

“What’s in It for Us?”

An action-research case study of Nigeria’s extractive industries

REPORT SUMMARY



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March 2021¹

Extractive (oil, gas and mining) companies incorporated and/or publicly listed in Canada, the European Union, Norway and the United Kingdom are required by law to publish their payments to governments annually for every country of operation.² In Nigeria, extractive companies and the government also disclose their respective payments and receipts, with related information about the governance of the sector, under the Extractive Industries Transparency Initiative (EITI).³

1 Please cite this summary as Policy Alert, PWYP Nigeria, Stakeholder Democracy Network, PWYP UK and PWYP International Secretariat, Report summary, “What’s in It for Us?": An action-research case study of Nigeria’s extractive industries, 2021.

2 A similar United States law dating from 2010 has not yet been implemented, nor at the time of publication has the recent Swiss law of 2020.

3 <https://eiti.org/nigeria>; <https://neiti.gov.ng/>

THE STUDY

This case study reports on an action-research collaboration between Policy Alert (<http://policyalert.org>, a PWYP Nigeria member) and PWYP UK (www.pwyp.org/pwyp_members/united-kingdom), with a contribution from Stakeholder Democracy Network (SDN, www.stakeholderdemocracy.org, a PWYP UK member).⁴ We report on using mandatory payments-to-governments data as a starting point to investigate Nigeria's extractive sector and to promote transparency, public participation and accountability.

In 2019-20 we undertook joint transparency, public participation and advocacy action research on issues relating to Nigeria's extractive sector, with input from Stakeholder Democracy Network and endorsement from PWYP Nigeria. We focused on oil and gas blocks, and a mining company cement operation, for which extractive companies had reported disaggregated project-level payment data under Canadian, European Union and UK legislation. We prioritised operations in or neighbouring Akwa Ibom State, where Policy Alert are based (in the state capital, Uyo) and have community contacts.

The collaboration interlinked closely with Policy Alert's recently launched public awareness-raising and advocacy campaign called [#WetinWeGain](https://twitter.com/WetinWeGain) (Nigerian pidgin meaning "What's in it for us?"). Activities led by Policy Alert included publishing data infographics on selected oil and gas blocks and mineral

operations; holding [Twitter chats](#) with invited experts on Nigeria's extractive industries and the public; engaging with government and companies to clarify opaque information, communicate concerns and advocate better practice; consulting with host and impacted communities; issuing public statements; and using social and mainstream media to report activities and outcomes and influence public debate. PWYP UK supported with joint planning, research, data analysis, fact checking, co-promotion, engagement with companies, and documenting and communicating activities and outcomes. SDN made an independent survey of oil and gas companies' environmental performance in Nigeria and summarised its findings for our report.

Work on the case study was delayed for several months in 2020 by the Covid-19 pandemic. Some planned outreach activities could not be undertaken. The pandemic has also had consequences for Nigeria's extractive industries.

We have sought in this study to respond to mounting evidence of the risk to producer government finances from declining global oil and gas demand, "stranded assets" and the need for an international energy transition.

We sent a draft version of the report for comment to representatives of government, industry, and civil society and communities ahead of publication and took all comments received into careful consideration in revising the report for publication.

⁴ "Action research ... seeks transformative change through the simultaneous process of taking action and doing research, ... linked together by critical reflection": https://en.wikipedia.org/wiki/Action_research

PROJECT APPROACH AND ACTIVITIES

- Policy Alert launched [#WetinWeGain](#) in May 2019 with a press release endorsed by PWYP Nigeria and PWYP UK and with media coverage including television.
- To raise public awareness Policy Alert created and published a series of **data-based infographics**, each featuring a selected oil and gas extraction block (OML), group of related blocks/OMLs, or in one case the LafargeHolcim mining company's cement operations, and related topics.
- To address public information about Nigeria's oil blocks that was often unclear, contradictory or incomplete, we wrote to Nigeria's **Department of Petroleum Resources (DPR)** and to several of the companies: **Seplat, Seven Energy, Eni, Chevron Canada and Royal Dutch Shell**.
- Our **letters and emails to the companies** were intended to obtain information, to test willingness to dialogue with civil society and to demonstrate that civil society expects companies to be more accountable. The more informative responses helped clarify data used in the infographics and during public consultation meetings.
- We undertook **beneficial ownership research** in the UK and in Nigeria concerning some of the smaller companies active in the sector.
- Policy Alert issued several **public policy statements** and gained **Nigerian press coverage** on key extractive sector issues of concern to Nigerian civil society.
- Policy Alert hosted a series of **Twitter chats** led by expert commentators and used **Facebook**, to stimulate public discussion of key issues about Nigeria's extractive sector.
- To connect more closely with **host and extraction-impacted Niger Delta communities**, and to better understand and engage with community views, Policy Alert organised visits to, and consultation meetings with, host communities in two local government areas, Esit-Eket and Ibeno.
- To mark **International Women's Day 2020** (8 March), Policy Alert organised a broadcast discussion on Nigerian radio involving five women from oil-producing communities in Akwa Ibom State.
- Policy Alert developed the **campaign web page** at <https://policyalert.org/wetinwegain/> as a project resource featuring infographics, articles, links to Twitter chats, reports on outreach meetings, media coverage and extractive sector documents such as contracts, community agreements and NEITI reports.
- Some planned activities were suspended during the peak period of the **Covid-19** crisis.
- We incorporated findings from PWYP UK member organisation **Stakeholder Democracy Network's** first annual **Environmental Performance Index** of the Nigerian oil and gas sector.
- We relate our findings to mounting evidence of the risk to producer government finances from declining global oil and gas demand, "stranded assets" and the need for an **international energy transition** in response to the **climate crisis**.

