

INTERVIEW TRANSCRIPT:

Basil Omiyi, Shell's Country Chair in Nigeria, was at the United Nations in New York mid September, attending a pan-African investment round-table. He spoke to Paolo Black about some of the challenges facing Nigeria and Shell's operations there.

Basil: As I walk past those flags, the first thoughts that really struck me was the global compact and the representation of those flags as a world willing to work together for the common good, and I start thinking about that and Africa. I recognise the challenges Africa faces in a global economy and in the same way the opportunities that are there. And taking that closer home to Nigeria and to the Niger Delta I recognising how much more could be more done if we could just overcome a few issues of governance and anti-corruption, and looking after our children. And I'm really happy I'm here in New York to be in a very little way attending this round-table of corporate social responsibility and socially responsible investment as being a little part of trying to do something in Africa. One in five Africans is a Nigerian, that's important. And I heard somebody say that if you actually can get Nigeria right you will get a huge part of Africa right.

Paolo: **You were born in Nigeria, educated in Nigeria, you've got a wife and five children. You must be incredibly proud of Nigeria and incredibly proud of what you do at Shell. And I guess it must be quite difficult for you when you see that reputationally Shell suffers quite badly in Nigeria. What is it you'd really like to tell people about Shell's operations in Nigeria that they just don't know?**

Basil: I must admit I'm really proud of my country and proud of the region I come from which is the Niger Delta as well. A lot has been achieved but not really presented properly in the world. And I worked in Nigeria for thirty-seven years at Shell, and haven't worked anywhere else so I must really have loved it, and I do love it and I'm happy really working there and what we're achieving, and I'm proud of it. I wish people would know how the ordinary people, not the campaigning NGO's but ordinary citizens, they'll be students, the odd 17,000 students on a Shell scholarship, how they value our presence, the government who over three years from our own Shell operations alone receive something like \$25 billion in taxes and royalties. The hospitals we run, the infrastructure programs we have on the ground, the beneficiaries of all those, and the thousands of people, who are ancillary, who work in ancillary businesses associated with the things we do on the ground. These are the things we are very proud of.

Paolo: Let's talk about gas flaring for a minute. Does gas flaring happen anywhere else in the world like it happens in Nigeria? Why is Nigeria always under the gun about gas flaring?

Basil: Well, I mean, gas flaring is bad wherever it exists. I mean, Nigeria I don't think initially actually intended to flare gas; it's just that the society didn't have the industries to actually use the gas in the early days of the industry and flaring became a natural thing. And at Shell of course we always recognised it wasn't sustainable and we had been pushing a gas gathering scheme for exporting LNG to monetise the gas. For a long time having already essentially put as much gas, domestic gas into the domestic market, to the extended domestic market could take it but today that's something like 60% of the power generated in Nigeria comes from gas from Shell, and we also have a lot of private industries that actually get all their energy from Shell gas. We actually set up a company for that - Shell Nigerian Gas, just to promote gas as against liquid fuel for industries. So we have done a lot on flaring. But there are many countries in the world flaring more gas than Nigeria, I think Russia certainly does but I don't think people want to talk about that. And quite a few countries in the Middle East flare gas as well.

Paolo: So why does Nigeria become the focus of it all?

Basil: I think it has to do with, I would imagine, not from essentially an environmental sense, maybe from an economic sense. Flaring essentially is a waste of resources for a country of 140 million people. So harnessing gas and monetising gas, is an important issue. But again, you understand that there's also a bit of the campaigning NGO is visible. In one we are demonstrating ... as it were the failings of the oil and gas industry in the regions. So it makes good pictures for campaigning NGOs. And there is commitment all around but I mean the government of course is committed to it but never been able to fund its share of the amount required to do so. I told you it's quite expensive to do.

Paolo: So should Shell do it then?

Basil: I always hear our NGO says if the government can't do it why doesn't Shell just fund it? I like to say if you take on a Shell operation, we paid it ... Shell pays 30% of the cost but gets less than 3% of the total reward that comes from it after cost. So there is no way from that margin, the low margin you get you can fund, so you need a capital program, it has to be part of the cost program, it has to be shareholders paying their share. Shell can't afford to do it on its own almost certainly.

Paolo: Critics of gas flaring in Nigeria say that it actually kills people. Is that true?

