

# SHELL IN NIGERIA

oil and gas reserves crisis and political risks:  
shared concerns for investors and producer-communities

a briefing for Shell stakeholders

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# Shell in Nigeria

## Oil and gas reserves crisis and political risks: shared concerns for investors and producer-communities

### CONTENTS

page 2	Background
page 4	Reserves: Nigeria accounted for 36% of the Shell reserves debacle in 2004.
page 5	Community Development: Auditors KPMG were “unable to form a conclusion” on Shell’s community development spending in 2003.
page 6	Spills: Shell’s tardy and superficial clean-ups are making an already highly charged situation in Nigeria worse.
page 7	Security: A leaked 2003 report produced for Shell warns that if the security situation deteriorates, Shell may have to go offshore by 2008.
page 8	Environment: Shell Nigeria says that its target of eliminating all routine gas flaring by 2008 “is becoming tight”.
page 9	Conclusion and Glossary
page 10	Endnotes
page 11	Picture Captions and Credits
page 12	Report Publishers



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the Earth



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## Background

This briefing asks shareholders to hold Shell to account on issues - including failed relationships with communities, potential for aggravating civil conflict and lack of transparency - that have combined to produce a crisis in the company's Nigerian operations. These issues are closely related to the company's overstating of reserves, which was centred on Nigeria. Shell Nigeria's role in the reserves crisis has highlighted failures in transparency in the company overall that go deeper and broader, exposing Shell's investors and all of its stakeholder to increased risk.

The interests of investors, Niger delta communities and campaigners for corporate accountability coincide here: unless Shell significantly changes direction in Nigeria, onshore operations may not be possible beyond 2008 if the company is committed to remain within its Business Principles. This may end in a chaotic withdrawal that would be damaging and costly for all. Nigeria represents about 10% of Shell's overall business. Oil represents 90%



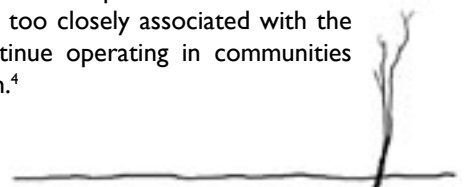
of Nigeria's export earnings. Shell is the major foreign operator, through a joint venture with Nigeria's state oil company. The stakes for Shell's shareholders and Nigerian stakeholders could not be higher.

In the Niger delta, Nigeria's main oil-producing area, relations between the government of Nigeria, oil producers and local communities have been complicated, particularly during the past year, by a series of armed conflicts that may intensify as government troops attempt to clamp down.<sup>1</sup> The potential for aspects of Shell's activity to exacerbate these conflicts was highlighted this month when an internal Shell report prepared by a conflict expert group, WAC Global Services, was leaked to journalists and then circulated by the company to some Non Governmental Organisations (NGOs).<sup>2</sup> The report states that Shell Nigeria is "part of Niger delta conflict dynamics and that its social licence to operate is fast eroding", and that if events continued as expected, it would be "surprising" if the company could operate onshore beyond 2008.

NGOs and community organisations that have monitored the oil industry in the Niger delta were unsurprised by this report. Relationships between Shell and the Niger delta communities have been deteriorating for the last 15 years in particular. Incidents such as the Umuechem massacre of 1990 demonstrated the anger felt by producer-communities that exploitation of their oil resources had failed to raise them out of poverty. Umuechem was also a warning of the ruthless way in which organised challenges to the status quo would often be dealt with by the Nigerian authorities.<sup>3</sup>

Matters came to a head in 1995, with the military dictatorship's execution of the Ogoni rights campaigner Ken Saro-Wiwa and others. Shell's response was in part driven by damage to its reputation that affected the company's share price, and its ability to recruit and retain staff. It made changes to its Community Assistance programme in the Delta, which it renamed Community Development, and retained PR people to counter the negative perceptions of the company.

Community development has, in many cases, failed to improve relations with communities. Some NGOs and development workers in Nigeria believe its overall impact has been negative. Earlier this year, Christian Aid called for Shell's funding of community development to be distanced from its commercial operations in the belief that its programme was too closely associated with the company's wish to continue operating in communities where there was tension.<sup>4</sup>



Background cont.

