same export terminal in May after a gun battle between the JTF and MEND.

SPDC was hit by MEND on 18 June with an attack on the important Trans-Ramos pipeline at the Aghoro-2 community in Bayelsa state, carrying Forcados crude to the Forcados terminal. A substantial loss in production resulted.

There was another attack on 25 June, this time aimed at the Bonny Light system, when militants damaged a manifold on the pipeline at Billie-Krakama in Rivers state, cutting supplies from three flowstations. A statement put out by MEND claimed that SPDC had been forced to shut down the Cawthorne Channel 1, 2 and 3 flowstations. As a result of the new attacks 125,000 b/d may have been cut from Bonny Light production.

This attack almost coincided with MEND operations against pipelines belonging to SPDC in Rivers state. The damaged pipeline was connected to the Tunu, Opukusu and Ugbotubu flow stations, which feeds into the Forcados export terminal. This made Shell extend its *force majeure* on its Forcados shipments for the rest of June and all of July until pipeline repairs are completed.

The JTF, meanwhile, has not been idle. It arrested nine gunmen said to be involved in the Agip attack. The suspects were arrested with 142 rounds of ammunition, two guns and a speedboat. A source with the JTF has confirmed that the gunmen are assisting it to uncover the leaders behind the attack.

However, an attempt by the JTF to raid Camp 5, a strong militant enclave at Gbaramatu in Warri South-West local government area (LGA) of Delta state was unsuccessful. The attempt was made in the early hours of the morning but the JTF force was repelled.

Militants loyal to **Soboma George** and **Adunu George** seemed to have gone on the rampage in the wake of the JTF action. There are reports they raided private homes at Ebukuma, Ibot, Okpong, Mgo and Aganna communities in the Andoni area of Rivers state. It is alleged that the militants robbed and sexually molested >>>

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some women in the communities. The group is also alleged to have been behind the kidnapping of the 73-year-old mother of the president general of the **Maritime Workers Union of Nigeria (MWUN), Anthony Emmanuel.**

Militants have also attempted to confront the Nigerian Navy. The NNS Pathfinder, on routine patrol between Isaka and Bakana, was confronted by seven men suspected to be militants.

Yar'Adua sets out terms for amnesty

President **Umaru Musa Yar'Adua** called for a special meeting on the Niger Delta to discuss the terms of the amnesty offered to militants as well as to unfold his agenda for security and development in the region.

Those invited to attend were vice-president **Goodluck Jonathan**, Senate president **David Mark**, House of Representatives speaker **Dimeji Bankole**, the governors of Akwa Ibom, Bayelsa, Delta, Ondo and Rivers states, chief of defence staff Air Chief Marshal **Paul Dike**, minister of defence **Shettima Mustapha** and the minister of interior, retired Brigadier-General **Godwin Abbe**, who is also the chairman of the amnesty committee.

The committee is to complete all conditions, procedures and mechanisms for granting of amnesty. An amnesty centre will be established. All procedures for granting the amnesty, documentation, camping, training, rehabilitation, and education will be made public.

Some militant leaders in the Niger Delta have already indicated they will agree to the amnesty terms. **Solomon Ndigbara** – also known as 'Osama Bin Laden' – has become one of the first militants to accept the federal government's offer of amnesty. In a ceremony at Yeghe in Gokhana local government area of Rivers state, he laid down his weapons by formally handing them over to inspector general of police **Mike Okiro**. The handover involved only 10 automatic weapons; his remaining arsenal will be turned in as soon as possible. Bin Laden operated within the Ogoni area.

The leader of the **Niger Delta Vigilante Movement, Ateke Tom**, has told Abbe he will accept the amnesty offer. However, Tom has listed the conditions under which he would surrender, the main condition being the disbandment and withdrawal of the Joint Task Force – a demand that the government will not agree to.

A source with the presidency provided **Nigeria Focus** with the following document from the Abbe panel set up to work out the details of amnesty.

Re: report of the presidential panel on amnesty and disarmament of militants in the Niger Delta

INTRODUCTION

Amnesty to combatants has remained one of the most effective tools to end conflicts, promote reconciliation and prevent re-ignition. It is on this strength that Mr President inaugurated a panel on amnesty for the militants in the Niger Delta region. The >>>

Unconditional pardon offered to militants

President **Umaru Musa Yar'Adua** on 25 June signed the proclamation of amnesty for Niger Delta insurgents who surrender arms and cease hostilities. A grace period of 60 days was given to all militants in which to embrace the amnesty. The amnesty involves an unconditional pardon for every person involved in militancy, including those on trial, such as **Movement for the Emancipation of the Niger Delta** leader **Henry Okah**.

The full text of the proclamation follows:

Amnesty Proclamation

Pursuant to Section 175 of the Constitution of the Federal Republic of Nigeria.

- > Whereas the Government of the Federal Republic of Nigeria acknowledges that the challenges of the Niger Delta arose mainly from the inadequacies of previous attempts at meeting the yearnings and aspiration of the people, and have set in motion machinery for the sustainable development of the Niger Delta States;
- > Whereas certain elements of the Niger Delta populace have resorted to unlawful means of agitation for the development of the region including militancy thereby threatening peace, security, order and good governance and jeopardising the economy of the nation;
- > Whereas the Government realises that many of the militants are able-bodied youths whose energies could be harnessed for the development of the Niger Delta and the nation at large;

- > Whereas the Government desires that all persons who have directly or indirectly participated in militancy in the Niger Delta should return to respect constituted authority; and
 - > Whereas many persons who had so engaged in militancy now desire to apply for and obtain amnesty and pardon.
- Now therefore, I, Umaru Musa Yar'Adua, President of the Federal Republic of Nigeria, after due consultation with the Council of State and in exercise of the powers conferred upon me by the provisions of Section 175 of the Constitution of the Federal Republic of Nigeria, make the following proclamation:
- > I hereby grant amnesty and unconditional pardon to all persons who have directly or indirectly participated in the commission of offences associated with militant activities in the Niger Delta;
 - > The pardon shall take effect upon the surrender and handing over of all equipment, weapons, arms and ammunition and execution of the renunciation of Militancy Forms specified in the schedule hereto, by the affected persons at the nearest collection centre established for the purpose of Government in each of the Niger Delta states;
 - > The unconditional pardon granted pursuant to this proclamation shall extend to all persons presently being prosecuted for offences associated with militant activities; and
 - > This proclamation shall cease to have effect from Sunday, 4 October 2009.

panel was essentially tasked to prepare a framework for amnesty and disarmament, demobilisation and re-integration (DDR); ensure those with criminal records do not take advantage of it; and work out the cost of implementing DDR.