Basil: Well, I don't know. I mean, there is no scientific evidence for that. It isn't as if you are putting the flares into people's home. The flares are out there in the field. I imagine that ... let me now say something, I know that the World Bank is looking at this because it's one of the issues raised all the time. There was a point that people thought it increases acid rain and therefore affects people roofing sheets and those studies haven't borne that out. And I know that the health issue, I mean there are all sorts of things that you have to study to arrive at that, it is so complex. We've asked the World Bank to look at that, as an industry not as Shell. As the Nigerian industry has asked the World Bank to look it, so let's see, you know, what there is. It's very difficult for a non professional like myself to make a pronouncement on that.

Paolo: I've seen in a documentary some Nigerian women claiming that they've lost their babies as a result of the flaring. Is that something that...obviously it's something that would concern you, but is it something that you would find to be a fact?

Basil: I would find it very strange indeed that that would be the case, to be frank. And like I said again until somebody does baseline studies and try and discriminate between the regions with flares and regions without flares. But flaring is an emotive issue; I think that's what you hear. It's an emotive issue and it's also used politically. You understand that the real crisis in the Delta is the people of the region believe they don't receive enough ... they believe should receive more share from the oil revenue than they currently get. And one of the justifications for that is that they take the environmental consequences of the operation. And you can understand that people want to drum that and there could be exaggeration when you try to do that. And I wouldn't be surprised if such a dramatisation is part of trying to justify where they should be, a significant amount of it. I personally believe they should get more. But I also believe that what they have can be spent better but I believe they should get more. Simply because walking on the ground, we know how vast the terrain is and the Delta is big. It's about the size of England and very difficult swampy locations; expensive to build roads and bridges and so they just ... I think they just deserve a little bit more and that's my view. And I think probably the view of most Nigerians but these are constitutional matters which can only happen by a constitutional review, not just something that the government can do, and that's why it's not so easy to resolve. And if you really ask the people of the region in the end, where if you really ask them 'what do you want from companies?' if ... in *sober moments they just say* we just want you to be advocates for us with the government. We recognise this is not your duty to develop; you want to be on the table but not the lead. But, our government don't just listen to us; we wish you would be a good advocate with us, for us, with the government, and we try

to do that all the time really, really being advocates for the community. It's really part of something I love to do as Country Chair, talking in central government level or any fora wherever poverty and development is discussed.

Paolo: You can see can't you that poor people living in the Delta who are being educated by Shell and their health is being looked after by Shell and they're being funded by Shell in so many different ways. There must be surely a blur between what is government and what is Shell?

Basil: It is true, but, there was no way we couldn't even respond to the need on the ground, that's the truth. You recognise that the more you take on the more you expose yourself to it. But if there is a need on the ground I think just your basic business principles require you to respond to the need on the ground. Recognising that of course the biggest change can come by you working with government to play their role properly rather than you ever being ... and then there's no chance you can ever be a substitute for the government or for good governance. So we do recognise that and our dilemma and it's something we have to live with.

Paolo: Looking historically at Shell's reputation in Nigerian, I suspect that probably the biggest reputational damage that was ever done to Shell in Nigeria was the killing of Ken Saro-Wiwa. What role did Shell play in that? Should Shell hang its head in shame at all about the role that it played? The Ogoni people have never forgiven Shell have they?

Basil: Well I don't know, I don't know if you say Ogoni people, because you get all shades of opinions from the Ogoni. I think the Ogoni people recognise that Shell had absolutely absolutely nothing to do with the death of Saro-Wiwa. If you talk to Ogoni's leadership, whom I know very well, a lot of them are my friends and Ogoni people, none of them will actually tell you Shell killed Saro-Wiwa. I'm not saying there are no ...

Paolo: But he was very critical of Shell wasn't he?

Basil: Oh Of course he was very critical of Shell and the oil companies. I think Shell happens to be the one operator in Ogoni land and he was very critical of oil companies because he saw them as the entity through royalties and taxes went to the central government rather than the local people. But the companies had to work according to the law of the land. And, you know, if the law of the land has said tax and royalty went to the local people, the companies would pay it to the local people. So, yeah, it's ... I think Shell was such a ... it was so unfair that Shell should be internationally be connected with the death of Saro-Wiwa. There could be nothing further from the truth.

Paolo: How long will it be before we then heal the rift with the Ogoni people and we see Shell again operating in Ogoni land?