Community development appeared to solve short-term access problems but stored up greater troubles for the future, and merged with a larger web of problems, not of Shell's making, that are discussed in the WAC Global Services report:

- a substantial influx of arms into the Niger delta
- the growth in the number and sophistication of armed groups
- the spread of criminal activity including "bunkering" (large scale theft of oil, sometimes aided by collusion from within oil companies and government)
- the absence of any solution to the Niger delta's developmental problems
- the growth of social discontent.<sup>5</sup>

Shell's initial response to the WAC Global Services report could be read in two ways. The company said it rejected the report's conclusion that it could be forced to abandon onshore operations by 2008. A spokesman said that Shell will "support the development of a Peace and Security Strategy to help reduce conflict by changing our operating, security and community development practices".<sup>6</sup> A theme throughout the WAC report is that Shell's problem is not so much policy, as the failure to implement policies. This echoes a complaint that has long been made by NGOs and oil-producing communities in the Niger delta.

There are those within Shell Nigeria who have previously hidden behind such assurances to carry on doing more of the same and, as WAC Global Services points out, at this stage such an approach would lead to meltdown. The alternative is to ensure that real changes are implemented: this requires vigorous action by shareholders as well as oil producing-communities and NGOs that support them. Below we highlight the main issues and make recommendations.



## Reserves:

### Nigeria accounted for 36% of the Shell reserves debacle in 2004.

#### ISSUE:

Since the beginning of this year, Shell has had to reduce its stated proven reserves by 20%.<sup>7</sup> Shell Nigeria made the single largest contribution by far to the overstated reserves. Since Sir Philip Watts' resignation, the public spotlight has moved off this issue. But the company has not clarified adequately how this happened. Both investors and Nigerian communities have much to gain by insisting on transparency.

#### BACKGROUND:

Nigeria accounted for 36% of the 4.47 billion boe restated volume, according to the Shell annual report. Its centrality to the reserves scandal was obvious from the start. The Davis Polk & Wardwell report to Shell's Audit Committee stated that its Nigerian subsidiary, Shell Petroleum Development Company (SPDC), had accumulated "...very large volumes of proved reserves" in the 1990s that "...could not be produced as projected or within its current license". Davis Polk's assertion that senior management in London had been aware of this since "...no later than early 2000," contributed to Philip Watts' resignation.<sup>8</sup>

Nigeria hopes to double production in the next few years and therefore needs statements of proven reserves to support its case for an increased OPEC production quota (OPEC rules rely heavily on countries' proven reserves). Any reduction in the reserves would affect this. According to press reports, an internal company document, drafted in December last year by the then head of Exploring and Production Walter van de Vijver, recommended that the revised reserves be kept confidential as this could affect Nigeria's quota discussions with OPEC.

Between 1991 and 1999 Nigeria paid oil companies substantial sums to increase their proven reserves under the Reserves Addition Bonus scheme. When the reserves issue emerged, Shell was in the midst of discussions with Nigeria about an unpaid portion of its \$385 million bonus payment; the issue is as yet unresolved. A Shell spokesman said, "These discussions concern the operation of the Memorandum of Understanding [with the Nigerian Government] which applied at the time. They are in no way related to the re-categorisation of some proved reserves".<sup>9</sup>

Investors need more information about the specific conditions surrounding overstatement of reserves in Nigeria and clarity and accuracy on the reserves; so do

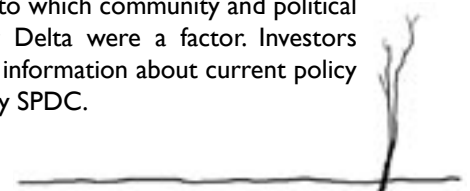


communities in the Niger Delta. There are three issues that should concern both investors and NGOs.