The panel's report adequately addressed all the relevant issues but stressed that the strategy advocated is neither perfect nor exhaustive but tailored to the Nigerian situation. The panel further opined that the report would be useful to the judiciary, legislators and other tiers of government. This write-up will make an attempt at bringing out the high points discussed with additional inputs by way of comments, hence it is not a summary.

CHAPTER 1: AMNESTY

The report stated that 'amnesty' is not mentioned in the constitution, but the constitution empowers the president to grant pardon to any person concerned/convicted of any offence. These include those who have committed an offence but not been prosecuted, and those who have been prosecuted and convicted of offences. The panel posited that all categories of militants should be allowed to benefit from the amnesty. This should include Henry Okah and his group, who are only facing trial but not yet convicted.

Amnesty goes beyond pardon as it completely obliterates all legal remembrance of the offence. Contextually, amnesty has been defined as a legislative or executive act by which a state restores those who may have been guilty of offences against it to a position of innocence. The panel stressed that

notwithstanding the absence of the word 'amnesty' in the constitution; the president can grant a reprieve that would operate as amnesty.

According to the panel, amnesty may be used to bring citizens into compliance with the law rather than punishing them for violation of same. Apart from encouraging the combatants to reconcile with the society, amnesty also avoids expensive prosecutions, especially when it involves large number of people. As stated earlier, the panel is of the opinion that all categories of militants should be granted the amnesty, including those undergoing criminal prosecution. This will serve to encourage every militant to participate and remove any fear of hidden agenda or discrimination. Consequently, the panel suggested that state governors should be given the task of compiling the list of militants seeking amnesty. This should also be forwarded to the minister of justice and attorney general of the federation.

The panel also stressed the need for the president to make a proclamation to the nation by way of a presidential broadcast. The panel included a draft proclamation as an annex to the report. A period of 60-75 days was suggested for combatants to renounce militancy.

Modalities for establishing a strong database of ex-militants were also discussed. Details of each ex-militant such as name, age, qualification, the locality, reasons for resorting to militancy, how he/she was employed in the group, what he/she intends to do in future etc will be documented.

COMMENTS

The panel was given three terms of reference (TORs), wherein the second TOR states that "to ensure that those with criminal records do not take advantage of the amnesty". This may be misconstrued to mean anybody with criminal background should not be included. In any case the beneficiaries of the amnesty are mainly those with criminal records. This should be noted only as the panel did not attempt to exclude anybody in the package.

While keeping in focus the aim of the amnesty (as discussed by the panel) the issue of Henry Okah deserves some mention. In relation to his case, some soldiers have been court martialled and are now facing various sentences in jail. If Okah is to be granted amnesty, it should be made clear that this will be of no benefit to the soldiers. There is the possibility that lawyers or politicians could be sponsored to call for a reduced sentence or amnesty to the soldiers must be anticipated.

It is pertinent to note that Sogboma George was in Port Harcourt awaiting trial for the murder of Golden Kalio (Ateke Tom's so-called second-in-command) at a Lagos bus stop in 2005. He eventually organised a bloody jail break before escaping. It is possible that the families of the victim could see this as injustice if he is granted amnesty. However, the benefit of granting amnesty to everybody is well underscored in the panel's report. Also, following the recent incursion into Camp 5, the involvement of some members of the security forces became apparent. If there is a well-established case that could warrant prosecution, it should be clear

that the amnesty package will not involve such characters.

The period of 60-75 days for renunciation could be scaled down to a period of 21-30 days for the following reasons:

- > A longer period of renunciation could avail a calmer environment for those not fully committed to move and hide weapons as, once the proclamation is made, the tempo of JTF operations will reduce.
- > In this era of telecommunications and the massive media campaign organised by the panel, it is given that 21-30 days is adequate for anybody to be fully educated on the amnesty. In fact, even now after the takeover of Camp 5, most of the militants are apprehensive and hoping for the amnesty.
- > It is also given that a reduced period will reduce the Herculean financial/logistical implications.
- > After the initial period of 21-30 days, ex-militants can be moved for rehabilitation outside the region, while the JTF will be tasked to root out all those not willing to drop arms.

In line with the UN article on conflict resolution, there should be a commitment on the part of government to grant amnesty with a reciprocal commitment by combatants to disarm. In the case of the Niger Delta, if some pockets of bandits do not embrace the peace process, the JTF must be allowed to quickly go after them. Government must declare a zero tolerance for militancy as, due to the peculiarity of the region, militancy is a quick way of making money (especially in illegal bunkering and hostage-taking). >>>

The panel opined that state governors are to compile lists of militants willing to disarm. This should, however, not be encouraged as some state governors are known to have issues (either as foes or friends) to some militants. They could become partisans. It is therefore suggested that a channel of communication should be considered directly with the militants and the proposed committee on DDR.

CHAPTER 2: DISARMAMENT AND DEMOBILISATION

Disarmament and demobilisation can only be achieved when sources and means of arms procurement have been severed from the militants. The panel noted the close correlation between armed conflict in the Niger Delta and illegal oil bunkering. To this end, the panel stressed the need for the Nigerian Navy to be adequately empowered in terms of platform acquisition to effectively stop illegal bunkering. Equally stressed was the need for the JTF to be empowered to control proliferation of light weapons before and after proclamation.

The report recommended a wide media campaign that will engage leaders of thought, mass public enlightenment and international organisations. NGOs will be engaged but only after screening. Religious bodies will not be left out equally.

