REVIEW OF AFRICAN POLITICAL ECONOMY
2018, VOL. 45, NO. 156, 345–353
https://doi.org/10.1080/03056244.2017.1391771

BRIEFING

Rentierism and security privatisation in the Nigerian petroleum industry: assessment of oil pipeline surveillance and protection contracts

Raymond Adibe, Ejikeme Nwagwu and Okorie Albert

Department of Political Science, University of Nigeria, Nsukka, Nigeria

SUMMARY
This briefing examines rentierism and security privatisation in the Nigerian petroleum industry. It demonstrates how the awarding of oil pipeline surveillance and protection contracts, with little attention to organisational capacity of applicant companies, resulted in widespread discontent among militias and groups not recognised or rewarded by a contract. These groups then intensified attacks on oil infrastructures in the post-amnesty era. The authors' findings endorse the government's 2015 decision to terminate the contracts, while they recommend transparent and democratic management of oil wealth as a long-term solution to human insecurity in the Niger Delta.

Introduction

The Nigerian government's reliance on oil production as an economic mainstay and its reliance on international oil companies for production technology locate the Nigerian political economy within the rentier nexus. According to Adibe (2016), the dynamics of this rentier nexus significantly affect the democratic control of oil wealth and result in citizens being deprived of oil wealth. The consequent authoritarian control of oil wealth by successive military and civilian regimes has led to a closed political system in Nigeria, resulting in threats to national security. This authoritarian control has led to near-total exclusion of the people from the control of oil resources in the form of citizens being deprived of oil benefits, patronage allocation of oil blocks and dominance of expatriates in the oil industry, as well as the centralisation of oil revenue accounting (Ezirim 2013). According to Etekpe and Okolo (2010), since the discovery of crude oil and natural gas in the Niger Delta in 1956, the socioeconomic and political well-being of the people in the region has deteriorated. In the absence of jobs and sustainable development, criminal and political violent activities in the Niger Delta have steadily increased. Although successive governments have responded through different development and policy interventions ostensibly to address the gross underdevelopment of the region, these successive development agencies have proved ineffective and incapable of executing development projects that will improve the lot of the region (Onuoha 2013).

CONTACT Raymond Adibe raymond.adibe@unn.edu.ng

The history of vandalising oil infrastructures in the Niger Delta can be traced to the general perception of people's frustration at being deprived of the benefits of the huge revenue sourced from the region since 1956 (Etekpe and Okolo 2010). According to Onuoha (2013), it was this unfortunate reality that led the late president Umaru Musa Yar'Adua to establish the Ministry of Niger Delta Affairs on 10 September 2008, to offer palliatives to the region and reduce the high rate of insecurity associated with the protection of oil installations. According to Katsouris and Sayne (2013), Nigeria's oil industry has a reputation for illegality. Corruption and fraud are present throughout the value chain. Attacks on oil infrastructure by Niger Delta militant groups shut down nearly half of Nigeria's onshore oil fields between 2007 and 2009. These attacks slashed the country's oil exports, costing the state at least US$24 billion in the first eight months of 2008 alone (Niger Delta Technical Committee Report 2008). Criminal groups involved often described their activities as economically rational, politically necessary, morally defensible and socially productive (Adibe 2016).

In June 2009, President Umaru Yar'Adua announced an amnesty programme whereby any militant surrendering themselves and their arms within two months would be granted immunity from prosecution and given financial and educational support towards finding an alternative livelihood. Some 26,000 militants turned themselves in, including prominent leaders such as Ateke Tom, Boyloaf, Farah Dagogo, Tompolo and Soboma Jackrich (Adibe 2016). The amnesty deal also paved the way for the privatisation of security management in the Nigerian oil industry. In 2012, the Federal Government awarded contracts for the securing of oil pipelines and monitoring of waterways to militants and defended its action as being based on national interest.

Based on the agreement signed, the Oil Pipeline Surveillance and Protection (OPSP) contracts would last until 2015. In 2012, a company called Global West Vessel Specialist Limited, belonging to Tompolo, became the first beneficiary as it was awarded a security contract to the tune of US$103 million. Other notable ex-militants were also awarded OPSP contracts. In 2014, the private security contracts were extended to include new security firms still owned by ex-militants. The government defended its decision to award additional contracts to militants as a result of the prevalence of rampant oil theft, especially in the Niger Delta.

The failure of the Nigerian government to effectively guarantee the security of oil facilities and the decision to contract such a responsibility to ex-militants is rationalised with the argument that such an action gives legitimate economic empowerment to the people who are guilty of the crime of vandalising oil installations. This, it is assumed, will make them stop sabotaging oil infrastructures since they can earn a decent living wage by protecting these infrastructures. Thus, this briefing examines the link between rentierism and security privatisation in the Nigerian petroleum industry. It specifically examines the connection between the awarding of OPSP contracts to ex-militants and continuing oil-related crimes.