- First, the leaked documents show that the main reason that most misreported Nigerian reserves did not meet the SEC definition of "proven" was the lack of firm plans to extract the resource, and of evidence that Shell was ready and able to invest in it (rather than geological considerations). And this was partly due, in turn, to "community disturbances and political instability" in the Delta.<sup>10</sup>
- Second, it has been reported in the financial press that in reporting to the Nigerian authorities (which uses different methodology from the SEC rules to define proven reserves), SPDC continued to revise reserves estimates upwards dramatically in 2000 (by 730 million boe) and 2001 (by 1.06 billion boe). A Shell spokesman said that reporting under Nigerian standards has been "unaffected by the re-categorisation".<sup>11</sup>
- Third, according to the financial press, documents showed that Shell had been overoptimistic in its production projections submitted to the Nigerian authorities.<sup>12</sup>

#### RECOMMENDATIONS:

Investors should call for an investigation into the specific circumstances surrounding reserves overstatement in Nigeria, and the extent to which community and political problems in the Niger Delta were a factor. Investors should request detailed information about current policy on reserves reporting by SPDC.



## Community Development:

### Auditors KPMG were “unable to form a conclusion” on Shell’s community development spending in 2003.

#### ISSUE:

Shell’s Community Development (CD) programme in the Niger delta is failing. It was conceived as a means of improving relations with local communities, but is in some instances souring those relations and, at worst, aggravating divisions within and between communities. The programme is criticised by local community organisations for being too closely tied to the company’s commercial activities (i.e. targeted at winning access to areas for production staff), and by NGOs internationally for a flawed monitoring procedure.

#### BACKGROUND:

The CD programme’s aim is to “empower communities” to undertake development projects, e.g. construction and maintenance of water systems, schools, hospitals and other community facilities. The company last year acknowledged some shortcomings, cut the programme’s budget by more than half (from \$69 million in 2002 to \$30.8 million in 2003) and is now relaunching it as “Sustainable Community Development”.<sup>13</sup> It has also started joint initiatives with USAid and Africare, and is discussing one with the UNDP - although these have been described as a measure not of Shell’s success but of concern that the Niger delta, despite its oil wealth, remains mired in poverty.<sup>14</sup> Many communities and NGOs remain fearful that with only cosmetic changes, Shell could repeat previous mistakes.

A study last year by Christian Aid, concluded the programme was “dysfunctional” and had made the Niger delta “a veritable graveyard of projects, including water systems that do not work, health centres that have never opened and schools where no lesson has ever been taught”. Christian Aid highlighted the case of the Umuechem community, already aggrieved by the 1990 massacre, where none of the six Shell-supported community projects function - a fact of which Philip Watts had been made personally aware by shareholder pressure groups. Shell’s own consultants, WAC Global Services, concluded that Shell’s spending in communities does not provide “a sustained LTO [License To Operate]” and that “providing more money to communities may even exacerbate conflict”.<sup>15</sup>

Christian Aid argued, as Niger delta-based NGOs have for a decade, that “the underlying problem with many oil industry community development projects is that they are used not to help communities, but as a pay-off for access to land”. When Christian Aid put this point to Shell,

in December 2003, the company refuted it, saying that its development programme is 75 per cent successful. But the reporting process itself is flawed, principally because the only projects reviewed are those completed in the year in question. KPMG, which audited Community Development spending and project activity, states in a note to the SPDC annual report that “the CDMIS [Community Development Management Information system] used as the basis for compiling project activity [...] has significant control weakness that impact on data integrity”. KPMG was “unable to form a conclusion” on the Community Development activity of SPDC. This is a further downgrading of the reporting of CD spending from 2002, where concerns were also aired. This conclusion by Shell’s auditors would be regarded with alarm if reporting on any operational department within a major company.<sup>16</sup>

#### RECOMMENDATIONS:

Shareholders may support proposals made by Delta-based NGOs that, as a first step, Shell funds for community assistance be channelled via an arms-length foundation (as the company does in other countries), to distance the programme from Shell’s Exploration and Production division. Explanation should be sought for the failure of information systems noted by KPMG. Greater transparency is urgent, and, for example, the SPDC-commissioned report “SPDC Review: Managing Community Interfaces - July 2002” - a precursor to the WAC report - should be published.



## Spills:

Shell's tardy and superficial clean-ups are making an already highly charged situation in Nigeria worse.