It was suggested that the federal government should establish an Inter-agency Coordinating Centre (ICC) at Enugu to coordinate all the agencies in the disarmament process. Enugu was chosen because of the need to have the centre slightly away from the zone of the militants; it is centrally placed in the region and

operates an airport, thus facilitating transportation. The panel also called on the government to define the task of each participating agency, and seek the support of the UN.

The concept of disarmament should be the return of arms for full rehabilitation and freedom from prosecution. 'Arms for money' concept must never be entertained. Screening points are to be established in all the states of the Niger Delta.

Close to screening points, arms collection points are to be established (close to military installations). The Nigerian Army Ordinance Corps in collaboration with Dicon staff could be used to examine and document recovered arms as opined by the panel.

COMMENTS

The armed forces and the police have over the years lost several weapons to militants in the Niger Delta during shootouts. Some weapons were pilfered from the armouries as well. It is therefore suggested that the armed forces and the police should provide data of all weapons lost in the Niger Delta. Among the details to be included are type, serial number, location taken from, how it was misplaced etc. The detail should then be circulated to the entire arms collection centre with the hope that such weapons could be traced and if possible returned to their parent armouries.

CHAPTER 3: PUBLICITY AND LIAISON

The panel recognised the importance of perception management so as to influence the

hearts and minds of all militants and the general public towards the programme. It also discussed the need to counter any possible propaganda that may be mounted. Accordingly, the uses of posters, jingles and songs, town hall meetings, creating of websites will be employed to achieve adequate publicity. To counter any propaganda, press statements and conferences will be issued on a regular basis. In essence, the main effort will be to saturate the consciousness of every Nigerian, through every means possible, to ensure that the expectations and outcome of the process are communicated to all so that no one can claim ignorance of what the government is doing.

The panel proposed Dr Timiebi Koripamo Agary as chief spokesperson with Dafe Akpedeye, SAN, as alternate spokesperson.

While noting the budgetary provision for placement of adverts, the panel requests the NTA and FRCN to air this free or at a highly discounted rates.

CHAPTER 4: RE-INTEGRATION

It was observed that DDR of ex-militants forms a continuum that is itself a part of the entire peace process. It therefore follows that the reintegration programme can overlap with long-term peace building initiatives and some activities should start at the early stage in the peace-making process.

The framework for reintegration shall include rehabilitation of 20,000 ex-militants for a projected period of three months. The proposed rehabilitation centres are Plateau, Adamawa, Taraba, Kwara, Lagos, Enugu and Cross Rivers

states. The federal government was advised to expedite action on the Local Content Bill to be passed by the National Assembly as soon as possible. The need to create a Presidential Standing Committee on DDR was also discussed.

COMMENTS

Cross Rivers state is the only rehabilitation centre close to (or within) the crisis area. This may pose some security challenge. It should be noted that rehabilitation centres could serve as recruitment centres for militants or other subversive elements. This is more so as militants have carried out attacks around Bakassi Peninsula to show their disagreement on the peaceful settlement of the crisis between Nigeria and Cameroon. There is also the need to involve the NDLEA activity in all rehabilitation centres as such places could become hard drug hotspots.

On a general note, one of the driving forces that has brought about the Niger Delta crisis is the feeling of neglect (whether real or imaginary) by the people of the area. The peaceful and non-violent genuine struggle for resources control was along the way hijacked by criminal elements. It is therefore imperative for the federal government to show the political goodwill to pursue this peace process to a logical conclusion by critically considering who should head the Presidential Committee on DDR and its members whilst not promoting or castigating any person proposed by government, the following may be considered:

- > The head of the committee/members must have a means of having a direct link with the people at the grassroots.
- > The head of the committee should if >>>

possible have an international recognition as an advocate of non-violence.

- > Someone of Ijaw ethnic extraction may be preferable as about 70% of the militants and camps are in Ijaw lands.
- > Members of the committee must be taken based on the practical challenge of the task.
- > The head of the committee should be someone who has no much commitment at the national level; as such he should be within the Niger Delta or rehabilitation centres for most of the duration of the exercise.

While trying to draw lessons from the UN, it should be noted that in the recent past, the NDDC has rehabilitated a sizeable number of ex-militants in Lagos. It is expected that the federal government should have encouraged that by expanding the scope and funding it. It is therefore desirable for the government to carry out a quick assessment on how successful the NDDC exercise was – how many militants were rehabilitated, how it was done and did anybody ever go back to the criminality after rehabilitation. In the final analysis, studying and improving the NDDC blueprint could save time, money and ultimately help eradicate the problem of restiveness in the Niger Delta. This is also bearing in mind that an accelerated development of the region will be carried out as soon as progress is made in the peace process.

Spate of kidnappings in Imo state

There has been a spate of further kidnappings in the Niger Delta, this time targeting local officials, mostly in Imo state.

- > **Basil Enwerem**, deputy director accounts, Government House Owerri, Imo state, was kidnapped in late May in his home town in Isiala Mbano, while attending a funeral ceremony. He was released in early June.
- > The son of the Imo state chairman of the **People's Democratic Party (PDP)**, Chief **Marcon Nlemigbo**, was kidnapped in early June from one of the tertiary institutions.
- > A local doctor and his two children were kidnapped by armed men just after he picked his children up from school.
- > A further kidnapping attempt in Imo state seems to have gone wrong, when the traditional ruler of Nkwerre, Eshi, was killed in early June by a gang trying to seize him while his car was used to kidnap another traditional ruler, the Udi I of Mbutu, Umuojima, in Isiala Ngwa South local government. The ruler of Nkwerre was on his way to Aba city when he was ambushed by the kidnappers.

Meanwhile, **Mathew Maguire**, the British oil worker held hostage by the **Movement for the Emancipation of the Niger Delta** since September is reported to have been released to government officials at an undisclosed location. Maguire was one of 27 hostages taken from a boat off the coast of Port Harcourt.

Shell settles Ogoni case out of court

Royal Dutch Shell has agreed to an out-of-court settlement in a case in which it was accused of committing human right abuses in collusion with Nigeria's former military government. Shell has agreed to settle the case for \$15.5 million.

Shell has agreed to set up a \$5 million trust to benefit local communities in Ogoni and also make payments to the relatives of Ogoni activists who were executed or injured by the military regime of **Sani Abacha** in 1995.

