

OIL COMPANIES AND THEIR RELATIONSHIP WITH THEIR HOST COMMUNITIES: WHAT FUTURE? WHAT PROSPECTS?

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PREAMBLE

A wise man once said, “Our tomorrow is what we make of today because tomorrow never comes.” When I was young, one slogan that caught my fancy was an ubiquitous poster that hung in almost every retail shop in Nigeria. Addressed to would-be customers, the framed poster said, “No credit today, come tomorrow.” In my young mind, I pictured those poor credit chasers returning to the shop, day after day, all in pursuit of the elusive tomorrow.

On a more serious note, FAPRA deserves commendation for according the subject of this paper the deserved prominence. I believe this would succeed in sending a clear message to all stakeholders that the situation in the Niger Delta (where *our* onshore and primary community interactions are focused) is very serious and that waiting till tomorrow for action may be a dangerous luxury we can ill afford.

Why do I sound so disturbed? Because the situation is very disquieting. To illustrate, let me read one of the typical stories that make the headlines in the Nigerian press. This is about the Niger Delta where most of the country's onshore oil production takes place. The story, taken from *ThisDay* newspaper of Wednesday, 21 April 2004, reads:

Niger Delta: Four Killed in Warri, Five in Bayelsa

Tragedy again struck in the Niger Delta region yesterday as nine people were killed in two separate incidents in Warri, Delta State and Ologbobiri, Bayelsa



State.

In Warri, four persons, among them two women and a child [emphasis mine] were killed when armed youths invaded an Ijaw settlement while in Bayelsa, Naval personnel attached to a flow station owned by an oil multinational shot dead five Ijaw youths who allegedly attempted to seize the flow station.

The Warri violence broke out when unknown youths, riding in a tugboat were seen ferrying some people close to the Nigerian Airport Authority base. Some minutes later, several speedboats followed with their heavily armed occupants firing sophisticated weapons and the people scampering for safety.

In Bayelsa State, five persons were confirmed dead by the police command as a result of gun battle between Naval officers and Ijaw youths who wanted to occupy the flow station to further press for their demands for a better deal from the multinational oil company.

To those of us who follow events in that part of Nigeria fairly closely, this news item is typical and not in any way unusual. In frequency and seriousness the Niger Delta area experiences more violent incidents than most other parts of Nigeria.

This paper will be incomplete if I don't acquaint you with some of the serious issues that characterize many communities in that area of Nigeria where oil production is a prevalent activity. I will try, therefore, to do the following:

- Highlight the nature of the oil producing communities located in the Niger Delta;
- Identify the contending issues and the competing aspirations among the oil producing communities; and
- Make recommendations for creating a mutually rewarding relationship between oil companies and the communities in their areas of operation.



THE NATURE OF THE NIGER DELTA

The Niger Delta ranks among the richest endowed real estates in the world. Nevertheless, many of the communities and the people of the region are among the poorest. The terrain is difficult and remote. Unemployment among the youth is very high; and, as the report I quoted above out illustrates, the region has more than its fair share of crime and inter-ethnic violence. All these put together make for an under-development that belies the promise of its rich endowment. The region accounts for 90 per cent of the crude oil produced in Nigeria and between 70 and 80 per cent of the country's revenue.

In contrast to the reality that confronts us, the people of the Niger Delta communities have quite a high expectation of the wealth that oil would bring. They often compare their lot with Kuwait and Qatar, where poverty is a distant idea and unemployment exceptional. They expect to have well paying jobs, highways and bridges, electricity and pipe-borne water, good schools, quality medical facilities, factories, the hum of modernity and, generally, the good things of life as they have seen on their TVs and when their leaders visit Abuja.

The disconnect between what is and what could be, the gap between expectation and reality has caused frustration and bred discontent. Unfortunately, in their frustration, most of the people and their leaders have turned their focus to the oil industry.

This is pretty predictable because in many ways, oil companies are an easier target than the government. They are more visible, easier to find, easier to try to influence or intimidate, and easier to demonize.

CONTENDING ISSUES AND COMPETING ASPIRATIONS

Opinions on the causes of crises in the Niger Delta are often varied because of the many interests involved, yet there are certain commonly verifiable reasons for the seemingly unending conflicts. Unfortunately, reality is often clouded in subjectivity. Confused and bombarded by conflicting claims and information, much of which they cannot verify most of those who are not involved in the area do not have a true or rounded understanding of the



issues at stake.