Box 1. NIGERIA COUNTRY CONTEXT⁵

“According to OPEC, Nigeria has almost 40 billion barrels of proven oil reserve. After nearly 50 years of exploration, the oil and gas sector continues to play a significant role in the economy and accounts for 65% of total revenue to the government. With a maximum crude oil production capacity of 2.5 million barrels per day, Nigeria is Africa’s largest producer of oil, and the 13th largest oil producing country in the world. The country has faced significant challenges in managing the sector such as the unaccountable use of revenues and corruption” – EITI.

Nigeria also has 200 trillion cubic feet of proven gas reserves – Nigerian Department of Petroleum Resources (DPR).

Oil and gas accounted for a reported 93.8% of Nigeria’s export earnings in Q4 2018.

Nigeria supplied 2.2% of world crude oil production in 2019.

Natural resource ownership: “The entire property in and control of all minerals, mineral oils and natural gas in, under or upon any land in Nigeria or in, under or upon the territorial waters and the Exclusive Economic Zone of Nigeria shall vest in the Government of the Federation” – Constitution of the Federal Republic of Nigeria 1999 (as amended), section 44 (3).

Extractive Industries Transparency Initiative (EITI) status: Satisfactory progress.

NRGI Resource Governance Index: Score (oil and gas) 42/100. Rank 55/89 countries.

NRGI country profile: <https://www.resourceprojects.org/country/Nigeria>

Transparency International Corruption Perceptions Index: Score 26/100. Rank 146/198 countries.

Population: approx.

202 million



GDP per capita: (current USD)

\$2,229.2



UNDP Human Development Index:
Score

0.534/1.000

Rank

158/189 countries



⁵ Full information sources used are provided in the full report and its footnotes and references.

KEY FINDINGS⁶

- The Nigerian extractive sector is large, complex, often poorly governed and in many ways opaque and still unaccountable to citizens and communities.
- Negative impacts of the sector on host and impacted communities' livelihoods, environment, health and human rights can be severe, disproportionately affecting disadvantaged groups, and are largely uncompensated for.
- Multinational oil companies, including Royal Dutch Shell and Total, paid US \$359 million in 2018 to the Niger Delta Development Commission (NDDC), the federal government agency responsible for facilitating development in Nigeria's oil-rich but poverty-stricken Niger Delta region.
- The NDDC has a reputation for not completing projects across the Niger Delta.
- Abandoned onshore wells litter the Niger Delta following unplanned abandonment, and many offshore facilities also face unplanned abandonment, with adverse potential consequences for nearby communities.
- There is little evidence that the Nigerian government's intended benefit sharing and intervention initiatives have significantly helped host and impacted communities.
- Civil society engagement with the Nigerian government and with companies operating in Nigeria has brought about limited improvements in accountability that need to go much further.
- Payments-to-governments reporting and the EITI make a useful contribution to accountability and help deter corruption but can be undermined by poor quality implementation.
- Civil society and citizens need disclosure of Nigeria's extractive industry contracts and fiscal terms, and of company-community agreements (MOUs), if they are to hold government, industry and (in some cases) community leaders to account.
- Beneficial ownership disclosure regimes such as the UK's People with Significant Control (PSC) register and Nigeria's register of beneficial owners of extractive companies are important but need tighter rules and better enforcement.
- Public education, awareness raising and dialogue across civil society and with communities offer an opportunity to achieve change but require sustained effort and sufficient resources.
- Nigeria is over-reliant on oil and gas and is running out of time to improve its regulation of extraction and to use its hydrocarbon income to support sustainable development and economic diversification.

KEY RECOMMENDATIONS

To the Nigerian federal government

-  Fast-track passage of the long-delayed Petroleum Industry Bill (PIB) to split the Nigeria National Petroleum Corporation (NNPC) into different entities that will address issues of governance and of regulatory and fiscal uncertainty in the sector, and create a sustainable community-led framework for local participation and grievance redress.
-  Publish timely monthly and annual online machine-readable data on the Niger Delta Development Commission's (NDDC) receipts from the government and from oil companies, explaining how these sums are calculated and how the money is utilised.
-  Ensure that all statutory payments due to the NDDC in line with the NDDC Act 2000 since inception are paid, and punish and debar officials and contractors found liable in corruption cases.
-  Require the NDDC to establish mechanisms to involve states, local governments and beneficiary communities in community needs assessment, planning and monitoring to improve ownership, effectiveness and sustainability of development projects.
-  Until gas flaring ceases, allocate companies' gas flaring penalty payments prioritising communities most affected.
-  Create a robust legal and regulatory framework for extractive assets

decommissioning and abandonment to address project closure costs and the future consequences of closure.