This settlement is said to be one of the largest payouts agreed to by any multinational corporation charged with human rights violations.

Shell and its Nigerian subsidiary, **Shell Petroleum Development Company (SPDC)**, have not admitted any of the allegations and pleading not guilty to all civil charges. It is alleged that Shell was concerned with the evidence that would be presented – a 1994 letter from Shell in which it is alleged it agreed to pay the Nigerian army for services rendered. This is believed to have prompted three weeks of intensive negotiations between the plaintiffs, relatives of the executed Ogoni nine, and Shell to end a 14-year legal journey.

Crude oil supply to refineries down

Nigerian National Petroleum Corporation (NNPC) warned that crude oil supply to refineries would dry up in 15 days if the sabotage of oil pipelines in the Niger Delta continued. Crude available is all in storage that is being gradually drawn down. Crude production is down to 1.3 million b/d.

NNPC has admitted that the Port Harcourt and Warri refineries are already shut down and >>>

Niger Delta in brief

Fighting moves to Bayelsa

Seven people including a traditional chief were killed in a gun battle between troops of the Joint Task Force (JTF) and members of the **Movement for the Emancipation of the Niger Delta (MEND)** in Letugbene community of Bayelsa state. The traditional chief, **Maureen Kurugbo**, was with the JTF on the way to arrest some suspected members of MEND allegedly involved in sea piracy and other criminal activities.

JTF offensive in Rivers

The JTF has killed a suspected militant leader, **Baridon Amata** aka 'Awe', in a shootout. Also arrested were four men and a woman suspected to be militants, in Gokana local government area of Rivers state. Amata had engaged the JTF in a gun battle after which he was killed. The JTF recovered some weapons and ammunitions from the location.

Militant leader arrested

The JTF has confirmed the arrest of a militant leader, **Bernard Wilcox**, in Port Harcourt. Wilcox is the leader of the militant group called the Bregede Camp in the Bonny area of Rivers state. The group is notorious for kidnapping of both Nigerians and foreign expatriates. The JTF also confirmed that the arrested militant leader is helping the security agency to identify those behind several attacks against the task force and oil installations.

Nigerian crude loading schedule for July

GRADE	DATES	VOLUME, '000 BBLs	SELLER	BUYER 1	BUYER 2	DESTINATION
Abo	14-15	650	ENI	Petrogal		Med
Akpo	9-10	975	Castor	Stasco term		
	25-26	975	CNOOC	Total	Petrobras	S America
Agbami	1-2	975	Statoil	Petrobras		S America
	5-6	975	Petrobras	Home		Petrobras
	9-10	975	Chevron	BPCL		India
	13-14	975	Petrobras	Petrobras		S America
	18-19	975	Chevron	Petrogal		Med
	23-24	975	Chevron	Petrobras		S America
	26-27	975	Statoil	Petrobras		S America
	30-31	975	Chevron	Petrobras		S America
Amenam	4-5	950	Total	Home		
	12-13	950	Vitol ¹			US Gulf Coast
	19-20	950	Taurus	Gunvor		
	27-28	950	Total	ConocoPhillips		US East Coast
	31-1	950	Total			
Antan	14-15	950	Addax	CPC		Taiwan
	29-30	950	Addax	Cepsa		Med
	-	250	BP			
Bonga	4-5	1,000	Sahara	Stasco		Home
	10-11	1,000	Stasco	Unipet		China
	16-17	1,000	ExxonMobil	BP		
	20-21	1,000	Stasco	Sahara		
	26-27	1,000	Vitol			
	30-31	1,000	Stasco			Home
Bonny Light	4-5	950	Vitol			
	9-10	1,000	ENI	Unipet		China
	14-15	1,000	Total	Unipet		China
	19-20	1,000	Vitol			
	24-25	950	Sahara	ConocoPhillips		US Gulf Coast
	30-31	1,000	Stasco	BP		
Brass	3-4	950	Taurus	Gunvor	Chevron	
	5-6	450	Tema	GNPC		Ghana
	13-14	950	Unipet			China
	20-21	1,000	ENI	Home		
	24-25	170	Addax			
	28-29	1,000	ENI			
Erha	1-2	1,000	ExxonMobil	Morgan Stanley	Ineos	Med
	7-8	950	Vitol ²			US Gulf Coast
	12-13	950	Trafigura	ConocoPhillips		US East Coast

GRADE	DATES	VOLUME, '000 BBLs	SELLER	BUYER 1	BUYER 2	DESTINATION
Erha	18-19	1,000	ExxonMobil	Home		US Gulf Coast
	23-24	950	APL	SAR		Africa
	28-29	1,000	Stasco	ConocoPhillips		US East Coast
Escravos	2-3	650	Chevron	Sun		US East Coast
	7-8	950	Chevron	Unipet	HPCL	India
	14-15	950	Vitol	Cepsa		Med
	19-20	950	Chevron	Sun		US East Coast
	24-25	950	Vitol	HPCL		India
	30-31	950	Chevron	Cepsa term		Med
Forcados	5-6	950	Trafigura	SIR		
	13-14	950	Total	Unipet	Stasco	
	21-22	950	Camac	BP	Home	
	27-28	950	Stasco	Sasol		South Africa
	30-31	950	Stasco	Home		
Okono	14-15	850	Sahara	Sun		US East Coast
	29-30	850	ENI	Sun		US East Coast
Okworri	17-18	675	Addax			Med
	27-28	670	Addax	Morgan Stanley	Ineos	Med
Oso	27-28	950	Exxon Mobil	Home		US Gulf Coast
Pennington	16-17	950	Chevron	Petrobras		S America
Qua Iboe	1-2	950	ExxonMobil	Koch		US Gulf Coast
	3-4	950	APL	Koch		US Gulf Coast
	5-6	950	Mercuria	BP	Vitol	India
	9-10	950	ExxonMobil	Gunvor		US Gulf Coast
	12-13	950	ExxonMobil	Koch		US Gulf Coast
	16-17	950	Gunvor	ConocoPhillips		US Gulf Coast
	21-22	950	Vitol			
	23-24	950	Trafigura			
	26-27	950	ExxonMobil	Unipet		China
	28-29	950	ExxonMobil	Koch		US Gulf Coast
	30-31	950	ExxonMobil	ConocoPhillips		US Gulf Coast
Yoho	8-9	950	Vitol ³	IOC		India
	20-21	950	Vitol	ConocoPhillips		US Gulf Coast
	28-29	950	ExxonMobil	Stasco		

Notes

1 co-loaded with Erha

2 co-loaded with Amenam

3 co-loaded with Zafiro

out of crude due to damage to the Nembe-Port Harcourt and Escravos-Chanomi pipelines. It is also claimed that no crude is available for the Kaduna refinery as the pipeline feeding the plant has been cut near Warri.