In my view, the major causes of the conflicts and crises in the area can be summed up as follows: Poverty, unemployment, inadequacy of basic infrastructure, illegal oil bunkering, ready availability of sophisticated arms and ammunition, bitterness at past neglect, displaced traditions, endemic inter-ethnic rivalry, capital flight, environmental issues and an unusually difficult terrain.

From a historical perspective, the beginning of discontent in the Niger Delta can be situated within the shift in the nature of the Nigerian economy from being agro-based to oil and gas led. Military rule did not help matters as government became less transparent, unaccountable and largely inefficient, while the people bore the brunt of these failings. The national currency collapsed, spiralling to a current rate that is less than a hundredth of its former value. Unemployment increased phenomenally. Educational, healthcare, transport and communications infrastructure slid into considerable disrepair, and the incidence of poverty became pervasive. The general neglect of the country was more noticeable in those remote communities far from the seat of government and many of these are in the Niger Delta area, closest to oil production. The reverses in the quality of life of the Nigerian people became more acutely felt by those living in these Niger Delta communities.

By the early 1990s, conditions had become quite unbearable in many respects. In the Niger Delta, discontent at providing the resources of the nation and yet living in less than adequate conditions manifested in nascent activism by relatively new groups led by less patient and mostly angry younger men. Many of the traditional leadership, which had become ineffective and wanting in accountability, began to unravel. The oil companies were blamed for everything from the unemployment situation to environmental insensitivity, even government's lack of accountability. Niger Delta communities, especially those closer to the oil and gas operations areas demanded that oil companies step in to fill the gap that neglect had created in the development of the area. The companies were asked to provide what government had not been able to provide – jobs, education, healthcare, transportation, clean water, electricity and other infrastructure.



Most of the companies responded by increasing the already substantial budget for community development assistance. New school blocks were built and old, decrepit ones refurbished. New hospitals were constructed and existing ones supplied with much needed drugs and equipment. Dirt paths were graded and a few pot-hole-filled motor roads had new asphalt poured on them. In the riverine areas, boats were supplied for transportation and medical care and boat landing jetties were constructed in many fishing communities.

However, in a sea of monumental need, these islands of sporadic interventions made only a small difference. In fact, in the enthusiasm to make a difference and lacking expertise in matters of development, many of the community projects provided by Chevron Nigeria Limited (CNL) and other oil companies turned out not to be *as sustainable as would be expected*. Worse still, the more the oil companies gave in contribution to community development the more would be demanded of them.

Communities had started to see the companies as an alternative to government. Inadvertently, a dependency syndrome had been created. As if things were not bad enough, age-old rivalries between the different ethnic groups began to re-surface fairly frequently. Soon, the law and order situation of the Niger Delta had become quite serious with bands of young men carrying automatic weapons taking over the waterways and demanding new local governments for their ethnic groups.

The attack and burning of rival villages that followed soon destroyed much of the infrastructure that had been provided for the ordinary folks. One such painful waste is the case of a non-fee paying hospital, the Madangho Cottage Hospital, across the river from the Escravos Terminal. This facility was built twice by the NNPC/CNL joint venture and burnt down twice by ethnic militias. By 17 March 2003, things had come to a head. Law and order had completely broken down. A wave of inter-ethnic hostilities that manifested in burning and killing made the swamp areas so unsafe that our Company took the decision to shut-in production of its 140,000 barrels a day operation in six swamp locations. Both the displaced villagers who ran for dear life into the Escravos Terminal facility as well as company employees, who ran the risk of getting caught in the crossfire, were evacuated – in total several thousand people.



Our efforts at improving the quality of life have been recognized by many stakeholders – locally and globally. Awards have been conferred on Chevron Nigeria Limited by appreciative communities, governments and NGOs, who understood the efforts being made by the company and its partners to improve living standards where it worked. These awards include the Delta State Award for Excellence in Community Development (1995), the prestigious Federal Environmental Protection Agency's Award for Excellence in Environmental Performance (1999), and the US State Department Award for Corporate Excellence (2003).

