



SPACES FOR CHANGE | S4C

RESEARCH | POLICY | CITIZEN ACTION

NATURAL RESOURCE AND BENEFIT-SHARING NEGOTIATIONS BETWEEN HOST COMMUNITIES AND EXTRACTIVE COMPANIES:

**A Case Study of Assa North and Ohaji South
[ANOH] Gas Development Project**

JULY 2021



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TABLE OF ACRONYMS

7CGDP	Seven Critical Gas Development Projects
AG	Associated Gas
AGIP	Nigerian Agip Oil Company
AGPC	ANOH Gas Processing Company Limited
ANOH	Assa North and Ohaji South
BPD	Barrel of Crude Oil Per Day
CCDB	Community Cluster Development Boards
CDB	Cluster Development Board
CDC	Community Development Committees
CT	Community Trust
CEMB	Community Engagement Management Board
CNL	Chevron Nigeria Limited
CSR	Corporate Social Responsibility
DPR	Department of Petroleum Resources
E&P	Exploration and Production
EHS	Environmental Health Safety
EIA	Environmental Impact Assessment
ELPS	Escravos-Lagos Pipeline System
EMP	Environmental Management Plan
ESIA	Environment and Social Impact Assessment
FCMB	First City Monument Bank
FID	Final Investment Decision
FLB	Field Logistics Base
FME _{env}	Federal Ministry of Environment
GMOU	Global Memorandum of Understanding
GPAL	Geometric Power Aba Limited
GW	Giga Watts
HFO	Heavy Fuel Oil
HRH	His Royal Highness
IFC	International Financial Corporation
IJV	Incorporated Joint Venture
JOA	Joint Operating Agreement
JOC	Joint Operating Committee
JV	Joint Venture
JVC	Joint Venture Contract
LFN	Law of Federation of Nigeria
LGA	Local Government Area
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LUA	Land Use Act
MMBBLs	Million Barrels
MMBOE	Million Barrels of Oil Equivalent
MMSCF	Million Standard Cubic Feet
MSCFD	Million Standard Cubic Feet Per Day
MW	Mega Watts
NAG	Non-Associated Gas
NBS	National Bureau of Statistics
NCCCs	Nigerian Content Compliance Certificates

NCDMB	Nigerian Content Development and Monitoring Board
NCPs	Nigerian Content Plans
NEITI	Nigeria Extractives Industries Transparency Initiative
NGC	Nigerian Gas Company Limited
NGMC	Nigerian Gas Marketing Company
NGO	Non-Government Organization
NGPTC	Nigerian Gas Processing and Transportation Company
NIPP	National Integrated Power Plants
NNPC	Nigerian National Petroleum Corporation
NOGICD	Nigerian Oil and Gas Industry Content Development
OB3	Obiafu-Obrikom-Oben
OECD	Organization of Economic Co-operation and Development
OEL	Oil Exploration License
OKW	Okwuibome
OML	Oil Mining Lease
OPEC	Organization of Petroleum Exporting Countries
OPL	Oil Prospecting License
PSC	Production Sharing Contract
PIB	Petroleum Industry Bill
PTF	Primary Treatment Facility
S4C	Spaces for Change
SCD	Sustainable Community Development
SEEPCO	Sterling Oil Exploration & Energy Production Company Limited
SEPLAT	Seplat Petroleum Development Plc
SPDC	Shell Petroleum Development Company Limited
SQKM	Square Kilometre
TCF	Trillion Standard Cubic Feet
TEPNG	Total Exploration and Production Nigeria limited
UAE	United Arab Emirates
UNGP	United Nations Guiding Principles
UUOA	Unitization and Unit Operating Agreement
WAGP	West Africa Gas Pipeline

Acknowledgments

This research looks beyond the rhetoric of “development” and huge revenue accruals associated with oil and gas extraction to examine the effectiveness of the negotiations of natural resources benefits as well as the stakeholder engagement practices applied in the conceptual, planning and implementation of the Assa North and Ohaji South [ANOH] Gas Development Project. With a view towards pushing the boundaries of good practice, this research captures both the best practices and ongoing challenges pertaining to the negotiation of costs and benefits between ANOH project promoters and their host communities, and recommends strategies for bridging identified gaps and preventing tension from rising to a level that would be too difficult to repair.