NPDC finds oil

Nigerian Petroleum Development Company (NPDC) is reported to have discovered crude oil from the Kukaku 1 well in oil mining lease (OML) 64 in Delta state.

The well was drilled to a depth of 11,150 feet when it encountered hydrocarbons with oil thickness of about 50 feet. After further testing it was discovered that the oil is sweet light crude with a likely production level of 1,284–3,110 b/d. NPDC is the exploration and production arm of **Nigerian National Petroleum Corporation** (NNPC).

NNPC to refund \$62m

The Federation Accounts Allocation Committee (FAAC) has instructed **Nigerian National Petroleum Corporation** (NNPC) to refund \$62 million to the Federation Account.

The FAAC says that NNPC deducted \$62 million as joint venture cash call from the amount realised and distributed among the three tiers of government for the month of May.

A source says that the usual amount budgeted is \$540 million a month and the revenue distributed in May among the three tiers of

government stands at N329.085 billion, including value added tax (VAT). This shows a 3.66% increase compared to the amount shared in April. The distributable statutory revenue for the month is put at N255.011 billion, a 29.2% increase (N57.633 billion) compared to April. The increase is attributed to the rise in export sales volume of crude oil coupled with the increase in its average unit price. And there was a significant rise in petroleum products tax (PPT) collection for the month as a result of arrears paid by some oil companies.

Of the total N255.011 billion, the federal government got N121.041 billion compared to N94.278 billion in April, a difference of N26.754 billion. State governments got N61.394 billion, compared to N47.824 billion in April, a difference of N13.570 billion.

Local governments got N47.332 billion, compared to N36.87 billion in April, a difference of N10.462 billion. Oil producing states got N24.244 billion (13% of oil revenue) compared to N18.397 in April, a difference of N6.847 billion.

Calabar power project delayed

The start-up of a key power project in Calabar has been delayed because of an error in the design and execution of a pipeline from **Addax's** Adanga field. The Calabar project is supposed to generate 2,744MW and has a gas turbine capacity of 561MW. It is being executed by **Marubeni Corporation** of Japan and **Gitto Group** of Nigeria.

But when the planned 120km gas pipeline to transport gas from the Adanga field to Calabar had reached about 80km it was discovered that the pipeline can only transport wet gas, which cannot be used by the power plant.

The pipeline was suitable for the original specifications for the project, but the Addax-led group decided to build a liquefaction plant to strip the gas of liquid.

The federal government, in collaboration with the states and local governments, in 2005 embarked on the construction of new power stations under the National Integrated Power Project (NIPP) of **Niger Delta Power Holding Company** (NDPHC).

The power stations under construction are the 561MW Calabar, 338MW Egbema, 225MW Gbarain, 451MW Ihovbor/Eyaen, 451MW Sapele and 230MW Omoku. The NIPP also involves the construction of transmission lines, associated substations and reinforcement of distribution infrastructure for which the sum of N257 billion (\$2.01 billion) has so far been funded.

Nine power contracts worth N348 billion were this month approved by the cabinet based on the recommendations of NIPP to help boost power generation, distribution and transmission.

Akpo field launched

The Akpo oil field was launched on 3 June, adding 185,000 b/d to Nigeria's crude production. The Akpo floating production storage and offloading (FPSO) vessel was >>>



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commissioned in 2005 by **Total Upstream Nigeria** to develop the field, which is 200km south of Port Harcourt. The operators of the field are Total Upstream Nigeria, which holds a 24% stake, with Brazil's **Petrobras**, **Nigerian National Petroleum Corporation**, **China National Offshore Oil Corporation** and Nigeria's **Sapetro**.

Government to review oil sector contracts

The federal government has decided to review all existing oil exploration and production contracts, in line with the impending reforms in the oil and gas sector. International oil companies operating in Nigeria insist that production-sharing contracts (PSCs) signed for previous projects should be allowed to remain, as they are agreed contracts that should be respected, and breach of contract sanctity would affect future investment in oil and gas projects.

Product pipeline explosion

An oil pipeline belonging to Nigerian National Petroleum Corporation that transports refined products from Atlas Cove depot to Mosimi depot in Ogun state has exploded, leaving many people injured. The pipeline is in Ilado, Lagos state.

Also destroyed in the blasts were 11 boats, which were there to ship stolen fuel from vandalised pipelines. The explosion occurred when vandals tried to escape the Nigerian Navy,

which, acting on a tip-off, arrived to intercept them. The vandals in trying to escape started the fire from the sabotage line.

Politics and society

Obasanjo sets out to upstage Yar'Adua in 2011 election

Former president **Olusegun Obasanjo** and his most trusted allies are planning to play a pivotal role in the primaries to be held by the **People's Democratic Party** (PDP) to choose the party's presidential candidate for the 2011 elections.

While President **Umaru Musa Yar'Adua** has banned all campaigning for 2011 the likelihood of a challenge from the Obasanjo camp at next year's PDP convention means there will be no guarantee of the president's re-election.

Yar'Adua's supporters are sufficiently worried about the moves they are detecting from Obasanjo to begin planning a counter strategy. Reconciliation efforts around the country by Obasanjo are being seen as a preparatory move in securing allies to influence the outcome of the PDP convention.