The awards tell the story of a company that has shown commitment to making a difference to the living standard of the society where it does business, especially those located in the oil producing areas. You may wonder as we have done, why these acknowledged efforts have not always translated into harmonious relations between oil industry operators and the communities where they work. This has raised the issue of the efficiency and desirability of our contributions and therefore the future of our relationships. Following critical internal and external audits, we discovered that our contributions, as laudable and grand as they seemed, lacked complementary support from other stakeholders, particularly government, and fell short of being particularly sustainable.

We then asked ourselves: What do all these projects add up to? Do they actually cause development to happen to these communities? The answer to these questions will reveal a gap that exists still between expectations and achievements. The twin forces of globalization and sustainable development have thrown up new values that are universally relevant and locally valid. These values include good governance, transparency, accountability, income generation and poverty alleviation, environmental responsibility, sustainable development, crime prevention, control of infectious diseases and the migration of labour. The ways and means of bringing the benefits of these global values to the oil producing communities of Nigeria are my recommendations for transforming the relations between players in the oil industry and communities in the oil producing areas into a win-win scenario. We would examine them under five sub-topics: Partnerships, Probity, Peace, Community Engagement and Public Relations.



Partnerships (Commitment)

An African proverb says, “When one finger brings oil, it soils the others.” In today's world of globalization, partnership is the proverbial finger that allows the convergence of interests into a single vision irrespective of divergent factors like creed, race, wealth or power. The consequence of this approach is that governments, multinational oil producers, state-owned and indigenous producers, service companies and suppliers, governments, communities, environmentalists and regulators must work together to bring the benefits of oil production to our communities, stockholders, employees and the world at large.

Importantly, we must realize that our partnership should not only benefit our lives today or achieve the immediate goals of our companies or countries, but should extend to our children, grandchildren and generations to come.

Partnership has many dimensions, some economic, some social and some political. The economic dimensions relate to the economic empowerment of the people through such schemes as local capacity building, capital investment, job creation, skills acquisition and income generation and poverty alleviation. At Chevron, we have played leading roles in promoting local capacity and competence by working with local service companies and suppliers, international service companies, the NNPC, Manufacturers Association of Nigeria and Petroleum Engineering Technology Association of Nigeria, to mention but a few. One of the most visible dividends of this partnership is the achievement of a 100 per cent local fabrication of a well-head platform – Meren X: the fruit of the partnership between Chevron and two local firms – Transcoastal Limited and Nigerdock Plc.

On the social side, governments, NGOs and communities should work together to improve education, health services, the arts, and so on. In the area of health, Chevron, for instance, is in the forefront of the campaign against AIDS by playing a leading role in a private sector initiative – in partnership with the federal government – that promotes the sharing of best practices in the workplace. The body is the Nigerian Business Coalition against AIDS (NIBUCAA). We are also working with development agencies such as IFESH, UNDP,



USAID, and NOIC to execute projects aimed at sustainable development of the oil producing communities.

Perhaps, the most visible agency driving partnerships today in the oil producing communities of Nigeria is the four-year old Niger Delta Development Commission (NDDC). Its mission is to facilitate rapid, even and sustainable development in the nine states located in the Niger Delta with a view to making them economically prosperous, socially stable, ecologically regenerative and politically stable. The Commission draws its funds from the federal government and the oil companies. It is one partnership that has raised high expectations for success among its principal stakeholders – the federal government, the oil companies, the state governments and the communities. The NDDC is currently putting finishing touches to a Master Plan designed to offer lasting solution to the socio-economic difficulties of the Niger Delta Region. The oil industry is working actively with the NDDC to translate its dreams into reality for the benefit of the oil producing communities located in Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo and Ondo States.

Probity: (Good Governance, Accountability and Transparency)

In their best-selling book, *The Naked Corporation*, Tapscott and Ticoll, noted that “Business is entering an extraordinary age of transparency where businesses must for the first time make themselves clearly visible to shareholders, customers, employees, partners, and society.” In a rather similar note, the United Nations in its 2003 report on Governance and Sustainable Development declared that “Good governance is participatory, transparent, accountable, and promotes the rule of law.” For a very long time, these values were not given due attention in Nigeria and more specifically in the oil producing areas of Nigeria.