### ISSUE:

Environmental problems caused by oil spills from Shell Nigeria's pipelines combine with social problems resulting from failure to clean up after spills. Shell pays no compensation for spills caused by sabotage, and the process of determining the cause of spills fuels antagonisms between the company and communities. An opaque investigation process, and failure to report publicly on the application of international safety standards, aggravate the problem.

### BACKGROUND:

The reported volume of oil spills from Shell Nigeria's operations has fallen substantially from a peak in 2001.<sup>17</sup> But spill damage runs at a level that would never be accepted in most countries, due to poor clean-up procedures. For example, a spill site at Yenagoa visited by Christian Aid's researchers in October 2003, where oil had poisoned a key water source for several communities, had hardly been touched for a month after the spill. Shell confirmed after a further two months that clean-up had still not begun, due to a disagreement with local authorities over which contractor to use.<sup>18</sup>

In June 2004, Friends of the Earth observers visiting the same site found no evidence of significant clean-up work having been conducted. Other independent observers visiting the Niger delta have witnessed numerous examples of delays by Shell to act to contain spills, many of which have been hardly touched for decades.

Often, an un-cleaned-up spill provokes conflict between

politicians, communities, NGOs and the company about the cause of damage (i.e. was it caused by sabotage, or not?) and clean-up methods (i.e. employment of local or other contractors). Communities claim that some spills caused by technical breakdowns (e.g. corrosion) are deemed by local managers to be caused by sabotage; in response, the company says "...communities act to prevent SPDC from promptly stopping spills in a bid to earn more compensation or create more clean-up work for their people."

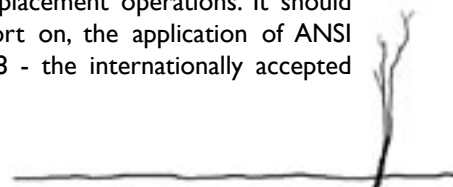
The WAC report argues that the material benefits at stake "transform oil spills from an environmental issue into a political issue" and heighten conflict. It reports community claims that many spills are never cleaned up, that company response teams are slow, and adds that there is little transparency about whom the company pays compensation to and the basis on which it is awarded.<sup>19</sup>

Opacity aggravates conflict. Shell Nigeria does not make joint investigation team (JIT) reports available that are intended, under Nigerian law, to be public documents. It is also not clear what priority is given to replacing pipelines that are over 15 years old in the Joint Venture annual expenditure, proposed by the Nigerian Presidency at \$3.2 billion for 2004 from the Federal government alone.<sup>20</sup>

While community groups fear that some spills are due to inadequate pipeline replacement, the company makes available hardly any information on pipeline maintenance. SPDC's annual report gives a figure for the replacement of flowlines, but not of other pipelines; no information on the age of pipelines or replacement rates is published. Shell has told the authors of this report that it "...intends to provide age information on flowlines."

### RECOMMENDATIONS:

Investors should urge that oil spill clean-up procedures be brought up to the standards applied at Shell's operations in Europe and North America. To ease conflict surrounding oil spills, investors may join oil-producing communities in urging a transparency initiative making available all JIT reports and summary information on compensation settlements. The company should publish details of the age of pipelines and replacement operations. It should apply, and publicly report on, the application of ANSI standards 31.4 and 31.8 - the internationally accepted standards.



## Security:

A leaked 2003 report produced for Shell warns that if the security situation deteriorates, Shell may have to go offshore by 2008.

### ISSUE:

The security situation in the Delta is deteriorating. In the last year there has been a substantial influx of weapons and a continued growth of informal militias. Security experts note the appearance of warlords. The causes of conflict include ethnic divisions and political rivalries, and in recent elections independent monitors noted the use of armed groups to intimidate voters.<sup>21</sup> Armed groupings engage in criminal activity, in particular oil bunkering. The prospect of onshore oil production being halted is raised, in Shell's case by the WAC report, which also highlights the use of cash from various sources - including SPDC payments - to buy weapons. Chevron has recently abandoned production in Delta state following the murder of two of its American employees.

### BACKGROUND:

The extent to which responsibility for violence in the Niger delta may be attributed to Nigeria's oil wealth, and those that have benefited from it while the population remains impoverished, is hotly debated. What is undisputed is that if the security situation deteriorates further, everyone loses: onshore production could be halted, communities suffer and poverty will be exacerbated by violence.