Obasanjo has been especially pre-occupied recently with building bridges in his home base, the south-west, where his efforts as president to undercut the leading party in Lagos, the **Action Congress** (AC), were disliked. Obasanjo is helped by the fact that some of the main



OBASANJO: PLANNING FOR PRESIDENTIAL PRIMARIES

political heavyweights who acted for him in the southwest are no longer in contention. Ibadan strongman **Lamidu Adedibu** died in June 2008, while **Olabode George** has been rendered impotent by the continuing trial over his tenure as chairman of the **Nigerian Ports Authority**.

It is believed Obasanjo's strategy is to consolidate the PDP in the south-west and use that as a strong voting bloc that will determine his say with the other five geopolitical zones during the presidential primaries.

It is thought Obasanjo has already acquired support among most present governors in the south-west. The exception is Ogun state governor **Otumba Gbenga Daniels**.

Daniels was initially on good terms with Obasanjo. In 2003, he appointed **Iyabo Obasanjo-Bello**, the then president's daughter, as a state commissioner against the wishes of her father. Her election as a senator in 2007 is alleged to have been arranged by Daniels.

Iyabo and Daniels then fell out at a social event. It was alleged that Iyabo hit Daniels on the head while pretending to be dancing. A brawl between their security agents followed. The incident is said to have been prompted by Iyabo's anger with Daniels for instructing the traditional ruler of Egbaland to refuse her installation as the Iyaniwura, a traditional title usually given to prominent daughters of the kingdom.

Ogun political observers say this wrangle is likely to continue to affect political developments in the state.

According to political sources in Nigeria, some former PDP governors and ministers are in regular contact with Obasanjo on how to regain control of the party structure during the presidential primaries. It is said they plan to capitalise on Yar'Adua's campaign for electoral reform.

Yar'Adua is not without allies, however. He has the support of former minister of works **Tony Anenih**, who is considered a political maverick; former Delta state governor **James Ibori**, known as the hatchet man, and Kwara state governor **Bukola Saraki**. These three, and other members of the kitchen cabinet (**Tanimu Yakubu**, **Abba Sayyadi Ruma** and **Turai Yar'Adua**) are planning how to use the party machinery to secure a second ticket for Yar'Adua.

The wild card in 2011 will be the rapidly growing influence of the AC, which performed strongly in the recent re-run of the Ekiti state governorship elections. AC has perfected the tactics of former south-west political leader, **Obafemi Awolowo**, who put resources >>>

into fighting the ruling party in its most vulnerable areas.

Yar'Adua's 'northern agenda'

Political observers in Abuja believe that one reason there may be mileage in a challenge to Yar'Adua from Obasanjo and the AC is a growing feeling in the south that the presidency is preoccupied with a 'northern agenda'.

The latest event to prompt these accusations is the appointment of **Sanusi Lamido Sanusi** by Yar'Adua as governor of the **Central Bank of Nigeria** (CBN – see below). Sanusi is from Kano state, as is minister of finance **Mansur Muktar Usman**. It is assumed that they can influence federal government policies to benefit northern interests.

Further accusations about a Kano-centric government came with the appointment earlier this year of Major-General **Abdulrahman Dambazzau** as army chief of staff. He is also from Kano state.

In all, appointments in 20 federal ministries, agencies and departments have been reported

to the Senate over the violation of the federal character code in the 1999 Constitution. This stipulates that positions should be spread to ensure unity and promote a sense of belonging among the different ethnic groups and states that constitute the federation.

It is alleged that, of the 20 agencies, only three were indicted for favouring the south-east, the other 17 were said to have favoured the north.

The three agencies which showed undue preference for the south-east in their records of employment were the CBN, the **National Communications Commission** (NCC) and the **Nigeria Energy Commission**. The CBN, in its defence, claims that the deciding factor is the competitive process that ensures professionals are hired.

The trigger for this latest bout of regional tension appears to have been the appointment of **Mohammed Barkindo** as the new group managing director of **Nigerian National Petroleum Corporation** (NNPC) following the confirmation of **Rilwanu Lukman** as the minister of petroleum. Both are northerners, which is an exceptional development.

Other agencies and parastatals have followed the same pattern of regional bias, it is claimed, among them the army, the State Security Services, Nigeria Intelligence Agency, Ministry of Internal Affairs, Department of Petroleum Resources, **Nigeria Liquefied Natural Gas** (NLNG) and the Petroleum Technology Development Trust Fund.

Sanusi confirmed as CBN governor

Sanusi Lamido Sanusi was finally confirmed as new governor of the **Central Bank of Nigeria** (CBN) on 3 June after a Senate confirmation hearing lasting three and half hours.

Outlining his regulatory and supervisory agenda for the banking sector, Lamido said CBN would ensure robust risk management practices. Sanusi will serve for five years, subject to renewal for another five years.

He becomes the 10th CBN governor, and takes over from **Chukwuma Soludo**, whose tenure expired on 5 June.

Sanusi started his working career teaching economics at Ahmadu Bello University (ABU), having obtained a BSc in economics there in 1981 and a master's in 1983. He then went into banking, working first as a merchant banker with **Icon**, a subsidiary of **Morgan Guaranty Trust Bank of New York**, and **Baring Brothers**.

He joined **United Bank for Africa** (UBA) as a risk manager from where he was invited to join the board of **First Bank of Nigeria**, eventually becoming the first northerner in more than a century to be appointed CEO of the bank.

Sanusi also studied sharia and Islamic studies at the International University of Africa in Khartoum, Sudan, in 1991 and is known as a scholar in sharia jurisprudence.

Born in 1961, he is a member of the Fulani ruling family in Kano, being a grandson of the 11th Emir of Kano, **Muhammadu Sanusi**.

It is thought that the CBN under Sanusi's watch will apply his uncompromising risk management approach to supervision of the banking sector. He may also insist that banks be more transparent in their disclosures. >>>

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SANUSI: TOUGHER APPROACH TO RISK MANAGEMENT

Unlike his predecessor, who is alleged to have had personal relationships with the operators of most banks and lax control, Sanusi prides himself in managing a regulatory regime and it is thought he will make it a priority for banks to reduce their non-performing loans.

Gemade resigns from housing authority

Barnabas Gemade, former chairman of the **People's Democratic Party (PDP)**, has resigned as chairman of the board of directors of the **Federal Housing Authority (FHA)**.