Now there appears a new resolve among stakeholders – government, oil companies, and oil communities – to correct the mistakes of the past in matters pertaining to probity. The government has, for the first time in the history of oil production, started the public announcement of revenue from oil and how it has been allocated. Allied to this, is the introduction of open bid processes for the allocation of oil blocks and the re-allocation of marginal fields from multinationals to local operators. This openness has been extended to the



award of contracts in the industry which must necessarily go through public advertisement and call for tenders. Not only has this process guaranteed local firms access to lucrative oil contracts, it has also opened avenue for oil communities to participate in the business opportunities available in the industry.

Recently, the Nigerian government again responded positively to the global calls for increasing transparency in the oil business by endorsing the Extractive Industry Transparency Initiative (EITI). This initiative will lead to sound monetary and budgetary policies that would encourage more equitable distribution of wealth, improved funding of social services and more commitment to the oil producing communities in terms of infrastructure development and improved direct allocation of resources.

You may wish to know how the oil industry has responded to transparency and good governance. I will again turn to the Chevron examples. We were quick to step up to the EITI plate once President Obasanjo announced the government's commitment to it. We pledged to work with the government on the initiative. We are doing this because of our implicit belief that improvements in governance could help set the stage for more sustained growth.

Regarding our communities, we have adopted a fundamental shift in our community relations tactic designed to foster transparency and accountability. This shift is our decision not to succumb to intimidation nor pay cash when it is unearned, to any community leader or representative. This type of payments had constituted a major source of problems in communities and had led to accusations of companies fuelling conflict in communities. Our new approach is to pay cash only as earned benefits and for statutory transactions.

Peace: (Dialogue, Negotiation and the Rule of Law)

Let us acknowledge some fundamental facts about investment and peace. Even in this age of borderless capital movement, investors are still mindful of putting their capital where it can earn the highest risk-adjusted returns. Until five years ago, the Niger Delta was simply irresistible. But today, investors are counting the cost of work stoppages; operation shut



downs, kidnappings, sabotage and homicide. Unfortunately, these are taking place at a time when opportunities are springing up in Angola, Congo, Equatorial Guinea, Sao Tome and Libya – all within *the African continent*. In view of the competition for investors' funds, and irrespective of the causes of the conflicts in the Niger Delta, now is the time to find solutions to it. It is also the duty of all stakeholders to move the Niger Delta away from violence to peace, where dialogue and negotiations, will replace diatribe and hostility.

We are aware of various attempts by government to address the factors responsible for the incessant conflicts and crises in the oil producing areas and the shortcoming or outright failure of the several commissions of enquiry set up to mediate the conflict. We are also mindful of the several development commissions – OMPADEC, NDDC – set up to bring development to the region. I believe there is an urgent need to base the search for peace within the context of rule of law, equity, fairness and justice.

Allowing ethnic militias, in the guise of armed community youths, to gain strength and acquire political legitimacy, has been a major reason for the insecurity in the oil producing communities. These youths seem to have acquired a level of combat sophistication that challenges the capacity and efficiency of government security forces. Already, there are foreboding signs of a steady slide into anarchy resulting in the current inability of the state and the oil industry to produce about 230,000 barrels of crude daily, resulting in a daily loss of about N800 million. The surest way to arrest this slide is the use of the instrumentality of law and order and the enthronement of equity, legitimacy and justice. Government must exercise its constitutional role to protect all life and property and it, can accomplish this by first removing the scourge of illegal arms proliferation in the region.

On our part, we have continued to recommend dialogue and negotiation as the most viable tools for a peaceful resolution of the crisis in the Niger Delta. The thrust of the dialogue and negotiation should be income generation and poverty alleviation, job creation, development of economic and social infrastructure and a more equitable distribution of the national wealth. Participants in this enterprise should include government, communities, oil companies, NGOs and the civil society. Until urgent steps are taken to bring peace to the region, the oil



producing communities will remain unsafe for the people, for foreign investment and local capital. Development will also continue to be stalled and remain unsustainable.

Community Engagement (Empowerment)

An important area in the effort to transform relations between the oil industry and its communities is the empowerment of the people for the challenges available in the oil industry. Youth unemployment is high in the Niger Delta and a major source of discontent. Many of the youths are not only unemployed but unemployable as they lack required skills and competences to hold down jobs, especially in the oil industry where most positions are highly technical.