S4C’s researchers Victoria Ibezim-Ohaeri, Osahon Nosayame, Jecinta Mbamara, Kingsley Ogam-Okafor and Chimee Adioha worked tirelessly with external consultants and community representatives to collate data on the ANOH project beginning from 2017 up to 2021. With unmatched commitment and teamwork, the team carried out rigorous desk studies, field visits to communities, site inspections, stakeholder outreaches, social communications including brokering meetings with state and federal government departments. They also facilitated community sensitization and capacity-building programs across all the oil-producing communities in Ohaji/Egbema Local Government Area (LGA) between 2017 to 2021. The research built on an initial information-gathering exercise conducted in 2017-2018 by S4C staff, Victoria Ibezim-Ohaeri, Aizighode Obinyan, Jennifer Njoku and Kingsley Ogam-Okafor. S4C’s executive director, Victoria Ibezim-Ohaeri coordinated this research and guided both the internal and external team towards achieving the final goal.

The cooperation and collaboration with the traditional rulers from Assa, Ochia, Obile, Obitti, Ilile, Ohoba, Awarra, Umuapu in Ohaji/Egbema LGA helped in no small measure towards the success of this research. We particularly appreciate the royal blessings of His Royal Highness (HRH) Eze Emmanuel Assor, Odozie Obodo II of Assa, HRH Eze Philip Onwuka Anyanwu; Ezechinyereugo IV of Ohoba Kingdom, HRH Eze Ekwueme Paulinus Ekwueme, Esq., Ochia 1 of Ochia and HRH Eze Sir, Emma C. N. Odunze, Ezeukwu Chinyere of Obitti Autonomous Community. We are also grateful to all the community engagement mechanisms established by extractive companies operating in Ohaji/Egbema LGA such as the Cluster Development Boards (CDB), Community Development Committees (CCDC), Community Engagement Management Boards (CEMB) etc. for their assistance and robust participation in all the research activities.

We specially thank our interviewees who generously shared their stories with our research team: local, state and federal government officials, federal parliamentarians, traditional prime ministers, president generals, community landlords, town union leaders, cabinet chiefs, women and youth representatives. We cannot thank them enough for their availability, patience, and willingness to share their experiences, documents and historical accounts, which enriched this study.

The completion of this study could not have been accomplished without the funding support from the Ford Foundation. This research was conducted under the auspices of the organization’s BUILD grant supported by the Ford Foundation. We remain grateful to the Ford Foundation for funding this research.



A team of inhouse researchers at SPACES FOR CHANGE | S4C and external consultants conducted this research to appraise the community engagement and benefit-sharing practices between host communities and extractive companies operating the Assa North and Ohaji South [ANOH] Gas Development Project.

S4C carried out extensive literature reviews and desk studies to understand the scope of the ANOH project, the licensing terms, contracting partners, project financiers, land acquisition, compensation, resettlement and other due process concerns associated with projects of such magnitude. Factfinding missions and townhalls were convened in thirteen (13) local communities in Ohaji/Egbema Local Government Area which are hosts to the companies involved in the ANOH project and other extractive activities in the area. In addition to the useful information garnered from publicly available databases, websites, media reports, S4C leveraged on its access to institutions, agencies and officials to obtain documents that some of the operators did not provide upon request. These documents enabled researchers to gauge operators' level of compliance with applicable national and international legal standards pertaining to information disclosure policies, corporate accountability and environmental protection.

S4C researchers conducted community-wide surveys using structured questionnaires, key informant interviews with community leaders (including traditional rulers, cabinet chiefs, elders, women, and youth leaders) and other community members, and followed up with targeted engagements with government departments and extractive companies to clarify conflicting information, communicate host community concerns and advocate for better deals for local communities. They conducted further outreaches in Imo's oil and gas producing communities to facilitate cross-community learning exchanges and sensitize locals on the provisions of legal regimes and oil statutes regarding land compensation, environmental impact assessment, and due process requirements associated with oil and gas exploration projects.