The rentier character of oil wealth management and oil crime in Nigeria: a theoretical understanding

This briefing adopts Rentier State Theory (RST) as our framework of analysis. RST is 'a complex of associated ideas concerning the patterns of development and the nature of states in economies dominated by external rent, particularly oil rent' (Yates 1996, 11).

The concept of the rentier state was postulated by Hossein Mahdavy with respect to pre-revolutionary Iran in 1970. The idea however assumed new importance in the decades following Mahdavy's work. His ideas experienced a kind of renaissance in the 1980s in the literature of scholars such as Beblawi and Luciani (1987), who were interested in the impact of oil windfall on the nature of Arab states. According to Beblawi and Luciani (1987), four characteristics must be present in order for a state to be classified as rentier. First, the rentier economy of which the state is a subset must be one where rent situations predominate. Second, the origin of the rent must be external to the economy. In other words, the rent must come predominantly from foreign sources. This means that domestic rent, even if it were substantial enough to predominate, cannot be sufficient to characterise such an economy as rentier (1987). Third, in a rentier state, only a few are engaged in the generation of rents, while the majority is involved in distribution and consumption. According to Yates (1996), this implies that an open economy with high levels of foreign trade is not rentier, even if it depends predominantly on rent, because the majority of the society is actively involved in the creation of the wealth. Finally, the government must be the principal recipient of the external rent in the economy (Beblawi and Luciani 1987).

The implication of the above is that external rent liberates the state from the need to extract income from the domestic economy. Thus, unlike a 'production' state that relies on taxation of the domestic economy for its income and in which economic growth is therefore an imperative, an 'allocation' state does not depend on domestic sources of revenue. Rather, an 'allocation' state is the primary source of revenue itself in the domestic economy (Beblawi and Luciani 1987; Yates 1996). The theory of the rentier state postulates that there is a lacklustre attitude prevalent among rentier states to their condition of socio-economic and technological backgrounds. This arises from the ability of the rentier state to use its huge foreign earnings to purchase 'welfare and prosperity' from outside. Thus, the rentier elites' ability to embark on massive spending and consumption pre-empts some of the urgency for change and rapid growth (Yates 1996).

The rentier nature of oil resources management in Nigeria is implicated in the limited participation of the state in the entire oil production process. There is limited home-grown technological development owing to limited participation of the domestic workforce in the production process. The attitude of the government is one which prioritises constant inflow of rents, with little concern for environmental and human safety in oil-host communities. Hence, there is limited investment by the Nigerian government in the management of oil resources from the production to the distribution stage. The implication of this rentier behaviour is that the government also shifts the burden of guaranteeing the security of oil installations and other infrastructures to non-state actors. Also, like in most rent-dependent states, competence and professionalism are sacrificed in the delegation of this responsibility as security contracts are used as kickbacks and compensation by the government in a patronage manner to attract dissidents and reward loyalists.

Thus, the awarding of OPSP contracts to companies owned by ex-militants without any proven organisational capability to effectively carry out the task of protecting Nigeria's oil installations is an attempt by the Nigerian state to lure leaders of dissident groups who led an armed struggle against oil wealth deprivation in host communities. In the final analysis, the Nigerian state's approach to tackling the security challenge in the oil-producing region reflects the rentier character of the ruling elite towards addressing problems or issues that border on citizens' welfare.

Oil crime in Nigeria before the awarding of OPSP contracts

It should be made clear from the outset that oil-related crime in Nigeria such as pipeline vandalism and crude theft is by its very nature a murky, opaque business. This often leads to conflicting reports by various government agencies, independent media outlets and non-governmental organisations. There are many gaps in analysts' knowledge of how the trade in 'blood oil' (i.e. illegally traded oil) operates. However, one thing consistent in their reports is that such criminal activities escalated with the return to civilian rule in 1999. As noted by Ibeanu (2006, 2008), the rise in militancy within this period was as a result of the government's militarised response to agitations against oil wealth deprivation by citizens living in oil-host communities. Attacks on oil pipelines and other oil infrastructures led to a fall in production from 2.2 million barrels per day (bpd) to 700,000 bpd between 2003 and 2008 (Ezirim 2013; Onuoha 2013; Adibe 2016). In fact, oil theft in the Niger Delta became a source of stability as well as conflict because of its deepening ties to political violence, corruption and organised crime (Katsouris and Sayne 2013): in part due to the complicity of local politicians and security officials in the region, the ability of criminal groups to steal and trade in illegal oil in the Niger Delta can be seen to serve as an alternative to popular uprising against the Nigerian state over citizens' denied access to oil wealth.