-  Implement equitable benefit sharing arrangements that involve the direct and active participation of the affected communities.
-  Establish an up-to-date public register of all extractive industry community development agreements (MOUs) making the terms of each publicly available.
-  Publish for each extractive licence awarded the full text of main agreements/contracts, annexes and amendments in freely accessible and machine-readable formats in line with Nigeria's 2016 Anti-Corruption Summit and Open Government Partnership National Action Plan commitments.
-  Accelerate preparations for declining hydrocarbon income and the energy transition, prioritising the needs of communities worst affected by oil, gas and solid mineral extraction.

To other governments

-  The Canadian and UK governments and the European Union should work together for greater alignment on extractive payments disclosure requirements between jurisdiction to help establish a clear and consistent reporting standard for companies. This should include a review of companies' interpretation of project-

level reporting with a view to publicly emphasising that the policy intention of the transparency laws requires project payments to be disaggregated wherever possible to the level of the individual oil or mine contract, licence or other legal agreement; and equally that joint venture partners should report proportionately any payments made on their behalf by operators so that such payments are more transparent to the public.

- The US government should strengthen its rule for payments-to-governments disclosure to fully align with global extractives transparency standards applied in Canada, the European Union, Norway, the UK and the EITI with regard to project-level reporting, exemptions and other key elements, and should rejoin the EITI as an implementing country.
- All governments of countries where extractive companies are incorporated and/or publicly listed should require timely, freely and fully accessible online payments-to-governments reporting by such companies, in open and machine-readable data format and with effective compliance monitoring.
- All governments of countries where extractive companies are incorporated and/or publicly listed should require comprehensive information disclosure about companies' environmental and social policy and practice, respect for human rights, and practices to combat corruption risk.
- Help Nigeria implement just and equitable climate adaptation, mitigation and energy transition plans.

To extractive companies operating in Nigeria

- Comply with the intention of mandatory reporting laws and the EITI by disaggregating all payment disclosures to the level of the individual oil or mine contract, licence or other legal agreement

and by reporting on a proportionate basis all payments made indirectly via joint venture operators.

- Work with state-level and local government authorities to consult publicly with affected communities about livelihood and social and environmental impacts of extractive operations and the effectiveness of mitigation and benefit sharing mechanisms, making adequate compensation to victims and encouraging the government to implement needed regulatory and fiscal reforms.
- Publish on company websites comprehensive information on environmental and social impact assessments and resulting management plans, together with up-to-date information on environmental and social impacts, both planned and unforeseen, and how dealt with.
- Empower women, youth and people with disabilities with skills acquisition programmes, provide appropriate learning aids in schools, and develop a quota system for the allocation of employment opportunities.
- Contribute meaningfully to the transition to a low-carbon energy future. Help ensure that the global winding-down of fossil fuel production starts with action by and in wealthy countries that have historically emitted the most greenhouse gases, and that communities and workers are protected.

To Nigerian civil society and host communities

- Advocate and campaign for the recommendations above, including for equitable, participatory benefit sharing and compensation for host and extraction-impacted communities, contract transparency, greater environmental transparency and accountability, economic diversification and the low-carbon energy transition.

-  Call on the Nigerian government to promptly implement the 2019 EITI Standard requirement of contract and licence publication by 2021, and publicly urge the disclosure of extractive sector legal agreements signed before that date.
-  Undertake critical research on community development agreements (MOUs) to establish which extractive industry projects involve such agreements, which lack them and where agreements are unpublished; help make such agreements and their terms public; investigate the fairness of the terms and the extent of company fulfilment.
-  Inform and train communities in how to access and interpret payments-to-governments, related data and development agreements, and in how to engage effectively with companies and government entities to account for payments and use of receipts and on issues of benefit sharing, livelihoods, and social and environmental impacts.
-  Investigate and document direct and indirect social, environmental and human rights impacts of extractive projects with a focus on differential impacts on women and men, youth, and people with disabilities and promote necessary reforms.

To international financial and multilateral institutions and institutional donors

-  Seek out and fund more civil society transparency, participation and accountability initiatives directed at securing more equitable and sustainable outcomes in producer countries and subnational localities from non-renewable natural resource extraction.
-  Increase support for capacity building for civil society organisations working on extractive sector issues.
-  Speed up the redirection of international funding away from fossil fuels and into the low-carbon energy transition and economic diversification, prioritising justice for poorer producer countries, workers and affected communities.



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