S4C shared the preliminary research findings at a one-day validation meeting held in Owerri, Imo State capital, on May 12, 2021. The meeting equally afforded stakeholders—comprising federal, state and local government officials, representatives of oil and gas communities in Ohaji/Egbema LGA, civil society organizations, and the media—the opportunity to deliberate on the findings,

validate and make inputs into the draft research report. S4C also sent several letters to SEPLAT Petroleum, Shell Petroleum Development Company (SPDC), Sterling Oil Exploration & Energy Production Company Ltd. (SEEPCO) requesting comments on the report and specific aspects of their oil and gas operations.

In the engagements mentioned above, S4C provided technical advice, legal support and information on best practices for negotiating benefit-sharing agreements that put host communities at the center of extractive development while delivering companies' economic purposes. What this research has done is to generate empirical evidence and pedagogical resources for bolstering the capacity of mineral-rich communities to initiate constructive engagements and skillful negotiations that can transform extractive resource wealth into tangible developmental progress and improvements in social and economic conditions of local people.

PREFACE

The \$700 Million Assa North and Ohaji South (ANOH) Gas Development Project is one of the major infrastructure development initiatives designed to reverse Nigeria's energy poverty and close the demand-supply gap in the domestic gas market while complementing the federal government's objective to meet the target of generating at least 15 gigawatts (GW) of electricity by 2020. Extractives projects of this nature and magnitude operate like double-edged swords. They attract huge revenue accruals to the national treasury and at the same time, impact the local environment due to the high-risk and often-hazardous nature of the associated resource extraction operations.

This research proceeds upon the premise that communities have a right to benefit from the immense wealth derived from natural resource extraction. As experience from other resource-rich locales have shown, large-scale extractive investments often fail to translate into long-term sustainable development for the host communities if not managed properly. One major factor aggravating the situation is the power asymmetry characterising the relationship between extractive companies and host communities, which disempowers the latter from participating meaningfully and benefitting from these investments. This project represents a bold attempt to change the lopsided power dynamics between companies and communities, with a view towards ensuring that the negotiation of the costs and benefits follow a process that meets the criteria for community participation, consultation and free, prior and informed consent.

The extractive companies in Imo, including the ANOH project promoters, have almost uniform community engagement mechanisms in place for interacting with their host communities. The Global Memorandum of Understanding (GMOU) is the most popular instrument for codifying the negotiations and agreements between the extractive companies and their host communities. The GMOUs clarify what the host communities are entitled to, as their own share of the natural resource extraction activities going on in their communities. Until SPACES FOR CHANGE's intervention, ANOH host communities signed GMOUs without having external contacts with other organisations and institutions that could give them sound legal advice and alternative information that can enrich the quality of negotiations with extractive companies. S4C's sensitization and capacity-building initiatives are reversing this trend, by equipping communities with the information needed to contest given information and strengthen their bargaining power at the negotiation table.

Beyond the company-community negotiations, the focus on community engagement throughout the project cycle is equally important to ensure mega-projects proceed carefully and maximize economic benefits for the country and local people while minimizing potential communal dislocations and environmental consequences. It also provides a vehicle for incorporating the perspectives and needs of various interest groups and local communities, throughout all stages of planning, design and implementation of the project. Against this backdrop, this study used three indicators to gauge the effectiveness of community engagement practices in the ANOH project: the land acquisition and compensation arrangements, the extractive companies' consultation and benefit sharing mechanisms and the operators' level of compliance with environmental regulations.