Basil: You know we've, you know we've worked on that and several governments on that, especially the last government throughout the 8 years. We've tried to so many ways to reach a reconciliation. But you need to understand, like I said earlier, the issue is not about Shell and the Ogoni, if it was just between the Shell and the Ogoni it would have been resolved a long time ago. The issue is really about the Ogoni and Nigeria is about ownership of the resource on the ground, and that's the complex issue. But where we are today, I think the government is thinking of actually getting the government partner in our company to operate the fields. And Shell is quite happy for that to happen because in the Joint Operating Agreement we have, so we're four partners in the Nigerian venture: Shell, NNPC for Government, Total and Agip and this is only how the four partners can operate in the other fields. And our current agreement is that maybe it's better that the government partner in the company operates the Ogoni field, as they do in quite many other parts of our acreage. And that enables us to build relations with the Ogoni focussing on the restoring the environment where there has been a lot of pollution, plus hostile withdrawal from people who go there stealing crude oil from the well heads and most times it goes wrong there's fire and there's oil spill and we go there to put out the fire but never really have the permit to go on and sort out the whole environment. That we are doing now, making a lot of progress. We've made a commitment to clean up the whole environment and restore the environment. That hopefully makes the peace between us and the Ogonis while the issue of future operatorship should be done by the ... another partner in the venture rather than ourselves. We think that's really probably the fastest way to resolve the matter.

Paolo: Corruption and theft have just become part of the culture haven't they of Nigeria in terms of oil being stolen. I was quite shocked to discover how much is actually stolen. It's not a small amount. One story I heard was that a small ship was sailed underneath a pipeline, the pipeline was broken, filled up the ship that sailed off several times to fill up a tanker off shore. It' enormous quantities of money isn't it? We're talking about millions and millions of dollars aren't we?

Basil: Yeah you can understand there are several issues there; one is that it's a huge economic loss for the nation. They don't do *proper jobs* so they leave huge oil pollution in the wake of what they do. Because it's a criminal trade a lot of arms are imported to protect the trade so that they can fight off government security forces. And of course, it completely destroys all the economy in the region and people won't want to do anything else if there is such an easy thing to do. Why would they want to go into agriculture or provide a service? So it really does damage the region in several ways to the extent that our President in his recent

visit to the G8 conference said, you know, 'this is equivalent, this is blood oil, almost looking at blood diamond.'

Paolo: Yes.

Basil: Saying "this is blood oil" and are appealing to the international community to collaborate in trying to trace and stop the demand. You know, locally in Nigeria the security forces are trying to deal with the supply, but I think they need the help of the international community to deal with the demand. And all sorts of things are being looked, part of it is finger ... getting the Nigerian crude oil fingerprinted so that if, and there's any Nigeria crude trades without proper Bill of Lading and Papers, people should not buy it and hopefully you deal with the demand side. But it is huge.

Paolo: It bears quite a huge resemblance to the drug trade doesn't it?

Basil: Yeah, exactly the same. It's self-sustaining and then the crude oil brings income, income brings more arms, arms protect more of the business and so on, I mean. But I think that the people paying the toll for this are the people who live there who would rather have been doing something more gainful and more long lasting. The militancy associated with this. When you actually hear of militant groups, what a militant group really do is cover an area for crude oil trade and protect and defend it. And it is this economic crime that is ... the economic crime is an end in itself and completely unrelated to the question of poverty or social justice which you hear of talked about politically. And we believe that, and most people believe that the economic crime needs to be dealt with if you will be able to get a chance of dealing with the other social issues in the region. And I know the government is looking at that but it's hugely challenging for them.

Paolo: And hugely challenging for Shell to get its Act right there; to look as though its being completely responsible in cleaning up oil spills in trying to make life better for those people. It's been there now for 50 years. It needs to do more doesn't it?

Basil: Yes indeed hugely challenging for Shell. Not just from the cost of the clean up and the remediation work you need to do, not to talk of the cost of repairing your pipelines and fixing *your facility*. It is in fact that your whole operating philosophy is being impacted by something completely outside your control. So that's hugely challenging. Because the crude oil trade is protected, just like the drug trade, is protected by armed militants. It also means that it puts all your people out in the field at risk. So, you know, you fly people by helicopter instead of them moving by water, you just build up a lot more cost simply because you need to operate differently in an environment like that. The only solution we can put on the table is to work in a collaborative way with governments. Recently we are trying to get our Research Laboratories to support the

