

Curbing crude oil theft

Omonigho Otanochu looks at the little known problem of crude oil theft, which costs lives and contributes to global terrorism.

Crude oil theft, otherwise known as ‘illegal crude oil bunkering’, is global challenge especially for oil exporting countries like Nigeria. According to reports available at the [Chatham House](#) website, “*Nigerian crude oil is being stolen on an industrial scale. Nigeria lost at least 100,000 barrels of oil per day, around 5% of total output, in the first quarter of 2013 to theft from its onshore and swamp operations alone*”. This incidence of oil theft amounted to about \$6 billion in lost annual income excluding royalties and taxes. Nigeria is recognised as Africa’s largest oil producer, with daily output estimated at 2.0 million barrels and for the highest known incidences oil theft.



The major petroleum producing companies operating in Nigeria have been Shell, ExxonMobil, Total, Chevron and ENI. Most of the oil wells, both onshore and offshore, are located in the Niger Delta region – Southern Nigeria. According to Mutiu Sunmonu, the former head of Shell Nigeria, in an interview with Financial Times affirmed if crude oil theft is left unrestrained it might “snowball into bigger security challenges”. He called for sustained global efforts to contain the menace of crude oil theft.

Crude oil on its own is not an end product, it needs to be refined into petroleum products and oil refineries are the major recipients of the commodity (whether legally and illegally acquired). The major means of transporting crude oil around the globe is shipping. Super tankers (ocean going vessels) with huge cargo capacity can convey 30,000 to 500,000 barrels of crude, but some can carry up to 2,000,000 barrels. These super tankers are loaded with crude oil from smaller marine vessels such as barges. Barge loads constitute the main vessels of oil theft.

The [United States Institute of Peace](#) in a special report titled “**Blood Oil in the Niger Delta**” authored by Judith Burdin Asuni, highlighted three possible means by which crude oil is stolen on a large scale; direct illegal access to the oil wellhead, and the use of forged documentation to lift surplus amounts of crude oil way past approved quantity. Oil theft in a smaller scale occurs when crude oil and refined petroleum products are illegally siphoned from local pipeline networks. The crude oil in this instance is refined illegally in makeshift ‘refineries’, causing unaccounted [pollution](#),

environmental degradation and innumerable fatalities to risks of toxicity and explosions as well as safety lapses involved.

The various reasons for the high magnitude and persistence of crude oil theft include massive corruption linked to regulatory institutions, security agencies and government officials. There are obvious complexities on how these illegal activities are coordinated, though, lack of political will to engage the problem head on is the main reason. Another reason is that the global demand for crude oil is virtually inelastic and recent record prices for the commodity have encouraged foreign “buyers” to seek readily available “cheaper” options. There is the question of a lack of social responsibility on the part of shippers and refiners that accept crude oil cargoes, no questions asked.

The author wishes to join the clarion call for a sustainable global framework targeted towards curbing oil theft, as an important approach to social responsibility for governments and corporation (formal and informal) and thus seeks to highlight the need for global awareness and stimulate affirmative action as a means of curbing this menace through effecting positive behaviour on the demand side of petroleum products trade.

Consequences of Crude oil theft:

In Nigeria, national and regional security are regularly compromised or challenged through the act and proceeds of crude oil theft leading to the proliferation of illegal arms, illegal drugs trade, the kidnapping of oil sector workers (particularly expatriates) and syndicated international money laundering networks. The proceeds of crude oil theft are used also to fund increasing waves of armed militancy, where civilians take up arms to fight ills arising from oil theft as it affects their communities. These ‘militant’ activities frequently result in crises that warrant government or corporate intervention that typically lead to armed conflicts with security agencies. There are also skirmishes between rival militant gangs competing to secure their stake of illegal ‘businesses’ (centred on oil theft), with high fatalities. Furthermore, the militancy crisis and state responses have resulted in massive displacements and migration from the Niger Delta region to safer parts of Nigeria and the Diaspora. Such migration places pressure mainly on major urban areas in Nigeria and Western countries which are choice destinations, for better livelihoods and economic interests.

Massive spillages are often associated with crude oil theft, causing serious environmental pollution and degradation. This invariably affects the ecosystem and the economic mainstay of the local communities which is mainly fishing and farming. This further worsens the plight of these host communities, since those responsible for oil theft are basically not accountable to any government or regulatory statues. Also, improvised local ‘refineries’ are an environmental menace.

Economically, the revenue flow for petroleum producing companies operating in Nigeria, is adversely affected, which translates to reduced national income for developmental purposes. This problem has been recently exacerbated by the dwindling proceeds accruable from crude oil due to current low prices in the global market.

How can individuals get involved?

There are tangible opportunities for “ethical buying” by end users at the point of service to demand to know the sources of petroleum products are genuine. By individual and collective actions consumers can ensure the marketers of oil products do not sell them stuff that indirectly promotes ‘blood oil’ vis a vis oil theft. This will put pressure on established oil marketers, shippers and crude oil refineries in foreign countries to enforce due diligence in their operations, thereby patronising crude oil products from certified petroleum marketing channels. Consumer awareness and mass enlightenment could develop into the needed political will for governments to act accordingly in stamping out crude oil theft.

Why should I care to know where my petrol comes from?



The establishment of a globalised forensic technology and transparent crude oil marketing database would go a long way in stemming the tide of crude oil theft.

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