The WAC Global Services consultants retained by Shell, whose brief centred on security, provide sobering estimates of the level of oil theft (100-250 million barrels per year, at an aggregate cost to oil producers of \$121-302 million at \$30/barrel) and the quantity of arms now in the Niger delta ("thousands of former Soviet semi-automatic and automatic small arms, rocket launchers, rocket propelled grenades, heavy weapons, explosives and possibly short range missiles").<sup>22</sup> They take issue with the argument that oil theft will plateau at a level (e.g. 8-10% of production) low enough to avoid military intervention but high enough to provide acceptable revenue flows. In such a scenario, they warn, international oil companies could not continue to "absorb the escalating costs associated with community demands (which if ignored often result in closure or occupation of company facilities, lack of access to exploration areas or physical threats to staff)" or meet "required standards of public accountability and transparency".

The WAC report analyses some of the causes of conflict external to the oil companies:

- poverty and inequality

- limited local capacity to benefit legitimately from the oil industry

- ineffective law enforcement and corruption

- ethnic and political divisions.

Yet the WAC report emphasise that causes, as well as outcomes, are to be found within Shell: "SCIN [Shell Companies in Nigeria]-conflict links result from a quick-fix, reactive and divisive approach to community engagement expressed through different areas of policy, practice and corporate culture. [...] it is the accumulation of many (seemingly small or isolated) practices that feed into conflict". The consultants emphasise: "SCIN has more control than is generally assumed over its external environment. Multiple opportunities exist to reduce the likelihood that corporate policies and practices impact, and are impacted by, conflict."

The consultants draw attention to the flaws in CD programmes and oil spill response (see above), and also focus on the payment of compensation and other material benefits in communities, which Niger delta-based NGOs consider to be one of the oil industry's most pernicious and divisive practices. The danger is that, within Shell Nigeria, change will be too little, too late. The SPDC 2003 report indicates that the arbitrary distribution of cash payments to young people in communities still continues: it announces a strategy that "aims to abolish" illegitimate cash payments - but so did its 2002 predecessor.<sup>23</sup>

Shell told the authors of this report,

"We have stated clearly (see SPDC's 2003 People and the Environment Annual Report) that we recognise that our approach to community development and engagements in the past have been less than perfect. However, we continually strive to improve on our practices. This, in fact, was the reason we commissioned the Peace and Security study ...".

### RECOMMENDATIONS:

Investors may join oil-producing communities in urging a complete revamp of community relations by Shell Nigeria. They may urge the company to act on the recommendations made by WAC Global Services. They could question the company closely on what plans it has to implement its new 'sustainable development strategy' in a manner where it will not fall victim to the failure to implement policy cited repeatedly in the WAC Global report.



## Environment:

Shell Nigeria says that its target of eliminating all routine gas flaring by 2008 “is becoming tight”.

### ISSUE:

Gas flaring,<sup>24</sup> the Nigerian share of which constitutes one of Africa’s greatest man-made environmental disasters, remains unresolved. SPDC’s indication that it may again postpone its 2008 target date to end flaring is discouraging. At a local level in the Delta, the company’s lack of regard for environmental standards is reflected in failures in Environmental Impact Assessment (EIA) processes.

### BACKGROUND:

The Nigerian oil industry is the world’s leading practitioner of environmentally damaging gas flaring, accounting for about one fifth of all gas flared in the world. World Bank officials state that gas flaring in the Niger Delta has “contributed more emissions of greenhouse gases than all other sources in sub-Saharan Africa combined”, and that the energy lost is equal to more than half sub-Saharan Africa’s thermal-based power generation.<sup>25</sup> Shell, whose Nigerian JV accounts for about half of the country’s oil production, bears a significant responsibility for this environmental catastrophe.