Recognizing that large-scale projects like the ANOH project have a high potential for conflict and environmental damage, this independent appraisal was carried out with the objective of preventing the escalation of tension between oil companies and host communities, and propose recommendations for ensuring that resource extraction, energy production and transmission projects are developed in ways that bolster the resilience of the pastoral ecosystems, minimize potential harms and recognize the rights of host communities to benefit equitably from natural resources. Investor commitment to these equity principles not only enables benefit-sharing agreements to be

negotiated and implemented meaningfully, bearing the cumulative project impacts on wellbeing and livelihoods in the short- and long-term in mind, but also lead to improved outcomes—from building trust, to eliciting community consent, to securing a company’s social licence to operate.¹

Victoria Ibezim-Ohaeri
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¹ Emma Wilson, Sarah Best, Emma Blackmore and Saule Ospanova, Meaningful Community Engagement in the Extractive Industries, 2016; <https://pubs.iied.org/sites/default/files/pdfs/migrate/16047IIED.pdf?>

SUMMARY OF FINDINGS

1. Evidence of Good Practice:

- SPDC and Seplat recognize that stakeholder engagement and community development are crucial to the achievement of a stable climate for extractive activities. The concept of 'participatory partnership' reflect their acknowledgement of the mutual benefits arising from community participation, cultural preservation, environmental sustainability recognizing the needs of host communities as well as the maintenance of cordial relationships between host communities and extractive companies

2. Due Process Concerns:

- Series of on-site inspection visits by S4C, including interviews with numerous community leaders and representatives disclosed significant deficits in the company's handling of community relations. There were also heightened due-process concerns regarding the handling of important issues around land, resettlement, compensation and livelihoods in the community. ANOH project promoters (SPDC and Seplat) did not respond to numerous S4C's queries regarding the challenging aspects of the community consultation and negotiations.

3. Non-Disclosure of Critical Information:

- Technical knowledge of oil and gas development, processing, transmission and especially the environmental impacts, is low within communities, meaning that local stakeholders may indeed attend meetings convened by extractive companies, without understanding what is being discussed. Limited access to information and absence of third-party supervision and legal representation shaped communities' capacities during the negotiation of benefits encoded in the GMOUs. Huge capacity-building deficits among locals must be urgently reversed to increase their ability to negotiate better deals and fairer benefits from extractive companies.

4. Parallel Structures of Community Engagement Causing Tension:

- One major factor fueling tension in the host communities is the parallel structures of community engagement created by the extractive companies such as the CEMB, CDCs, CDBs. These oil company mechanisms discounted the preexisting leadership structures or the traditional modes of community engagement such as the Eze stool, Eze's cabinet, town unions, traditional prime ministers. In essence, the new mechanisms are polarizing communities, deflating community bonds and fueling restiveness. Factional groups attached to the feuding parallel structures not only pose significant constraints to meaningful civic and political engagement with extractive companies, but also lowers the quality and outcomes of benefit-sharing negotiations.

5. Companies Unilaterally Drafted GMOUs:

- A huge gap exists between the ANOH project's consultation and negotiation processes and the requirements espoused in global frameworks setting standards and guidance for conduct meaningful consultation with indigenous communities. The GMOUs are drafted and presented to communities to sign without their input or the opportunity to seek expert guidance before signing. This means that in spite of companies' good intentions, the negotiation of the benefits did not follow a process that meets the criteria for community participation, consultation and free, prior and informed consent.

6. Companies' Spending on Communities Unmonitored and Unverified by Independent Parties:

- There is need for adequate disclosure, independent verification and monitoring of extractive companies' spending on capital and non-capital projects in local communities. Effective enforcement and monitoring of GMOUs are needed to ensure the reported pay-outs to host communities match actual development on the ground.

7. Insufficiently-Negotiated Compensation for Land:

- Insufficiently-negotiated compensation paid for 'unknown' size of land grants is another source of local discontent in the host communities. Women are rarely part of the conversations around land acquisition, compensation, negotiations, and membership of the constituted committees. This means that decisions and agreements reached between operators and local communities hardly take into account, the socially-determined roles for men and women, their differentiated experiences in resource extraction zones, and the needs and responsibilities which derive from social and historical constructs.

8. Activities of Extractive Companies Devastating to the Local Environment:

- Recent fire explosions, leaks and spills in ANOH project host communities evince that extractive companies are importing the environmental bad practices in the Niger Delta into locales of new oil finds in Imo State. Companies' robust commitment to sound environmental principles and best practices publicized on their websites have not been followed. The recent fire explosions, leaks and spills prove that cosmetic statements and performance rhetoric are not enough to guarantee compliance with environmental regulations. Except Chevron Nigeria Limited (CNL), the oil companies operating in Ohaji/Egbema LGA, including the ANOH project, have not only failed to comply with international oilfield practices, but are also unwilling to provide the information needed to independently verify corporate claims of environmental excellence.

