SHELL DIVESTMENTS & Local Communities Responses in the Niger Delta

June 2015

Protecting the Environment, Democratizing Development...
SHELL DIVESTMENTS & LOCAL COMMUNITIES RESPONSES IN THE NIGER DELTA

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Acknowledgments

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We wish to state here that the views expressed here are ours and not necessarily the views of our partners and funders.

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Summary

The global campaign by civil society groups for divestment of public finance, loans and subsidies from extractive industries, particularly oil and gas is gathering momentum. Since oil and gas contributes to climate change and its impacts, reducing the amount of extraction by about 80% has been proposed and endorsed by national and international civil society groups. The ultimate goal is to redirect such monies which would have accrued, running into billions of dollars into alternative renewable sources of energy such as solar, wind and community energy development.

In contrast with the global push, here in Nigeria the term divestment in oil industry is abused and refers to multinational oil companies’ sale of its facilities ostensibly to shore up capital and escape environmental justice.

While we recommend divestment in oil investments, we also call on the federal government of Nigeria to halt oil majors operating in the country from arbitrarily disposing of their toxic facilities without responsibility to people and the environment that often need remediation.

This policy brief looks at divestment of oil and gas assets in the Niger Delta of Nigeria by Shell and local communities’ responses to them.

Since 2010, Shell, like the rest of the international oil companies operating under Joint Venture relationship with the Nigerian National Petroleum Corporation (NNPC), has developed a programme of divestment from its interests in Oil Mining Leases (OMLs) mostly onshore and shallow water oil fields. From the perspective of the company, this policy position is strategic, to address threats to the industry. Divestment, from the perspective of international business strategy, theoretically, has been framed in terms of strategy pursued by corporations.²

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Subsidiaries like Shell are expected to be the least likely to divest for obvious reasons, including the lucrative nature of the oil and gas business. However, the recent divestments of the company are in part a strategy to enable it refocus on more profitable areas of investment within the industry sooner or later—deep offshore--- in the light of an atmosphere of growing conviction that it is never going to be business as usual. The last view is particularly evident as we see social resistance (expressed through litigation and various other forms of protest), policy demands and government preference for inclusion of local entrepreneurs in the oil business.

Illegal production and sale of oil, rising environmental rights awareness among community groups, government Local Content Law, and likely increased legal action in local and foreign courts against the company for environmental infractions are some of the less clearly stated reasons. The fear of incurring heavy costs in remediation of polluted sites and huge financial compensation to communities, have contributed to the company’s almost effortless subscription to the idea of divestment.

The reasons advanced in different quarters, including those by Shell, are in the main, highly controversial. From the perspective of government, divestment does not mean withdrawal from the oil and gas sector in Nigeria by the oil majors. It is a desired response to the need for increased participation of indigenous firms in the sector.

The government sees its Local Content Law in the light of a need to create opportunities for indigenous oil companies to participate in the oil business. They are expected to have better economic opportunities in the industry. It sees a vital role of improving the Gross Domestic Product of the country in indigenous oil producing companies, as against a meager 15 per cent contributed by international oil companies for decades. From the perspective of local community people—Ogoni and Nembe communities in Rivers and Bayelsa States respectively-- who have suffered decades of environmental despoliation through oil spills and gas flaring, divestment of oil and gas assets to indigenous oil firms by Shell is more or less an attempt by the company to run away from its ecological liabilities.
To Shell, divestment simply means sales of its facilities in hotspots to third parties without addressing decades of environmental degradation.

The secret nature of the divestment process, which clearly excludes local communities, sends a message of unwholesome business deals. This is capable of undermining the interests of victims. Handing over OMLs to indigenous firms means that these companies have to contend with the consequences of a continued pattern of extracting the oil resource without due commitment to environmental protection. Clearly, locals have no idea about the willingness of indigenous oil companies to inherit all the problems created by Shell. Oil spills and gas flaring have caused severe damage to the environment in these communities.