Scholars and politicians who support the decision of the Federal Government to award OPSP contracts to high-profile militant group leaders who accepted the amnesty deal, usually base their arguments on two misleading facts. The first fact is that there is a steady decline in recorded numbers of cases of attacks on oil pipelines by organised militant groups known to security operatives since the awarding of OPSP contracts. The second is that oil production in Nigeria has also been on a steady increase since the amnesty programme was initiated by the Federal Government.

Table 1 shows a consistent decline in the number of attacks on oil pipelines by militant groups known to security operatives since the introduction of the amnesty programme in Nigeria. While attacks by notable groups such as the Movement for the Emancipation of

Table 1. Oil spills caused by militant groups' attacks on oil installations and recorded cases of oil pipeline vandalism.

Year	(a) Recorded cases of oil spills caused by militant groups' attacks on pipelines	(b) Recorded cases of oil pipeline vandalism
1999–2002	Not available	2374
2003–09	746	14,403
2010	258	5518
2011	54	4468
2012	24	3708
2013	20	3571
2014	18	*3732
2015	23	*3700

Sources: (a) Compiled by the authors from press briefings of the Department of Petroleum Resources for the various years; (b) Authors' compilation from media reports of Pipeline and Products Marketing Company (PPMC) press briefings. https://www.channelstv.com/tag/national-association-of-energy-correspondents/.

*Authors' compilation from media reports of NNPC press briefings. http://www.vanguardngr.com/2016/10/fg-records-n2trn-loss-militancy-pipeline-vandalism-2016-nnpc/.

Niger Delta (MEND), Niger Delta People's Volunteer Force (NDPVF), Niger Delta Liberation Front (NDLF) and Niger Delta Vigilante (NDV) declined within the period their leaders were awarded OPSP contracts, cases of oil pipeline vandalism continued unabated in the country, leading to continuous oil spills and loss in production output. In 2010 for instance, a total of 5518 cases of pipeline vandalism were recorded. Although there was a consistent decline between 2011 and 2013, the frequency of occurrences of incidents remained alarming with 4468, 3708 and 3571 recorded cases in 2011, 2012 and 2013 respectively.

Table 2 also shows that neither the amnesty deal nor the awarding of OPSP contracts to high-profile leaders of militant groups has effectively addressed insecurity in the Niger Delta. While the decline in attacks by well-known militant groups on oil installations and oil workers has led to improved oil production in the country, human insecurity in the region as a result of oil wealth deprivation continues to push more citizens towards oil-related crime. Estimated oil loss (bpd) in Nigeria owing to insecurity remains higher than what it was in the early years of return to civilian rule, despite the existence of an amnesty deal between the Federal Government and militants who surrendered. A report by activist groups Justice in Nigeria Now and Spin Watch in 2015 (cited in Adibe 2016) on illegal payments by Shell Petroleum Development Company (SPDC) to local militant groups to exempt their oil pipelines and other installations when carrying out acts of vandalism, further underscores the persistence of insecurity in the post-amnesty Niger Delta. It was noted in the report that SPDC made direct payments to individuals and militants in the Niger Delta on average amounting to US$300 per month and that this was enough to sustain each militant with quality weapons and supplies for several weeks.

According to Adibe (2016), the government amnesty deal and its offer of OPSP contracts seem to have escalated petty oil pipeline vandalism and theft, which involves small-scale pilfering of condensates and petroleum products by youths who feel left out of the 'juicy' amnesty package. More youths and previously unorganised criminal groups are intensifying petty oil crime in the Niger Delta and are becoming more organised, with an increasing capability to engage in oil crime on an industrial scale. Transnational oil crime like pirate attacks on the high seas is on the rise with the complicity of Nigerian security operatives and local politicians who give 'protection' to culprits because they also profit from this illegal activity. This makes it more difficult to discourage militants (including those who accepted the Federal Government amnesty deal) from engaging in this multi-billion-dollar criminal enterprise.

Table 2. Nigeria's oil production and estimated loss owing to insecurity (bpd).

Year	Oil production (bpd)	Estimated oil loss owing to insecurity (bpd)
2006	2,440,000	200,000
2007	2,350,000	260,000
2008	2,165,000	259,000
2009	2,208,000	236,000
2010	2,455,000	182,000
2011	2,550,000	176,000
2012	2,520,000	200,000
2013	2,367,000	400,000
2014	2,200,000	420,000
2015	2,000,000	400,000

Sources: NNPC Statistical Bulletin (Nigeria National Petroleum Corporation 2015).