9. Weak Government's Regulatory and Enforcement Mechanisms:

- Government's regulatory and enforcement mechanisms, especially as regards environmental compliance and land compensation, are weak and ineffective. This is partly because the government is an active player and a regulator in the ANOH project, resulting in a conflict-of-interest situation. The low environmental compliance records of the extractive companies operating in Ohaji/Egbema LGA can wreak havoc on the local environment if the destruction of farmlands, aquatic life and traditional livelihoods continue.

10. Loss of Traditional Livelihoods:

- Fears about imminent loss of farmlands and displacement from their ancestral lands are widespread, fueling anger and resistance. From community to community, the locals who are predominantly subsistence farmers, demand among other things: protection for their traditional livelihoods and opportunities to participate and benefit from the huge economic activities going on around them.

11. Potential for Violence is High:

- ANOH host communities share borders with oil-producing communities in the Niger Delta ravaged by violence and environmental devastation linked to oil and

gas exploration activities. Because of this proximity to violence-ravaged locales in the Niger Delta region, ANOH project operators can avoid the deterioration of the current tensions into full-blown violence by maintaining the safety and security of their operations within a framework that ensures respect for human rights.

12. Negotiations Between ANOH Operatives and Host Communities Do Not Meet the Requirements of Free, Prior, and Informed Consent (FPIC):

- Until SPACES FOR CHANGE's intervention, host communities signed GMOUs without having external contacts with other organizations and institutions that could help them to access sound legal advice and alternative information that can enrich the quality of negotiations with extractive companies. S4C's sensitization and capacity-building initiatives are reversing this trend, by equipping communities with the information needed to contest given information and strengthen their bargaining power. More recently, host communities that have benefited from S4C's empowering initiatives have declined to sign GMOUs foisted on them without meaningful consultations and negotiations.

13. No Legal Frameworks Governing Companies' Community Engagement:

- There is no legal framework at the national and federal level for organizing and conducting meaningful consultations and negotiations for securing communities' informed consent and participation in extractive operations and for ensuring that best practice requirements are followed and respected. There is growing perception that the Petroleum Industry Bill (PIB) currently under consideration by the federal legislature will among other things, accelerate the delivery of direct economic benefits from petroleum operations to host communities and improve peaceful coexistence between host communities and extractives companies.

The community development projects financed by oil and gas companies are not in use, overgrown with weeds, and the few that are in use are uncompleted and are in a state of disrepair. The disuse of these facilities also reflects the quality of the needs assessments that preceded them.



Chapter One

ANOI GAS DEVELOPMENT PROJECT: Context, Promoters, Financiers, Licensing and Contracts

LOCAL ENERGY CONTEXT OF NIGERIA



Source: [Enchanted Learning](#)

Nigeria is the leading oil producer in Africa and holder of the largest natural gas reserves on the continent.² Consistent with its status as the 13th largest oil producing country in the world, Nigeria has almost 40 billion barrels of proven oil reserves.³ With a maximum crude oil-production capacity of 2.5 million barrels per day,⁴ the country ranks 9th in the world and accounts for about 3% of the world's total natural gas reserves of 6,923 tcf⁵. Nigeria is also the world's fifth-largest exporter of liquefied natural gas (LNG) as of 2018.⁶ After nearly 50 years of exploration, the bulk of the country's foreign exchange earnings and more

than 90% of exports are derived from crude oil sales.

With an estimated population of 206,139,589 as of December 2020⁷ and a total landmass of 923,769 square kilometres,⁸ Nigeria's humongous oil wealth and gas deposits have neither translated to economic developmental progress nor energy security, resulting in about 40% of the population either without access to electricity or facing acute energy shortages. Unstable access to electricity supply persists because volumes of gas deposits are flared rather than being channelled into the electrification of end uses and affordable power systems. About 8.1 billion cubic meters of natural gas was flared in 2014 alone,⁹ releasing carbon (CO₂) emissions into the atmosphere which

² OPEC Annual Statistical Bulletin 2020.