It is believed that his resignation was due to the controversial appointment by President **Umaru Yar'Adua** of his younger brother, **Tever Gemade**, as the FHA's managing director and CEO. The younger Gemade had previously been general manager, projects.

FCT minister resists fraud investigation

Federal Capital Territory (FCT) minister Senator **Adamu Aliero** will know on 22 September if he is to be quizzed by the **Economic and Financial Crimes Commission (EFCC)** over an alleged N10.2 billion fraud.

Petitions have been filed with the EFCC and **Independent Corrupt Practices and Other Related Offences Commission (ICPC)** claiming that Aliero misappropriated N10.2 billion when he was governor of Kebbi state. The petitions were filed in December 2006, February 2007 and August 2007 by **Sani Dododo**, **Abubakar Kane** and **Alhaji Mungadi**.

Through his lawyers Aliero has filed a notice of preliminary objection against the suit. The EFCC in turn claims the court lacked the jurisdiction to hear the case. Justice **Adamu Bello** of the Federal High Court in Abuja has issued an order that the two agencies should explain why they have failed to investigate the former governor for the alleged fraud.

EFCC arrests literacy directors

Eighteen directors of the **National Mass Literacy Commission (NMLC)** have been arrested by the **Economic and Financial Crimes Commission (EFCC)** over an alleged N271 million contract scam. The 18 directors, including the agency's executive director, **Dayo Olatuji**, allegedly committed the fraud last December.

Seeking to avoid return of an unused budget allocation, it is alleged, the directors hurriedly issued contracts and 100% of the contract sum was paid without following due process.

Approvals for payment were granted on the same day as the contracts were issued. This action violated the Public Procurement Act of 2007, which prohibits 100% payment for any contract.

A source adds that the companies used for the contracts were owned by the executive director and officials of the commission.

Former Niger governor banned from public office

A power struggle is taking place in Niger state between governor **Mu'azu Babangida Aliyu** and his predecessor **Abdulkadir Kure**, now executive chairman of the **Federal Road Maintenance Agency (Ferma)**.

This has already led to the replacement of the newly elected speaker of the state House of Assembly. **Saidu Ndaku Idris**, a Kure loyalist. Idris resigned barely one week after being elected speaker, when members of the assembly voted to impeach the former speaker, **Mohammed Alkali**, a supporter of the current governor.

Aliyu is the younger brother to the embattled **Ibrahim Aliyu**, who was detained in May in connection with the **Halliburton** bribery scandal.

A source claims governor Aliyu instructed the police in the state to declare Idris and eight others wanted in connection with alleged misappropriation of state funds. Idris was indicted by a panel that asked him to refund over N97 million he allegedly misappropriated from the Mokwa local government council, where he once served as chairman.

Aliyu established a seven-man judicial commission of inquiry, headed by Justice **Aliyu Mayaki**, to probe malpractices relating to the awards and execution of contracts under the immediate past administration between 1999 and 2007.

According to the committee's report, Kure was indicted over a contract for the supply of 200 tonnes of iron rod. The state government ordered that Kure should account for N99 million the state lost on the contract, adding that he should also be banned for 10 years from holding public office.

A source with the presidency alleges that former military president, General **Ibrahim Babangida**, may be linked to the turmoil in Niger state. It is said that the politicians who planned and executed the removal of Alkali and replaced him with Idris had the blessing of Babangida. It is thought that the choice of Idris was intended to put constraints on Aliyu and hinder his ambition to serve a second term.

Babangida is said to have opposed Aliyu's candidature as governor. But the release of the committee's report and the indictment of Kure was the last straw. >>>

Yar'Adua's suit against Leadership adjourned

In a milestone judgement, an Abuja High Court adjourned the criminal defamation lawsuit filed by President **Umaru Musa Yar'Adua** against **Leadership Newspapers Group** until the president leaves office and loses his immunity.

On 27 November 2008, Yar'Adua filed a complaint claiming defamation of character by a report in *Leadership Weekend*. The media organisation had already apologised several times for the story, which dealt with his health. Leadership chairman and editor-in-chief **Sam Nda-Isaiah** and two of the newspaper's editors were made to undergo a difficult time in the hands of state security agents and the police. Security operatives also stormed the group's headquarters, where they confiscated computers containing vital documents.

A two-member panel of the appellate court, led by Justice **Abubakar Talba**, ruled that the trial chief magistrate at the lower court, **Sunday Ochimana**, was wrong when he refused to adjourn the case *sine die* even when it was obvious that there was an infringement on the rights of the accused persons as enshrined in section 36 (5) and (6) of the 1999 Constitution of the Federal Republic of Nigeria.

Yuguda welcomed as member of PDP

Bauchi state governor **Isa Yuguda** received the official flag of the ruling **People's Democratic**

Party (PDP) from President **Umaru Musa Yar'Adua** on 27 June. The governor was elected as a member of the **All Nigeria People's Party** (ANPP) but defected following his marriage in January to Yar'Adua's 21-year-old daughter **Nafisa**, his fourth wife.

A few days before the ceremony state police arrested hundreds of youths alleged to be members of a group known as **Sara Suka**. The arrests were said to be aimed at preventing the youths from organising to harass the governor and his entourage over his change of allegiance.

Yuguda is also promoting the impeachment of his deputy, **Garba Mohammed Gadi**, who has refused to join the PDP. There have been allegations that each member of the state House of Assembly received N10 million to induce them to support Gadi's impeachment.

Meanwhile, the secretary to the state government, a Yuguda loyalist, is alleged to have absconded with N7 billion of government funds. Sources say he fled to London.

Economy and business

Impasse as Yar'Adua tries to cut spending

There is deadlock between President **Umaru Musa Yar'Adua** and the House of Representatives in negotiations over implementation of the 2009 budget. A meeting between the leadership of the House and the

national working committee of the ruling **People's Democratic Party** (PDP) in June failed to find a way forward.

The rift developed after Yar'Adua sent a letter to the House notifying lawmakers of the federal government's dilemma in implementing the budget as passed because of the nation's declining income as a result of the global economic recession. Lawmakers responded by insisting that the budget was already an act to which he had assented; they advised him to go to court if he could not implement it as passed.