Dealing with the threat of a new set of environmental disputes during and after divestment will require a new set of relationship and consultation with community people. Attempts at divestment by Shell is already generating resistance, and becoming part of the environmental justice claims of local communities.
Recommendations

Local community people demand:
- That the process of divesting oil facilities be open and transparent, allowing for equitable participation.

Shell/indigenous oil companies should:
- Ensure transparent processes and involvement of local communities in divestment process. In addition, addressing the problem of oil pollution with more commitment across communities; avoid the temptation of divide and rule tactics by settling chiefs or a few local elites with financial incentives in order to secure support for divestment of assets.

Government should:
- Address the issue of local community exclusion in the ownership structure of assets through divestment to reduce environmental dispute in the Niger Delta. It should also encourage renewable energy decentralization and promote indigenous energy companies to provide renewable energy in Nigeria.
Background

The term divestment as used in Nigeria is abused to mean sale of oil facilities from areas of environmental hotspots and a move from onshore to offshore. It is in contrast to the globally held view which demands the removal of public funds and subsidies from the extractive industry. By taking out money from companies driving climate change, it is quicker to reverse the trend and buoy transition to alternative sources in renewable energy.

A unanimous parliamentary vote to divest over US$900 billion Sovereign Wealth Fund from coal translates to the removal of over US$ 8.7 billion affecting about 122 companies in the chain of coal extraction and processing. At another level, the removal of Norway’s pension funds from oil and gas long targeted by campaigners is aimed at Shell with the hope of bringing the company to adhere to global environmental standards and reverse the impact of climate change. Investing such funds in renewables will provide greater access to the poor in terms of ownership and control of green energy sources.

The Environmental Rights Action/Friends of the Earth Nigeria (ERA/FoEN) and her allies are calling for the withdrawal of all forms of public finance of oil and gas. In particular the federal government of Nigeria is urged to halt oil majors operating in the country from arbitrarily disposing of their toxic facilities until they have cleared their mess and respond to the local environment, remediation and compensation for destroyed livelihoods.

This report explores Shell’s onshore oil and gas divestment in Nigeria from the perspective of local communities in the Niger Delta. It proceeds on the theoretical assumption that divestment is not only a socially-inspired phenomenon; it is fundamentally interest-driven. Increasingly, the local and international legal, social, economic and political environment seem to have become references in the calculation of what is relevant for sustained profit and thriving big oil business. It follows that divestment is more of a response to perceived or actual risks in the business world.3

In this case, Shell and the rest of the oil majors operating in Nigeria are currently pulling out or squashing their fiscal assets for deep-offshore, a phenomenon that has to be differentiated from disinvestment. The latter refers to a situation where, for example, physical assets belonging to individuals, groups, corporations, and even government, are by reason of policy or legislation sold off.\textsuperscript{4}

Since 2010, Royal Dutch Shell has raked in more than $1.8bn from the sale of its interests in OMLs.\textsuperscript{5} From a total of 28 Oil Blocks, where the company has interests, it hopes to make even more money from the sales. Already, OML 13, 16, 71 and 72 are being canvassed for sale. Shell and the rest of the Oil majors may be leaving behind at least 250 million barrels of oil to divestment. According to the Nigerian National Petroleum Corporation (NNPC), divestment by the international oil companies in Nigeria does not necessarily mean withdrawal since these companies are moving to the deep offshore area.\textsuperscript{6}

It is important to note that divestment in the oil and gas industry in Nigeria is poorly understood. The lack of adequate empirical and theoretical literature on the subject may be responsible. Even what exist is mainly speculative, suggesting a need for more systematic analyses of the phenomenon, especially in light of emerging global divestment campaigns by environmental social movement organisations such as Friends of the Earth, Amnesty International and Platform London.

This report has two main objectives: Explore the nature of divestment of Shell’s oil and gas assets from the perspective of local oil producing communities, and the socio-economic implications.