³ Nigeria Extractive Industries Transparency Initiative website: https://eiti.org/fr/implementing_country/32

⁴ Nigeria Extractive Industry and Transparency Index (NEITI) 2018 Oil and Gas Audit Report

⁵ <https://www.worldometers.info/gas/nigeria-natural-gas/>

⁶ BP 2019 Statistical Review of World Energy, June 2019.

⁷ United Nations, Department of Economic and Social Affairs, Population Division. [World Population Prospects: The 2019 Revision](#)

⁸ National Bureau of Statistics (NBS) Annual Abstract of Statistics, 2010.

⁹ NNPC Annual Statistical Bulletin 2014

contribute to climate change, acid rain and harms to local communities. If managed efficiently, the huge gas and mineral deposits could change the trajectory for Nigeria's energy future. Poor access to energy supply contributes to the record-high levels of poverty and underdevelopment. In 2017, net electricity generation was far lower than capacity and was 30.6 billion kilowatt-hours (3,495 MW) or about 28% of total capacity.¹⁰ Nigeria's electricity generation capacity was 12,664 megawatts (MW) in 2017, of which 10,522 MW (83%) was from fossil fuels; 2,110 MW (17%) was from hydroelectricity; and 32 MW (1%) was from solar, wind, and biomass and waste.¹¹

Nigeria's electricity generation is primarily derived from natural gas. Accordingly, gas-fired plants not only play an expanded role in the attainment of national energy security objectives, but also for improving the reliability of power systems and bolstering gas sufficiency for domestic consumption. As of January 2020, Nigeria's natural gas reserve of 203.16 trillion cubic feet (tcf) is made up of 100.69 tcf of Associated Gas (AG) and 102.47 tcf of Non-Associated Gas (NAG). Projections show that reserves could reach 210 tcf by 2025 and 220 tcf by 2030.¹² Amid the enormous gas reserves, vast amounts of revenue are lost to gas flaring every year as Nigeria still ranks in the top 10 gas-flaring countries in the world.¹³ 7.4 billion cubic feet of gas was flared in 2018, a few points less than the 8.1 billion cubic meters of natural gas flared in 2014. Nigeria lost N233Billion from gas flaring in the same year (2018).¹⁴ Gas flaring has persisted because of inadequate infrastructure for processing and transporting gas to consumers.

Keying into the World Bank's Zero Routine Flaring by 2030 initiative, Nigeria approved the Nigerian Gas Flare Commercialization Programme in 2016, to eliminate gas flaring through technically and commercially sustainable gas utilization projects developed by **competent third-party investors**. To achieve the "Zero Flare Policy" and increase domestic natural gas utilization, the \$700Million Assa North and Ohaji South (ANOH) Gas Development Project is one of the seven flagship gas projects (7CGDP) initiated by the Federal Ministry of Petroleum and the Nigerian National Petroleum Corporation (NNPC) and is scheduled to deliver about 3.4billion standard cubic feet of gas per day.¹⁵

ASSA NORTH AND OHAJI SOUTH (ANOH) GAS DEVELOPMENT PROJECT

Out of the seven critical gas projects (7CGDP), ANOH project is one of *the largest greenfield gas condensate development projects in Nigeria* with the expectation that future gas production from the project will supply the domestic markets. The ANOH project is part of a major expansion of Nigerian gas production that is targeted to deliver gas to the domestic gas market. The Assa North field hosts hydrocarbon reserves in the north-eastern segment of OML 21, operated by Shell Petroleum Development Company (SPDC), which extends into the Southern segment of OML53. ANOH Gas Processing Company Limited (AGPC), operated by Seplat Petroleum Development Company, was

¹⁰ U.S. Energy Information Administration, International Energy Statistics database, accessed 2/5/2020.

¹¹ U.S. Energy Information Administration: Nigeria, <https://www.eia.gov/international/analysis/country/NGA>

¹² Department of Petroleum Resources (DPR)

¹³ Price Water Coopers, Assessing the Impact of Gas Flaring on the Economy: <https://www.pwc.com/ng/en/assets/pdf/gas-flaring-impact1.pdf>

¹⁴ Price Water Coopers, *ibid*.

