



SHELL IN NIGERIA

## OUR ECONOMIC CONTRIBUTION

April 2012

### Taxes, royalties and energy production

The largest economic contribution by Shell companies in Nigeria is through the taxes and royalties we pay and the energy we produce. Nigeria depends on the oil industry for approximately 95% of export earnings and 80% of government revenue. Its operations are also important sources of employment, contracts and income for individuals and Nigerian companies.

The joint venture operated by The Shell Petroleum Development Company of Nigeria Limited (SPDC) has contributed about \$38 billion to the government in the past five years (2007–2011). The Federal Government receives about 95% of the revenue after costs from the SPDC operated joint venture. The Shell Nigeria Exploration and Production Company of Nigeria Limited (SNEPCo) – which operates our offshore business in deepwater – has paid about \$6 billion in taxes and royalties over the last five years.

In 2011 Shell-operated ventures in Nigeria produced an average of 974 kilo barrels of oil equivalent per day (kboe/d) – about 25% of Nigeria's estimated total oil and gas production, about 811 kboe/d of this volume came from the SPDC-operated joint venture, while SNEPCo accounted for the balance.

In 2011, Shell Nigeria Gas Limited supplied natural gas from fields in the Niger Delta to more than 61 customers in industrial centres in Ogun and Abia States, while SPDC is the major gas supplier to the Nigeria Liquefied Natural Gas plant (NLNG) from its various fields.

### Direct economic impact

The operations of the Shell companies in Nigeria have an important direct impact on the economy. In 2011, Shell-run companies awarded contracts worth almost \$1.4 billion to Nigerian companies representing 68% of the total number of contracts awarded in that year. The total value of contracts awarded to Nigerian companies in 2011 increased by about 48% when compared to 2010. The use of locally manufactured goods and Nigerian service companies in several areas created tens of thousands of jobs for workers in

communities in which we operate. As of December 2011, SPDC and SNEPCo employed around 6,000 direct employees—over 90 % of them Nigerian.

In 2010, the 650 megawatt (MW) Afam VI power plant reached full production capacity and production was increased from the Okoloma Gas Plant in Rivers State. Collectively known as the Afam integrated gas and power project, this integrated project has contributed average increases of about 17% to Nigeria's current power supply.

### Spreading the wealth

By June 2011, the four main oil-producing states – Bayelsa, Delta, Rivers and Akwa Ibom – with around 10% of the country's population received approximately 33% of oil revenue that the Federal Government allocates to Nigeria's 36 states. Corruption has been one of the barriers to turning oil revenues into benefits for the people of Nigeria. Shell initiated, and was a leading sponsor of, the Nigerian Extractive Industry Transparency Initiative (NEITI), which openly publishes payments made to the government by the international oil companies and other players in the energy industry as well as the allocation of money to states by the Federal Government



Okoloma gas plant



*Bonga FPSO vessel*

and Shell companies in Nigeria. Shell is keen that oil producing state governments adopt similar initiatives. However, even if well spent, Nigeria's oil revenues do not go far in Africa's most populous country. The total revenue from oil and gas divided between the country's population amounts to less than one dollar per person per day.

### **Community development**

In addition to generating revenue, Shell companies in Nigeria actively promote projects in the Niger Delta that support small businesses, agriculture, training, education, health care and capacity building (For more information, please see separate briefing note on Improving lives in the Niger Delta). Much of this is done in partnership with the government and the Niger Delta Development Commission. In 2011, Shell operations contributed over \$164.1 million to the commission, as

required by law (Shell share \$59.9 million). An additional \$76.3 million (Shell share \$23.6 million) was directly invested by SPDC and SNEPCo towards addressing social and economic development challenges in the region. We work together with government agencies, companies, local and international NGOs, and the United Nations Development Programme (UNDP). Shell also pays a share of its profits into an education fund for the rehabilitation, restoration and consolidation of education in Nigeria.

In 2011, SPDC and SNEPCO paid about \$132 million into the fund, bringing the total investment in the past five years (2007-2011) to \$487 million.

More information on the operations of Shell companies in Nigeria can be found at [www.shellnigeria.com](http://www.shellnigeria.com).