\textsuperscript{4} Ibid.
\textsuperscript{6} Ibid.
Impact of Oil Extraction on the Niger Delta: The case of Ogoni

The oil and gas industry in Nigeria is probably the most criticized by ethnic communities struggling for environmental justice in the Niger Delta. The struggle has not brought as much benefits in terms of preventing environmental injustice. Local community people continue to suffer under severe oil and gas pollution. It is not wrong to say that environmental justice has mainly been neglected by international oil companies and government rather than being upheld as a moral duty to those suffering severe environmental and economic consequences of activities of the companies.

The industry, from the point of seismic operations, to production and marketing is characterized by dangerous pollution. It generates pollution that sooner or later becomes doom to local community people, their environment and the climate. Oil pollution destroys the environment and almost permanently closes the people’s access to ecosystem services and means of livelihood.

The centrality of the environment to the survival of the Niger Delta people has to be situated within their age-long value for economic, social and cultural relationships with nature. Local community people see the environment as their life and basis of existence. When it comes to access to ecosystem services, no government in history has been able to replace the value of what they get from nature—traditional medicine, food, materials for constructing shelter, and so on.

Modest income was easily derived from nature to take care of some needs such as children’s education and related matters. Any analysis of the impact of extraction of oil by oil companies has to take into cognisance this core value which the people have for the

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environment. Harming the environment therefore means harming the people, peasant economy, social relationships, culture and threatening longer term survival as a people created by God.

The Ogoni case is peculiar for one reason: it represents the first well-articulated nonviolent struggle for environmental justice by an ethnic community. The formation of the Movement for the Survival of Ogoni People (MOSOP) in 1990 under the leadership of Ken Saro-Wiwa provided the organisational platform for a struggle that other oil bearing ethnic communities in the Niger Delta would emulate after the hanging of Saro-Wiwa by the federal government under late General Sani Abacha in 1995.

Saro-Wiwa and eight other Ogoni leaders were killed for demanding environmental justice from the Nigerian state and Shell, for decades of oil pollution and consequent destruction of the creeks, land, forests, mangroves and putting the health of people resident in the communities at risk. One Ogoni song says “the flames of Shell are the flames of Hell…”8 The response of the federal government with violence, as seen in the case of the hanging of the Ogoni leaders, is in part because the struggle for environmental justice generally in a developing country like Nigeria, would usually, at once, mean demand for broader economic, political and social change.

To challenge the oil industry, which is at the heart of any definition of insecurity by the Nigerian state, is to challenge the entire economic and political system on which government depends for the bulk of revenues needed for the payment of bills.

Oil, as early as 1958, had been discovered in commercial quantity in Ogoniland by Shell-BP. Easily, the people thought oil would bring wealth to them, as they were told. It turned out that the oil would become a serious conflict issue between them on the one hand and government, and oil companies on the other.9 Before withdrawing from Ogoniland, Shell had nearly 3 percent of its entire production

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8 Ibid. p.375
of the oil in Nigeria from Ogoniland. There are five major oil fields in Bodo, Koronkoro, Bomu, Ebubu and Yorla.

“What Shell and Chevron have done to Ogoni people, land, streams, creeks and the atmosphere amounts to genocide,”10 remarked late Ken Saro-Wiwa way back 1992. The story has not changed. The degradation of land, water and destruction of mangrove forests in Ogoniland has raised the consciousness for resistance of community people who previously were identified with peasant agriculture. Oil spill is the most pronounced cause of these problems.

The oil spill that occurred on April 12, 2009 in K Dere area of Ogoni, destroyed plantain and cassava farms, and upstretched poverty in the community. Shell, owner of the leaking pipe, was expected to immediately respond in order to prevent more damage against the environment. But that was not the case. In a similar vein, the spills that sacked Goi community people from their ancestral land and caused huge damage for the Bodo community people occurred the same year. Earlier in 2008, these communities suffered the same fate. The impact of oil pollution can be seen in all parts of Ogoniland.