Awarding of OPSP contracts to ex-militants and the proliferation of transnational oil crime

As noted earlier, the privatisation of oil pipeline security in Nigeria was introduced by the administration of President Goodluck Jonathan as part of the incentives offered by the Federal Government to militants who surrendered their arms in exchange for amnesty. The implication of the above is that the beneficiaries' lack of organisational expertise in effectively carrying out the duties of securing Nigeria's oil pipelines was of no concern to the government. Companies owned by ex-militants who benefited from the contract award had no prior experience in carrying out the organisational responsibility of protecting sensitive infrastructure like oil pipelines or any other installations associated with the oil industry. As noted by Adibe (2016), all of the companies had no record of existence before 2009 and were hurriedly registered by the ex-militants who owned them in order to secure the OPSP deal. Table 3 shows the ex-militants who benefited from the 2012 OPSP deal and hurriedly established companies owned by ex-militants that benefited from the 2014 contract extension.

The Federal Government's reason for awarding OPSP contracts to ex-militants is based on the assumption that those responsible for oil pipeline vandalism will be the most knowledgeable in knowing how to stop the crime they are guilty of. However, available evidence suggests the contrary. First, there have been increasing reports of collaboration between militants, security operatives and local politicians in perpetrating oil crimes in the Niger Delta, with more militants (including those who accepted the amnesty deal) joining in this organised illegal trade with the assurance of political 'protection' from prosecution or conviction if caught.

The awarding of OPSP contracts to ex-militants facilitated oil theft and trade on an industrial scale as it provided unhindered access to oil pipeline installations to the non-state actors paid to protect them. Despite the existence of an amnesty deal, there was a sharp increase in pirate attacks on oil-laden vessels in Nigerian waterways, further threatening international oil trade, which is heavily dependent on maritime security.

Table 4 shows that Nigerian waterways remain unsafe for international trade in oil as more cases of pirate attacks are observed and reported. From 10 reported cases in 2011, they rose to 27 and 31 in 2012 and 2013 respectively. Also, the 18 reported cases in 2014 accounted for 45% of all reported cases in the Gulf of Guinea (GoG) that year, while the 14 reported cases in 2015 accounted for 50% of all reported cases in the GoG

Table 3. Notable beneficiaries of OPSP contracts under the amnesty deal.

Ex-militant group leaders that benefited from the 2012 OPSP contracts	Companies owned by ex-militant group leaders that benefited from the 2014 OPSP contract extension
'General' Government 'Tompolo' Ekpemupolo (US$22,000,000)	Egbe Security River One
Alhaji Asari Dokubo (US$9,000,000)	Gallery Security
'General' Ateke Tom (US$3,800,000)	Close Body Protection
'General' Ebikabowei 'Boyloaf' Victor Ben (US$3,800,000)	Adex Energy Security
	Donyx Global Concept
	Oil Facilities Surveillance
	New Age Global Security

Source: Adibe (2016).

Table 4. Location of attempted and actual pirate attacks in Gulf of Guinea (GoG) states, 2011–15.

Year	Number of attempted and actual attacks in GoG states	Number of attempted and actual attacks in Nigeria	Nigeria's percentage of total attacks in GoG states
2011	48	10	20.8
2012	59	27	45.8
2013	50	31	62
2014	40	18	45
2015	28	14	50

Source: International Maritime Bureau (2016).

Table 5. Statistics on domestic oil-related crimes under Nigeria's Buhari administration.

Year	Oil pipeline attacks (a)	Oil production loss owing to insecurity (bpd) (b)	Nigeria's percentage of attempted and actual pirate attacks in the GoG (c)
2016	1447	700,000	67.9
2017 (Q1)	352	220,00	66.7

Source: Compiled by authors from NNPC report (NNPC 2015), independent media reports (a & b) and IMB report (IMB 2015) (c).

in 2015. The International Maritime Bureau (IMB) report on incidents in 2015 also shows that more than 80% of attempted and actual attacks in GoG states were on vessels carrying crude oil, while almost 98% of such attacks in Nigerian waterways were on oil-laden vessels (IMB 2016). As noted by Adibe (2016), this scenario is worrying when we consider the fact that an estimated 85% of Nigeria's foreign exchange earnings come from crude oil and the waterways in the GoG are its major source of transnational oil transportation. Claims of continuous involvement of Niger Delta militant groups in this transnational criminal activity are further strengthened by reports of confiscation of locally manufactured oil vessels (*cotonou boats*), barges and tanker trucks, as well as surface tanks, by the Military Joint Task Force within the period the OPSP contract was operational. The decision of the administration of President Muhammadu Buhari, which took office on 29 May 2015, to continue the amnesty programme after it terminated the OPSP contracts awarded to ex-militants, has further escalated oil pipeline attacks as more militant groups have emerged and are exerting pressure on the new government to accommodate them within the new amnesty package. The continuation of the amnesty programme is wasteful and unsustainable, as Table 5 shows that oil infrastructure security has not improved under the Buhari administration: while there was a decline in the number of reported incidents when compared to previous tables, the number of reported cases remains high and shows porous management when the cost of the amnesty programme is taken into consideration.