SPDC’s 2003 report states that its target of eliminating all routine flaring by 2008 “is becoming tight”, and “we will be reviewing what resources will be necessary to achieve it”. While ending gas flaring has cost implications, lack of financial information and cost projections for gas gathering projects makes it impossible for environmentalists to monitor SPDC’s declarations of good intent. A company document leaked earlier this year has added to environmentalists’ concerns: it stated “that many [new Shell] oil field projects [in Nigeria] did not include plans to gather natural gas, and that ‘oil production would have to be shut in’, or stopped, unless the company found a way to use the gas.”<sup>26</sup>

### RECOMMENDATIONS:

Investors may seek assurances on gas flaring reductions. Shell should respond to environmentalists’ concerns, and comply with its commitments to reduce climate change. Gas gathering cost projections should be made transparent.

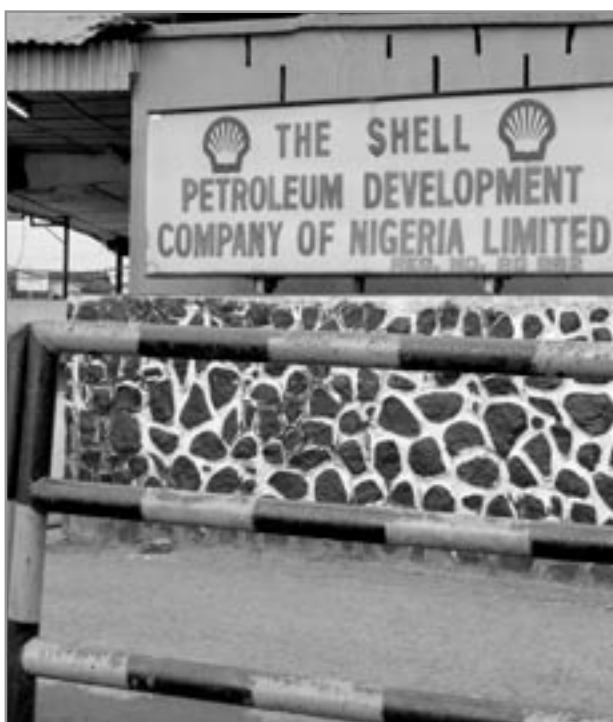


## Conclusion

A reckoning with the role played by Shell's Nigerian operations in the reserves fiasco is in investors' interests. A gust of transparency blowing through Shell Nigeria would probably help to clarify both the character of operational problems directly relevant to shareholders and the root causes of the security issues to which WAC Global Services consultants have drawn attention.

To achieve such transparency, shareholders can obviously make common cause with NGOs and oil-producing community organisations who advocate it on behalf of their respective constituencies.

The Nigerian oil industry disproportionately generates both developmental and environmental problems - which is another reason for Shell shareholders to co-operate more closely with NGOs and community organisations to press for higher standards of corporate responsibility.



### GLOSSARY

Africare	US-based non-profit organisation
ANSI	American National Standards Institute
Boe	barrels of oil equivalent (a uniform measure used to state amounts of oil, gas and gas condensate)
EIA	environmental impact assessment
E&P	exploration and production
LTO	(social) licence to operate
OPEC	Organisation of Petroleum Exporting Countries
NNPC	Nigerian National Petroleum Corporation
SCIN	Shell companies in Nigeria
USAid	United States Agency for International Development
UNDP	United Nations Development Programme



## Endnotes

1

See AP, 4th June 2004 'New clashes in Nigeria's oil delta' Lagos. <http://edition.cnn.com/2004/WORLD/africa/06/04/nigeria.oil.clashes.ap>

2

WAC Global Services, December 2003 'Peace and Security in the Niger delta: Conflict Expert Group Baseline Report. Working Paper for SPDC' Lagos.

3

The Umuechem massacre followed a protest by villagers who, after several decades of oil production from their land, had no clean water supply, schools or health facilities. A Shell manager at a local flow station called in the mobile police who killed 80 or more people and burned the village down. Despite a public inquiry in 1991, which ordered compensation, none has been paid. In 2002-03 a new series of demonstrations took place in the town, which still has no clean water supply or secondary schools, and has negligible health facilities. See: Andrew Pendleton et al, January 2004 'Behind the Mask: The Real Face of Corporate Social Responsibility' Christian Aid, London, pp25-26. <http://www.christian-aid.org.uk/indepth/0401csr/index.htm> Bronwen Manby et al, January 1999 'The Price of Oil' Human Rights Watch, London, chapter 8. <http://www.hrw.org/reports/1999/nigeria/>

4

See Christian Aid 'Behind the Mask' pp25-26.