The United Nations Environment Programme (UNEP) assessment of the environment in Ogoni released in 2011 is perhaps the most cited document today when it comes to understanding the impact of oil pollution on the environment and people in the Niger Delta. That document supports environmental justice claims of MOSOP and indirectly indicts Shell for the damage caused. For example, the report reveals that hydrocarbon has seeped severely underground in 41 locations at levels unacceptable by Nigerian law.

The question of land is as much crucial. Exploration, production and transportation of oil necessitate forceful acquisition of land previously held by farming local populations. Through the instrumentality of law or policy, the federal government of Nigeria, since 1978 (Land Use Act), has made land easily accessible to oil companies cheaply. Now, all land belongs to the government. Customary rights to it can be forcefully revoked if at least it can be

demonstrated that it is in the public interest to so do. Ironically, both the land and oil resource in the soil belong to government by provisions of that law.

Ogoniland is not the only example. On April 15, 2015, massive oil spilled into Kolo Creek, Bayelsa State, killing fish and other aquatic life. Already, decades of oil spill in the community had made the environment inaccessible to the local people when it comes to ecosystem services. Prior, the environment was the source of protein, energy, food, medicine for the people. Cleaning the oil from the surface of the water, swamp and soil cannot come easy. Shell responded several days after it was reported, but insisted the spill was caused by a third party.  

**Forms of Divestment Unmasked**

The much talked-about divestment of oil and gas assets in the Niger Delta by international oil companies, which started since 2010 is manifest in several ways. First, it takes the form of transfer of ownership of equity holdings to indigenous oil companies. The idea and practice is much different from what some anti-investment environmental social movement activists have asked for when they say that the oil should be left in the soil as a way of preventing further damage to the climate. The sale of equity holdings belonging to the international oil companies is not based on any sense or consideration of moral responsibility to protect the climate, the environment and the people in the communities where the oil fields are located.

Many local community people are yet to fully comprehend the concept in relation to interests—such as those of joint venture partners and local community people. From the perspective of the

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11 Alikea, Ejirofor. 2015. Shell Blames Kolo Creek Oil Spill on Sabotage, *ThisDayLive*, www.thissdaylife.com/articles/shell-blames-kolo-creek-oil-spill-on-sabotage/207433

12 It is interesting to note that debate about fossil fuel divestment is gaining ground among climate justice organisations. Removal of bonds, stocks and other instruments from portfolios in fossil fuel does not necessarily mean shift to renewable energy. See Toronto350.org. 2014. The Fossil Fuel Industry and the Case of Divestment, March
neo-liberal economists, it is purely a rational decision to divest in the midst of well-calculated costs.

Second, it involves the selling off of bonds, securities, stocks or investment which the concept depicts is a common phenomenon in the business world. It happens across different sectors of global and national economies. As for international oil and gas companies in the Niger Delta, divestment of onshore assets currently takes the form of squashing individual company financial interests. The fact that many local community people are yet to fully comprehend the concept means ignorance and vulnerability to being sidelined when it comes to interest in how the process is being conducted by both the government and the oil companies.

This attempt to conceptualize divestment in Nigeria’s oil industry is new and has to also take into consideration allocation of oil blocks to people who bought at paltry sums and sold at super profit levels. The majority beneficiaries are not from the communities where the oil is produced. In addition buying and selling on the basis of speculation, facilitated by favour from a federal government dominated by friends or political colleagues have been criticized on the grounds that community people who have remained targets of pollution and socio-economic damage arising from oil exploration and production are mainly excluded from the transactions.

This marginalization has not only been condemned, it has been a key grievance in the struggle for resource control among people from the Niger Delta region. Profits from buying and selling of oil blocks in an age of big oil business remains extremely attractive, especially when prices at the international market favour producing nations. But local communities, the real oil and gas industry burden bearers, seem clearly excluded from the financial transactions in the buying and selling of oil blocks. The political nature of allocation of these blocks in the past has fuelled environmental disputes between communities on the one hand and oil companies and government on the other.