Conclusion

This briefing investigated the link between oil rent dependence and the awarding of OPSP contracts to ex-militant leaders in the Niger Delta and our findings showed that the awarding of OPSP contracts reflected the rentier character of managing oil wealth by political leaders in Nigeria. Contracts were awarded on a patronage basis and served more as an attempt by the Nigerian state to draw in leaders of dissident groups who led an armed struggle against oil wealth deprivation in host communities. OPSP contracts served more as a 'bribe' to leaders of militant groups as organisational capability to effectively secure Nigeria's oil pipelines was not taken into consideration in the awarding process. It would appear that the feeling of discontent among unorganised groups who did not benefit from the contract led to the intensification of oil-related attacks and consequent transformation into organised criminal groups that engaged in transnational oil crime on an industrial scale. On 15 June 2015 President Muhammadu Buhari's administration took the decision to terminate the OPSP contracts awarded to ex-militant leaders. In the light of our findings above, we believe that this was the correct decision. In order to improve citizens' access to the nation's oil wealth, we recommend the transparent and democratic management of oil resources in Nigeria as a better and long-term alternative to the initiatives and arrangements of the amnesty programme.

Disclosure statement

No potential conflict of interest was reported by the authors.

Notes on contributors

Raymond Adibe, PhD, is a lecturer in the Department of Political Science, University of Nigeria with a specialisation in political economy. His research interests include peace and conflict studies, global political economy and politics in Arab states.

Dr Ejikeme Jombo Nwagwu is a lecturer in the Department of Political Science, University of Nigeria with a specialisation in public administration.

Okorie Albert is a lecturer in the Department of Political Science, University of Nigeria with a specialisation in comparative politics and international relations.

References

Adibe, R. 2016. "Oil Governance in Nigeria and Maritime Security in the Gulf of Guinea 2010–2014." Doctoral thesis submitted to the Department of Political Science in the University of Nigeria.

Beblawi, H., and G. Luciani, eds. 1987. *Nation, State and Integration in the Arab World*. London: Croom Helm.

Etekpe, A, and P. Okolo. 2010. "Oil Pipeline Vandalization and the Socio-economic Effects in Nigeria's Niger Delta Region." *Social Science Research Network Electronic Journal*. doi:10.2139/ssrn.1723169.

Ezirim, G. 2013. "Oil Wealth and National Security in Nigeria 1999–2012." Doctoral thesis submitted to the Department of Political Science in the University of Nigeria.

Ibeanu, O. 2006. *Civil Society and Conflict Management in the Niger Delta: Scoping Gaps for Policy and Advocacy*. Lagos: CLEEN Foundation.

Ibeanu, O. 2008. "Affluence and Affliction: The Niger Delta as a Critique of Political Science in Nigeria." *Inaugural lecture delivered on 20 February at the Princess Alexandria Auditorium of the University of Nigeria*.

International Maritime Bureau (IMB). 2016. "Piracy and Armed Robbery Against Ships." Report for period 1 January to 31 December 2015. London: International Chamber of Commerce. https://www.hellenicshippingnews.com/wp-content/uploads/2016/02/2015-Annual-IMB-Piracy-Report-ABRIDGED.pdf.

Katsouris, C., and A. Sayne. 2013. *Nigeria's Criminal Crude: International Options to Combat the Export of Stolen Oil*. London: Chatham House.

Niger Delta Technical Committee. 2008. *Report of the Technical committee on the Management of the Niger Delta Crisis*.

Nigeria National Petroleum Corporation (NNPC). 2015. *Annual Statistical Bulletin*. http://www.nnpcgroup.com/Portals/0/Monthly%20Performance/2015%20ASB%201st%20edition.pdf.

Onuoha, F. 2013. "Oil Resources Management and Illegal Oil Bunkering in the Niger Delta 1999–2011." Doctoral thesis submitted to the Department of Political Science in the University of Nigeria.

Yates, D. 1996. *The Rentier State in Africa, Oil Rent, Dependency and Neocolonialism in the Republic of Gabon*. Trenton, NJ: Africa World Press.