government in looking at ways for fingerprinting Nigerian crude. We hope that collaboration will yield some success. We try to put protection around our assets, make them more tamper proof. I mean that's ... we try to do as much of that. And also to have a system in such a way that any sign of interference, we can show it on the system and minimise the spill. And also have a good response, a spill response process for early intervention and clean up. And that's easier said than done because one of the other beneficiaries of these activities if there is a spill, people can claim compensation and the cost of clean up. And because of that, at times you don't get quick access to those sites because the bigger the spill the bigger the compensation. People do want it to spill further before they grant you access. That has some cost but the greatest victim of that is the environment. And what are we doing about that is really to educate people. The short income for long term damage to the environment is not something worth pursuing. There are alternative ways of livelihood than this and really start that campaign. And we're using a new structure 'GMOU', which is the MOU you sign with community clusters to actually put that education process on the ground in the hope that part of those agreements is they recognise the need for an early arrest of ... early stoppage and containment of any spill arising from these incidents and doing a clean up. 70%, about 70% of the volume of oil spilled in the Delta is construed as criminal intent, which is a shame.

Paolo: How can you convince poor people living in the Niger Delta that they should be thinking about the long term, when in the short term they want to feed their children?

Basil: Very challenging, that's a human story, it's a human story. When you are poor you are quite prepared to forgo the niceties of environment and so on, and it's very tempting, hugely tempting, to let the oil spread so they can get huge compensation. Especially as the compensation represents months and months of compared to, I mean, of alternative income. So it's hugely tempting, but you can understand why it's a huge struggle to actually win this battle. But it's not something you're going to give up on, and they are beginning to see consequences of that. And we do hope that to solve the Niger Delta problem there are three things you need to do: you do need to deal with the so called political agitation; how much of the resource should come to the region; has the region represented a Nigerian polity – that's a political thing, that's a constitutional review and it requires the judgement of the whole of the federating states of Nigeria, that's how constitutions are reviewed, that's one issue. The other one is development. There we have a role to play, not only do we put our money. For example, in 2007 we contributed about \$110,000,000 to the Development Agencies called [NDDC]. We put in our own \$70,000,000 in that year as well. Plus something like \$17,000,000 into an education fund in 2007, that's about our annual spend. So we can do something in development.

Not only can we put in our money, we can also bring partners on the table and we have brought groups like Africare, USAID and UNDP as partners on the table, looking at long term projects from HIV/AIDS to adding value to agriculture, looking for export type agriculture, not just raw materials but adding value before you export, and so on. So we are working with partners in development, that's really where we work. The third one is law and order – that's really for government, there's not much we can do there. Law and order is for government to do. But those three issues need to be worked simultaneously. So I do hope that for the development issue, hopefully people will now find ... will start looking for alternative livelihoods and move away from the criminal side. And hopefully the political backdrop against most of the issue will be addressed, if hopefully the resources, more resources go to the region and the region feel more represented in Nigerian politics. So, those three things need to be worked at the same time so it's pretty complex. But the bulk of it is to be worked by Nigerian people and the Nigerian government. But as corporate bodies, where they really can play a role, is to be catalysts in the development side; catalysts for good governance – advocates for good governance and to be there as a true partner.

Paolo: And what role can you play in moving that along while you're here at the United Nations?

Basil: The reason one really is in this program is because there will be issues about corporate social responsibility as we've already discussed. And I think that Shell was invited – Shell – I was invited from Nigeria, the Shell Country Chair, invited because they think we do have opinions. It's to make our contribution to the debate, discuss what we are doing and see if there learning to come from that and they will tell our story in some way that you actually get the critical mass of body of opinion agreeing that these issues need to be dealt with now. And I think it's the same thing, not ... it's oil in Nigeria but there is diamond in Sierra Leone, this all the same, the same issue.

Paolo: Why doesn't Shell just get out of Nigeria?

Basil: Shell is ... I've heard that said by some Nigerians. Shell has been in Nigeria for many many years. Shell is a corporate citizen of Nigeria, and Shell has been in Nigeria, through good governments and bad governments, through good times and bad times, and have always stayed to see the bad times go and new good times ushered in. And we really believe that that will happen, that we actually add; we do more good by being present and being part of that solution than to walk away. It's so easy to walk away, it's harder to be there to try and work towards ushering in better days and we believe this will happen and we are on the table and we won't shy away from that.

Paolo: Basil Omiyi thank you so much for taking the time to speak to us today, I know you've got a very busy schedule at the United Nations. And we really appreciate the fact that you've taken so much to answer these very difficult questions.

Basil: Thank you very much.