13 Worika, L. Ibibia. 2015. Legal Implications of Shell’s Divestment from the Niger Delta: Implications for Ogoniland, position paper, presented at Focus Group Discussion, delivered at Focus Group Discussion Forum on Divestment, organised by Environmental Rights Action at its office, at 10 Ibaa Street, Port Harcourt on 25 May.
On February 21, 2015, Congress of Forum of MOSOP Coordinators and Chapter Leaders announced their rejection of Belema Oil Producing Limited, an indigenous company rumored to have bought OML 11 from Shell.\(^{14}\) This position in direct opposition to the one taken by the Supreme Council of Ogoni Traditional Rulers, whom some claim were appointed by government and would not be expected to pursue the interest of Ogoni people in the matter of divestment of oil and gas assets.\(^{15}\) The traditional rulers met on February 2, 2015 with a result of endorsement of Belema Oil Limited as new owner of OML 11. This was done on the grounds of argument that bordered on years of strained relationship between MOSOP and Shell, for the enormous damage it has caused the environment, as well as the economic and social consequences it has had on the people.\(^{16}\)

Jack-Rich Tein Jr, Chief Executive Officer of Belema Oil Limited; Operating Officer, Dondo Ahire; Finance Manager, Chukwuma Nwosu; and Legal Manager, Alfred Doibo are key management staff of the company.\(^{17}\) They have extensive oil industry experience, but many local populations in Ogoni are yet to discard the rumor that the organisation might after all be representing the interest of Shell where the chief executive officer is rumored to have worked previously. But this remains an unconfirmed allegation.

### Implications of Divestment: Community Responses
The crude oil Trunkline which is under OML29 and OML11 on which Ogoniland falls have been offered for sale by Shell. But it is sometimes unclear whether these have already been sold since the

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\(^{14}\) Donovan, John. 2015. Ogoni People Reject Belema Oil, Express Fear of State Repression, Royal Dutch Shell PLC. [Link](http://www.royaldutchshellplc.com/2015/02/22/ogoni-people-reject-belema-oil)

\(^{15}\) Ibid. One participant from Ogoni in the FGD claimed that the chiefs may have collected money from Belema Oil Company to endorse the company in its bid for ownership of the Oil Mining Lease.


\(^{17}\) [Link](http://www.belemaoil.com/key-management-staff)
divestment process is profoundly antiestablishment and exclusive of local communities. However, early in the year, the Nembe communities placed a Caveat Emptor or buyer beware to ward off would-be buyers of the danger of such business that includes not just assets but also environmental and social liabilities.

Already, OMLs 40, 34 and 30 have been acquired by Elcrest Exploration and Production Nigeria Limited; ND Western Limited; and Shoreline Natural Limited respectively. These OMLs were acquired in 2012. Shell’s equity holding in each of them is 30 percent. While OML 40 has a production capacity on the brink of 5000 bpd/d prior capping, the rest have production rates of 15,000 (OML 34) and 35,000 bpd/d (OML 30) respectively. Shell, like the other oil majors in Nigeria, says selling off its interest in these oil fields is strategic. These OMLs alone, will give the company at least $1,069,000. That is to say, from the perspective of the company, divestment is driven by economic logic, which suggests that it makes economic sense if the company gains more by selling the assets in order to redirect its investments.

Within the context of growing social and environmental ethical demands on international oil companies, local communities are waking up to the reality of divestment of onshore oil and gas assets with troubling questions. For example, they are asking questions about the implications for the environment, justice, unfulfilled promises by the companies in signed Global Memorandum of Understandings (GMOU) with community people, equity interest of local communities, conflict, and so on.

In the case of OMLs 11 and 29, emerging issues and demands made by local community people suggests that Shell divestment programme since 2012 is already facing resistance. However, as with many of the oil majors, community awareness on the real implications of Shell divestment plan has yet to widely spread across the oil-bearing communities in the Niger Delta. In any case, those of Nembe area in Bayelsa State and Ogoniland in Rivers State are instructive. As with

other OMLs, these communities on which OML29 and 11 cover, are responding to the issue of divestment to indigenous oil and gas companies.