A source with the Ministry of Finance has confirmed that a budget deficit of N249.1 billion was recorded in the first quarter of the year. Between January and March, revenue of N979.25 billion was generated against the budget target of N1,228 billion, indicating a 10% budget deficit. The federal government budgeted N3 trillion in spending for the year, with an estimated deficit of about N800 billion. Based on the dwindling revenue, Yar'Adua says he may not be able to implement that budget.

The Ministry of Finance states that of the N200.37 billion of the capital budget released for the first quarter of the 2009 fiscal year, the federal government only implemented N33.26 billion. This led Yar'Adua to issue instructions to stop the award of any contracts by the federal government through ministries, departments and agencies.

The Federal Executive Council at its meeting in mid-June suspended the approval of contract awards and has begun assessment and review

of the performance of the contracts already awarded.

Nitel sale revoked

The federal government has revoked the sale of the embattled former state-owned **Nigerian Telecommunications** (Nitel) to **Transnational Corporation of Nigeria** (Transcorp). The decision to cancel the sale was made on the grounds that Transcorp is not able to meet the contract terms due to breaches of the terms and conditions of the shares sales purchase agreement.

Mittal in talks to take over Ajaokuta Steel

The federal government is in talks with Indian steel magnate **Lakshmi Mittal**, whose family owns the leading interest in **Arcelor-Mittal**, the world's largest steel manufacturer, to run **Ajaokuta Steel Company**.

It is barely 14 months since the government cancelled **Global Steel's** contract to run the steel company and **National Iron Ore Mining Company**, accusing it of asset stripping and using its assets against a \$192 million bank loan. **Global Infrastructures Holding** is owned by **Pramod Mittal**, a younger brother of Lakshmi Mittal.

Nigeria Focus hears that representatives of Arcelor-Mittal met with attorney general and justice minister **Michael Aondoakaa** in March, to discuss how Arcelor-Mittal could restore the >>>

country's main steel plant. In a report on how to salvage Ajaokuta Steel, Arcelor-Mittal highlights that the steel mill would require estimated capital in excess of \$950 million.

The company suggests that any changes to the steel mill can be best achieved through a public-private partnership with full support from the federal government in terms of tax concessions and infrastructure spending.

Otedola faces claims over Chevron share price

Businessman **Femi Otedola** is facing claims he manipulated **Chevron's** share price in Nigeria through false trading and market rigging.

This follows Otedola's accusations that his former partner and friend, **Aliko Dangote**, and **Nova Finance and Securities** had manipulated the share price of **African Petroleum**, a company owned by Otedola.

Chevron made allegations concerning the share price manipulation in a petition to the House of Representatives committee on capital markets. Also accused in the petition are **Zenith Securities**, **Zenon Oil** and **Scud Oil and Gas** – all owned by Otedola.

Virgin Atlantic departs

Virgin Atlantic is looking to sell its 49% stake in **Virgin Nigeria Airways** (VNA), the national

carrier, for which it paid around \$25 million in 2005. The technical partnership has already ended.

In 2004 Virgin Atlantic entered into a deal brokered by former president **Olusegun Obasanjo**, to take over as national flag-carrier from **Nigeria Airways**, which had suffered from corruption and mismanagement. However, relations between Virgin Atlantic and the government soured in 2008, originally over a proposed move from the Lagos terminal.

Bank audit under way

Central Bank of Nigeria (CBN) and **Nigeria Deposit Insurance Corporation** (NDIC) are conducting a joint audit of all banks to determine their level of exposure to oil sector loans. The apex bank has instructed all banks to submit details of their exposure to companies in the energy sector, particularly upstream, downstream and oil services companies.

Details required include: the borrower, the outstanding balance, performance status (performing, non-performing and restructure), collaterals given and their current market value. A source with CBN states that bank exposures to such loans are estimated at N800 billion; others say the true figure is N1,500 billion.

CBN bars business travellers from PTA

In a circular to authorised dealers, the **Central Bank of Nigeria** (CBN) has barred class A bureau

Economy and business in brief

Oronsanye appointed head of service

President **Umaru Musa Yar'Adua** has approved the appointment of **Steve Oronsanye** as head of service of the federation. He is to succeed **Ama Inyingiala Pepple**, who retired on 22 June on reaching 60. Oronsanye was previously permanent secretary at the Ministry of Finance and also served as permanent secretary at State House under former president **Olusegun Obasanjo**. He is an accountant by training and joined the civil service from chartered accountant **Peat Marwick, Ani Ogunde**.

FIRS to issue TINs

For the first time, the Federal Inland Revenue Service (FIRS) is to introduce a taxpayer identification number (TIN) data bank to shore up often lax revenue collection and counteract widespread evasion.

TINs would be required for any financial dealing with government agencies, and also the opening of new bank accounts for current account holders or when customers transact business on such accounts. All banks have been instructed to submit a list of all corporate customers for TINs or be disabled from the FIRS pay direct portal if they failed to furnish FIRS with a list of their corporate customers.

FIRS has declared that TINs will be required from taxpayers when making payments for the following taxes: petroleum profit tax; companies income tax; capital gains tax; education tax; value added tax; withholding on corporate bodies; stamp duties for companies; the National Information Technology Development Fund levy, and personal income tax.

GDP growth rate up

Nigeria's GDP growth rate is put at 6.3% for January–March 2009, compared to the 5.7% recorded in Q1 2008. The growth was driven by agriculture, which constituted 35.8% of total GDP and contributed 2.2% to the growth rate.

de change operators from issuing the private travel allowance (PTA) to business travellers entitled to the business travel allowance (BTA).

The directive gives a clue to the approach of the CBN's new governor, **Lamido Sanusi Lamido**, indicating a more restrictive environment, and follows the continued fall in the government's

dollar receipts. The forex restrictions are the government's initiative to strengthen regulations that will help prevent illegal transfers of money, laundering and capital flight.

The federal government currently allows only \$5,000 per person per quarter for BTA and \$4,000 per quarter for PTA.

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