5

On the overall picture, see Ike Okonta and Oronto Douglas, 2003 'Where Vultures Feast: Shell, Human Rights and Oil' London and New York. On community development, see, for example, Christian Aid 'Behind the Mask' pp24-28; Ecumenical Council for Corporate Responsibility, March 2002 'When the Pressure Drops: an assessment of Shell's progress in the Niger delta', Port Harcourt; and Michael Peel, 9th June 2004 'Deep Well of Troubles in Nigeria' Financial Times, London. On security issues see: Bronwen Manby et al, October 2002 'The Niger delta: No Democratic Dividend' Human Rights Watch, London. <http://www.hrw.org/reports/2002/nigeria3/>

6

Karl Maier et al, 10th June 2004 'Shell 'Feeds' Nigeria Discord, May End Onshore Work' Bloomberg, London; Shell Group Corporate Affairs response to S. Pirani, 16th June 2004.

7

The definition of 'proven' reserves used by Shell appears in the annual report, p85. It requires not only 'reasonable certainty' from geological and engineering data that a resource is present, but also the expectation of recovery with existing equipment and operating methods and conditions allowing the resource to be 'economically developed and produced'.

US SEC rules state that 'proven' reserves are those where oil has been drilled; as-yet untapped oil and gas fields are only 'probable.' See: Rule 4-10(a) of Regulation S-X of the Securities Exchange Act of 1934. Definitions (2) Proved oil and gas reserves. (i) The US Energy Information Agency (EIA) classifies 'reasonable certainty' as at least 'a 90 percent probability that the actual quantities recovered will exceed the estimate.' See EIA, Estimation of Reserves and Resources: [www.eia.doe.gov/pub/oil\\_gas/natural\\_gas/data\\_publications/crude\\_oil\\_natural\\_gas\\_reserves/current/pdf/appg.pdf](http://www.eia.doe.gov/pub/oil_gas/natural_gas/data_publications/crude_oil_natural_gas_reserves/current/pdf/appg.pdf)

In principle, this same system of classification is in use in Nigeria, where Shell operates mainly as part of a Joint Venture with NNPC. 'Nigeria's oil reserves, according to the [NNPC] officials, are calculated based on what is known as P1 plus P2, where P1 is when the oil reserves in a well is 90% proven to be in place and P2, 50 % proven. "US regulations only accept P1 as the true reserve claims of oil companies.'" See: This Day, 6th April 2004 'Nigeria and Shell disagree over oil reserve' Lagos. Archived at: <http://www.gasandoil.com/goc/company/cna41622.htm>

8

Davis Polk & Wardwell, 31st March 2004 'Report to the Shell Group Audit Committee' (executive summary), London, p10 and p12.

9

Van de Vijver's report has not been published, but was leaked to the New York Times, which quoted it extensively. Jeff Gerth and Stephen Labaton, 19th March 2004 'Shell Withheld Reserves Data to Aid Nigeria' New York Times; Mike Oduniyi, Onwuka Nzeshi and Onyebuchi Ezigbo, 25th February 2004 'OPEC Screens Nigeria's Oil Reserves' This Day, Lagos; Hector Igbikiowubo, 13th May 2004 'Shell Denies Unwholesome Financial Conduct in JV Operations' Vanguard, Lagos; Shell Group Corporate Affairs response to S Pirani, 16th June 2004.

10

'There are more than financial issues behind the decline in reserves. "Community disturbances and political instability" were also to blame, according to the [leaked 8th Dec 2003, Walter van de Vijver] Shell report. Most of Nigeria's oil reserves are in the delta region in the south, where unrest forced the company to reduce production last year.' Jeff Gerth and Stephen Labaton, 19th March 2004 'Shell Withheld Reserves Data to Aid Nigeria' New York Times.

11

Shell Group Corporate Affairs response to S Pirani, 16th June 2004.