On 26 May 2015, Nembe Chiefs Council wrote a letter to the Country Director of Shell at its corporate headquarter office in Port Harcourt. Below are issues and demands highlighted by the chiefs on behalf of the community regarding divestment of OML 29:

1. 10 percent equity participation in the divestment of OML 29
2. Complete the Nembe Gas Turbine for the years of deprivation
3. Fulfill all commitment to SETRACO on the Ogbia-Nembe road under construction
4. Pay and discharge all outstanding GMOU obligations.
5. Pay all ongoing scholarships (secondary and tertiary).
6. Diesel supply continues until the completion of Nembe Gas Turbine project. The community should recommend contractors.
7. Turbine engines already in the country should not be disposed or reallocated but handed over to the community.
8. Pay all outstanding obligations on previous pollution and spillages.
9. Clean up and restore the environment, adopting international standards and procedure.
10. Formally, introduce the incoming operator (company) to the community. All outstanding liabilities to be handled by new operators should be formally documented and agreed by the community and the parties concerned.
11. There should be general goodwill payment, i.e Ex-gratia.  

Issues emanating from Shell divestment from the perspective of local communities in the Niger Delta, as can be seen in the above 11-point demand by Nembe people are clear. The question of exclusion of communities in the transactions is reminiscent of age-long colonial or imperial acquisition and exploitation tricks and style. Removing the

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19 Letter written and submitted to Shell by representatives of the community.
interest of communities who are the biggest burden bearers in a business that leaves deadly environmental legacies for generations of people compels a need for rethink on a development model that continues to rest on fossil energy.

The community people want Shell to formally introduce the new part owner of OML 29 to them. It means, the people are still in the dark as to who is actually buying the oil field. They do not even know how it all started. This clandestine nature of the divestment process is unacceptable to the community.

Nigeria’s Local Content Law, has been advanced as one of the policy environment warranting the divestment. But local communities believe the law is unfair since it excludes communities from the process in the definition of indigenous companies, who are now trying to find a place in the oil and gas industry.

Shell Escaping Responsibility
The impression, from the perspective of communities is, the international oil and gas companies have an unspoken plan to evade their obligations to the environment and the people by selling off their onshore and shallow water oil and gas assets. As shown in Table 1 and 2 below, comments made by participants in both the questionnaire and focus group discussions with local community people from Rivers and Bayelsa states, the sense of exclusion and the idea that the oil companies simply want to make money from divesting assets, fuel a related thinking that the companies are about to run away from the moral responsibility of cleaning the environment they have polluted for years. They also think that the GMOU --Shell’s new corporate social responsibility strategy in the Niger Delta, already in default -- will sooner or later be moribund. The hush-hush approach in the divestment process raises questions about liabilities to the environment and the future of community people who, clearly, are already faced with diverse consequences of a plundered ecosystem. Local community people fear that the GMOU will disappear with divestment to local companies. In this sense, some are mainly divided on the capacity of indigenous companies to address their concerns.
Some even believe they might be worse than the international oil companies. They see it as a better approach to contributing to the welfare of oil-bearing communities. The model allows community people to participate in the determination and implementation of projects which prior, to any degree, were imposed in the context of a top-down development model. The Nembe people are asking Shell to implement the content of the GMOU agreement it has with the people.
Table 1. Implications of Divestment

<table>
<thead>
<tr>
<th>Participant</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Divestment is basically an economic decision by Shell. It wants to avoid liability for pollution of local community environment.</td>
</tr>
<tr>
<td>2</td>
<td>Shell is selling off its onshore oil and gas assets to avoid social liabilities to the Niger Delta.</td>
</tr>
<tr>
<td>3</td>
<td>It is illegal, in the sense that local communities are not aware of the divestment.</td>
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<tr>
<td>5</td>
<td>Shell does not carry the communities along.</td>
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<tr>
<td>6</td>
<td>Divestment is in a state of confusion. It is not going to work. Shell divestment is futile. Buyer beware of liabilities.</td>
</tr>
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</table>

The widespread impression that Shell wants to run away from its obligation to local community people and their environment after several decades of generating pollution from its activities means that divestment is capable of worsening relationship with the international oil companies. It is difficult to contemplate complete withdrawal or divestment of all assets of the company in Nigeria. The company is said to have made plans to concentrate on deep water and offshore exploration and production.

