Shell: Nigeria Can Produce 4M Barrels of Oil a Day

JON GAMBRELL,Associated Press

LAGOS, Nigeria (AP) — Nigeria could produce as much as 4 million barrels of oil a day, but production remains held back by chronic problems with the nation's government and the rampant theft of crude from pipelines, a top official with Royal Dutch Shell PLC said Tuesday.

The speech Tuesday by Shell executive vice president Ian Craig at an oil and gas conference in Nigeria's capital Abuja renews long-running complaints by the multinational firm in Nigeria, where it remains the dominant oil company.

Craig also said that as much as 150,000 barrels of crude a day is being stolen by oil thieves in the Niger Delta despite an amnesty deal for militants there.

"The militancy which crippled onshore production from 2005 to 2009 has abated, but staggering levels of theft and criminality prevail," Craig said in remarks provided to The Associated Press by Shell.

Nigeria, an OPEC member, now pumps out about 2.4 million barrels of oil a day, making it Africa's biggest producer. Production dropped drastically during the militant attacks that targeted pipelines and saw foreign workers kidnapped. A 2009 government-sponsored amnesty program saw many fighters lay down their arms and the violence largely stop.

However, in place of attacks, thefts from pipelines grew drastically, Craig said. The thefts, known locally as bunkering, see thieves using hacksaws and drills to cut into pipelines, where they attach their own spigots to steal the crude. That crude later gets sold into the black market or cooked into crude gasoline or diesel at makeshift refineries that dot the Niger Delta, a maze of creeks and swamps about the size of Portugal.

On one pipeline recently depressurized, Shell found more than "50 bunkering points ... and associated industrial scale illegal refining with major environmental impacts," Craig said.

"The greatest challenge ... is the massive organized oil theft business and the criminality and corruption which it fosters," he said.

The bunkering likely continues because those in power in Nigeria personally benefit from the theft. A U.S. diplomatic cable leaked last year quoted a Nigerian official as saying that politicians, retired admirals and generals and the country's elite all took part.

Meanwhile, Craig said production remains low as the government provides "chronic underfunding" of projects through the state-run Nigerian National Petroleum Corp. That company partners with foreign oil firms working in the nation and remains embroiled in corruption allegations as it has a largely opaque budget. It has delayed payments for projects in the past.

Despite decades as an oil-producing country, Nigeria has a largely impoverished population — especially in the delta, where pollution remains a huge problem. Anger over that has fueled the region's militancy which remains strong today.

Many activists blame Shell for indirectly fueling the government corruption while allowing the delta to remain polluted. Some environmentalists say as much as 550 million gallons (2.1 billion liters) of oil poured into the delta during Shell's roughly 50 years of production in Nigeria — a rate roughly comparable to one Exxon Valdez disaster per year. In recent years, Shell has blamed much of the pollution on those stealing crude from its pipelines and militant attacks.

Craig's speech Tuesday did not mention the firm's oil spill at its offshore Bonga facility last year, the worst in Nigeria in more than a decade. That spill saw roughly 40,000 barrels of oil — or 1.68 million gallons (6.36 million liters) — pour into the Atlantic Ocean.

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