In recognition of these challenges, the government has announced plans to turn the Petroleum Training Institute (PTI) into a degree awarding institution with emphasis on petroleum industry related disciplines. As of now, the institute enjoys a high level of support from the industry in terms of programme sponsorship, awards for outstanding performance, donation of equipment, provision of internship opportunities for practical, hands-on training and encouragement of volunteer faculties, by supporting employees who wish to teach free-of-charge in the school. It is expected that communities will seize the opportunity of their proximity to the institution to train their sons and daughters in the institution.

Additionally, the oil industry has been working for many years at influencing oil producing communities to think, aspire and care for greater participation in the oil industry. For instance, CNL introduced the Technical Skills Acquisition Training Programme to equip community youths with computer literacy and metal fabrication skills. Some of our products have been able to secure jobs in the oil producing and servicing companies. Our company plays a leading role in sponsoring a yearly competition in Chemistry among secondary schools in Delta State as well as organizing and sponsoring the yearly camp of Junior Engineers Technicians and Scientists (JETS) in Warri, Delta State. Our plan is to unleash among the students of our oil producing areas the passion for high-level performance in disciplines that would make them relevant and indispensable to the oil industry.



Public Relations (Reputation Building)

I have deliberately left this for mention last. I hope you will all agree with me that one of the important challenges in the relationship between the oil industry and its communities is that of reputation. Our reputation is often contrary to what we desire it to be. Sometimes I find it difficult to believe that the industry being referred to is the very one that drives every facet of our good life – the cars we drive, the aircraft that brought us here, the electricity that illuminates our home, the gas that makes our food, the power for our GSM handsets, and so on. There is a trend in public discourse that manifests in people taking cheap shots at the oil industry, especially blaming it for everything that is wrong with communities in their areas of operations. This is a challenge for our profession and one that we will continue to contend with in the near future.

In building and sustaining reputation, we look at three elements – performance, behaviour and communication. In terms of performance, the oil industry has continually executed projects safer, faster and at lower cost, meeting the aspirations of its stakeholders for improved returns on its investment. Nigeria has consistently produced more oil, recorded higher reserves and earned more foreign exchange because we have made our operations more efficient and environmentally sound by adopting cutting-edge technology.

When we talk about behaviour, this is one of the areas where, literally, the hand of Esau is mistaken for the voice of Jacob. As part of our corporate responsibility, we pay our taxes, we fight HIV/AIDS, we airlift endangered community members to safety. Unfortunately, what seems to be publicized is the impoverishment of the Niger Delta, allegations of human rights abuses, and instances of environmental degradation occasioned by sabotages, human error and equipment failure. Regrettably, we are held accountable for these ills not on account of manifest breach but simply because we work in the Niger Delta. We are even held accountable for delineation of local council boundaries!

Perhaps, the most relevant element of reputation that touches us as a professional group is



communications. Recent breakthroughs in information gathering and dissemination mean that we as reputation builders in the oil industry – and I should add in all sectors – have to think out of our traditional box. No longer do we have the luxury of telling the media what is happening, we now sometimes depend on them to know what happened and how it happened. Satellite communications mean that the age of secrecy is gone and evasive denials have become not only endangered but dangerous. Our new approach as reputation managers must be to communicate promptly, openly and honestly because anything short of this will only make an undesirable reputation worse. Over the years, the media have become less trusting of the industry because of the natural tendency to sympathize with those perceived as weak, poor, or less privileged. In our case, this means the oil-producing communities. The oil industry, through its performance and behaviour, can undermine the bad guy image. We have quite a number of good stories to tell in areas of business acumen, corporate responsibility and sustainable development, including local capacity building. Our current source of concern is that our performance is not adequately acknowledged, our faults are routinely exaggerated, and we are not telling our good story enough.

These are the challenges we must face: we must turn the situation around so that it is not only our faults that get reported but also our significantly robust contributions to the common good. It is a combination of high performance, good behaviour and improved reputation that will transform the relationship between us and the communities.

We owe ourselves the resolve to work harder, smarter and more professionally to improve our industry's reputation. We should show our positive contributions to good governance, transparency, environment-friendly operations, poverty eradication, and local capacity building. We should be certain of one thing – we can't expect others to do it for us.