The point is, it may be safer to do business from such distances of nautical miles away from community people since those locations are very difficult to reach. This means Shell is running from third party monitoring and seeking to hide its polluting activities away from the prying eyes of communities and civil society groups who currently lack adequate capacity to monitor offshore environmental and social impacts.
Divesting to indigenous oil companies which means change in ownership structure of the assets may help shift attention away from environmental problems that are likely to occur. But it does little to emoving grievances and expectations of local communities for past and current environmental infractions.

**Table 2. Community Interpretation of Shell Divestment**

<table>
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<tr>
<th>SN</th>
<th>Patterns of grievances from community peoples’ voices --Rivers and Bayelsa States.</th>
<th>Interpretation</th>
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</thead>
</table>
| 1  | The major problem I see in the case of Ogoniland regarding Shell divestment is … Shell is pulling out without the community being aware. | ▪ Marginalization of local community people in the deals.  
▪ Lack of adequate understanding of the process on the part of the people.  
▪ Clandestine  
▪ Unhealthy goals in keeping local community people confused about the process and state of divestment of the oil fields. |
| 2  | Belema Oil is inheriting liability and assets. It has to inherit related GMOU signed between Shell and the community. | ▪ Fear and uncertainty  
▪ Indigenous oil companies might lack the capacity to inherit liabilities because of limited access to capita.  
▪ Return to very old ways in spite of deficiencies of the GMOU  
▪ Doubtful claims of capacity and offer of benefits by |
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<tr>
<th></th>
<th>Some indigenous companies</th>
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<tr>
<td></td>
<td>Non-implementation of UNEP report.</td>
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<tr>
<th>3</th>
<th>Make money and run away from the mess?</th>
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<tbody>
<tr>
<td></td>
<td>Oil spills</td>
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<td></td>
<td>Collapse of ecosystem services</td>
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<tr>
<td></td>
<td>Destruction of livelihoods</td>
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<td></td>
<td>Diseases</td>
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<td></td>
<td>Unemployment</td>
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<td></td>
<td>Violent crimes</td>
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<td></td>
<td>Violent conflict</td>
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<td></td>
<td>Sustained struggle against operators of the oil and gas industry.</td>
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<th>4</th>
<th>Evading environmental justice</th>
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<tbody>
<tr>
<td></td>
<td>What happens to existing and future court cases against Shell over its impacts in the case of divestment?</td>
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<tr>
<td></td>
<td>Failure to clean up the mess</td>
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<td></td>
<td>Failure to implement UNEP report on Ogoniland.</td>
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<td></td>
<td>Local community access to social amenities such as water, roads, scholarships, access to cheap healthcare, electricity, means of livelihood.</td>
</tr>
<tr>
<td></td>
<td>Inclusion of local communities in the definition of local content in the oil and gas industry.</td>
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</tbody>
</table>

As we can see, from the perspective of local community people, divestment by Shell is not only an attempt to offload responsibilities to third parties, it is another strategy of making huge money after considering the social, economic, technological, financial and political cost of keeping the assets. The company is now making money from a mess it created.
Divestment Divides and Weakens Local Struggles for Environmental Justice.

Divestment to indigenous oil companies will weaken community struggle for environmental justice if it is ethnically or sentimentally framed. These companies cannot deny their capitalist interest in contrast to those of the impacted community people, who must continue to bear the ultimate burden of environmental pain.