Continued



12  
Carola Hoyos and Michael Peel, 15th April 2004 'Nigeria had raised concerns over Shell oil reserves' Financial Times, London; Carola Hoyos and Michael Peel, 24th April 2004 'Nigeria holds the clue to the groups wrongly booked reserves debacle' Financial Times, London.

13  
SPDC Ltd, June 2004 '2003 People and the Environment' Port Harcourt, pp 15 - 17. [www.shell.com](http://www.shell.com)

14  
Michael Peel, 23rd March 2004 'World Bank to launch Niger delta development project' Financial Times, London.

15  
Christian Aid 'Behind the Mask', pp23-28; WAC Global Services, p5. Four of the projects in Umuechem are supported by SPDC, two by the Shell-supported NDDC. The NDDC-supplied water system does not work, an insult aggravated by the provision of fresh water and electricity to the nearby Shell flow station.

16  
SPDC Ltd, '2003 People and the Environment' p29.

17  
SPDC reports a total volume of oil spilled (net oil only) from spills of 100kg or more at 10,400 tonnes in 2001, 2700 tonnes in 2002 and 1300 tonnes in 2003. There is no independent assessment of oil spilt in Nigeria.

18  
Christian Aid 'Behind the Mask', pp28-30.

19  
WAC Global Services, pp 13 and 17.

20  
Budget Speech of President Obasanjo, December 18th 2003. [www.dawodu.com/obas18.htm](http://www.dawodu.com/obas18.htm)

21  
See: The Report of the Commonwealth Observer Group 28th April 2003 'National Assembly and Presidential Elections in Nigeria 12 and 19 April 2003', London, p35. <http://www.thecommonwealth.org/Templates/Internal.asp?NodeID=35149>

European Election Observation Mission, May 2003 'Nigeria: Final Report' Brussels, p32. <http://www.euomnigeria.org/f-report.html> Human Rights Watch, June 2004 'Nigeria's 2003 Elections: The Unacknowledged Violence' London. <http://hrw.org/reports/2004/nigeria0604/index.htm>

22  
WAC Global Services, pp 45-46 and p48.

23  
WAC Global Services, pp12-31. The issue was also dealt with in Human Rights Watch 'The Niger delta: No Democratic Dividend' and Christian Aid, 'Behind

the Mask', pp30-32. SPDC Ltd '2003 People and the Environment', p16 and 2002, p19.

24  
The practice of burning off in to the atmosphere natural gas produced along with oil (associated gas). The alternatives are to gather it for processing or to reinject it into the oil deposit.

25  
World Bank, 13th Feb 2002 'Memorandum of the President of the IDA and the IFC to the executive directors on an interim strategy update for the Federal Republic of Nigeria', New York; See Okonta and Douglas p73.

26  
Jeff Gerth and Stephen Labaton, 19th March 2004 'Shell Withheld Reserves Data to Aid Nigeria', New York Times.

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## Picture captions

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- Cover Shell oil spill Airport Road, Port Harcourt.
- P.2 Ken Saro-Wiwa - executed in 1995 - led the Ogoni rights campaign MOSOP. Picture from 1993.
- P.3 Shell's oil spills blight daily life for ordinary Nigerians in the delta, Airport Road, Port Harcourt, June 2004.
- P.4 Lack of investment in infrastructure is at the heart of Shell Nigeria's problems. Leaking gas & oil flow line, Iguruta, Rivers State, June 2004.
- P.5 Shell in evidence: gas flaring in the Niger delta. Rumuekpe, Rivers State, June 2004.
- P.6 Aftermath of a spill, Airport Rd, Port Harcourt, June 2004
- P.8 Rumuekpe kids looking at a Shell gas flare, June 2004.
- P.9 (upper) - Shell barrel, 2004.
- P.9 (lower) - Shell Industrial Area, Port Harcourt, June 2004.

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The Stakeholder Democracy Network helps communities, especially those in the global South where big businesses' impacts are greatest, to communicate and negotiate with other stakeholders in the companies whose investments and operations affect their lives, livelihoods and environment. SDN is a pilot initiative established with support from CordAid, Lutherse Burgwal 10, 2512 CB The Hague, The Netherlands.