Local community people hosting Shell facilities are already divided on the divestment issue. This seems clearly a divide-and-rule strategy. In Ogoniland, for example, favourable response from the people to Belema Oil is strongly divided. By Nigeria’s Local Content Law, it is rewarding for the company to inherit OML 11. The company has promised 10 percent of its profits to the communities. Chiefs in these communities see this as something the international oil companies have never done and will never do. And have therefore accepted. But majority of the youths have accused some the chiefs of receiving bribe from the company to endorse its bid and ownership of the oil field. While some see the company’s offer as innovative, others believe it is a mere promise it will not make good. A segment of people believe a rumour that Shell or its former staff has a hand in the ownership of Belema Oil. These are speculations that need to be verified. The longer it takes to do that, the riskier it is, when it comes to emerging issues and relationship among community people, Shell, government and emerging new owners of the assets.

Divestment Will Stall New Court Cases

The future of environmental justice against Shell is bright. When Bodo community in Ogoni land secured US$83 million in January 2015 in compensation for two major oil spills in Shell oil fields in 2008, hope for future similar results rose among other communities in the Niger Delta. The Bodo people were able to secure the compensation only after a long process of litigation. By April 2015, 200 out of 601,000 farmers, fisher folks and residents of the communities affected by those spills, were yet to receive their own share of the money. Communities are likely to lose the opportunity for similar financial compensation by international oil companies if the indigenous companies become the new owners of these assets.
Indigenous companies buying the assets are likely to be able to escape being hauled to such courts. Reason, they were incorporated with head offices in Nigeria. In any case, environmental despoliation by the international oil companies can continue to attract litigation in foreign courts, but not with new cases (oil pollution) after divestment to indigenous oil companies.

Implications might include a relapse into use of violent strategies in the struggle for environmental justice. Nigerian government has yet to successfully enforce court rulings in favour of communities that used litigation in their struggle for environmental justice.

**Conclusions and Recommendations**

This report has addressed the nature of Shell’s equity interests in OMLs and the implications on local host communities from the perspective of locals. Local community people seek participation in the process. Their exclusion from the process has already given an impression similar to what happened during the slave trade era, centuries ago, when human beings were negotiated away between buyers and sellers without the consent of the victim. It was absurd to think of the slave as having any worth, or deserving of such consideration, to any degree. The slave did not have worth at all and did not deserve to be considered in the choice of his or her owner.

Local community people want international oil companies to cleanup all polluted water, land, farm and forest before divestment. They demand, at best, a clear promise that the new owners of the assets would fulfill these obligations the way Shell would be expected to do.

**A. Local community people demand:**

- Equity participation in the divestment of oil and gas assets.
- That Shell fulfills all its outstanding Global Memorandum of Understanding obligations to community people and their environment before handing over assets to indigenous oil companies.
- That Shell and government make the process of divesting these assets open and transparent.
B. Shell/indigenous oil companies

- Ensure transparent process and involvement of local communities in the divestment process.
- Implement fully terms of agreement in GMOU with community people before selling off equity holding in oil and gas assets.
- Address the problem of oil pollution with more commitment across communities.
- Avoid the temptation of divide and rule tactics by settling chiefs or a few local elites with financial incentives in order to secure support for divestment of assets.
- Respond to popular impression that the divestment option is simply a strategy by Shell to escape from its environmental liabilities.

C. Government

- Address the issue of local community exclusion in the ownership structure of assets through divestment. This can reduce environmental dispute in the Niger Delta.
- Transfer of equity holding portfolios to indigenous oil companies speaks ill of a longer term interest of shift away from fossil fuel energy systems for an energy mix approach that includes substantial contribution from renewables.
- Encourage renewable energy dis-centralization and promote indigenous energy companies to provide renewable energy in Nigeria.
- Deal with the problem of lack transparency and political nature of allocation of oil blocks which has been a key grievance issue in the call for resource control by many groups in the Niger Delta.
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