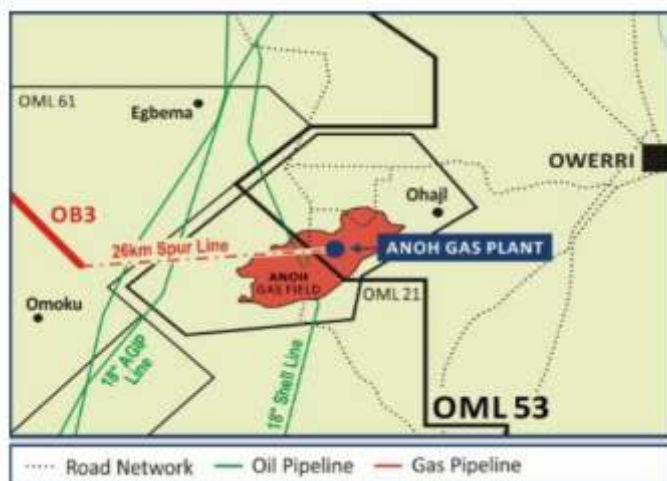
¹⁵ The Energy Year: NNPC signs seven critical gas projects: [https://theenergyyear.com/news/nnpc-signs-seven-critical-gas-projects/#:~:text=The%20projects%20include%20the%20181,198%20bcm%20\(7%20tcf\).](https://theenergyyear.com/news/nnpc-signs-seven-critical-gas-projects/#:~:text=The%20projects%20include%20the%20181,198%20bcm%20(7%20tcf).)

incorporated for the purpose of processing future wet gas production from the upstream unitized gas fields at OML 53 & OML 21 located in Ohaji/Egbema Local Government Area (LGA) of Imo State. When completed, the two fields (OML 53 and OML 21) are together, expected to produce 600 million standard cubic feet of gas per day (Mscfd), equivalent to approximately 2.4 gigawatts (GW) of electricity, which will provide uninterrupted electricity to about 2.4 million homes.¹⁶

Located approximately 25km from Owerri, the Imo State capital, and 75km from Port Harcourt, the Rivers State capital, the Assa North and Ohaji South fields are expected to contain gross upstream reserves of 3.66 trillion standard cubic feet (tcf) of gas in addition to 153.6 million barrels (mmbbls) of condensate with a total reserve of 785 million barrels of oil equivalent (mmbbls).¹⁷ Being one of the largest greenfield gas condensate development projects undertaken in Nigeria, ANOH project will facilitate gas production in the large undeveloped Ohaji South gas and condensate fields in OML 53, the development of which would be coordinated with the Shell Petroleum Development Company (SPDC) Limited-operated Assa North field in OML 21. The ANOH project is designed to feed the existing eastern, western and northern gas pipeline systems of Nigeria.¹⁸

The ANOH project is being developed in two phases, with the first phase development driven by two main reservoirs in Assa North/Ohaji South i.e., H1000 and H4000 with combined in-place volumes of 4.3 Tcf gas and 212 MMbbls condensate. The second phase of development includes depletion compression, with some potential to develop other lower-ranking reservoirs in the third phase of the project. Four development wells will be constructed in the H1000 reservoir, while two wells will be constructed in the H4000 reservoir. All the wells will be pre-drilled from a single drilling centre and forwarded to three inlet manifolds of the primary treatment facility (PTF) through individual flowlines. Gas will be processed through dehydration and hydrocarbon dew pointing processes to meet the sales specifications, while the liquids will be processed by condensate stabilization and dehydration methods.

Source: Seplat Petroleum



Seplat discloses that “the ANOH gas project will be connected to large-scale gas reserves to Nigeria’s main demand centres through the Seplat-owned Oben hub. The produced gas will be treated at the SPDC JV-owned processing facility and then forwarded through the Obiafu-Obrikom-Oben (OB3) pipeline network. The project will treat gas at the PTF which is located between the existing Assa North-1 surface drilling centre and the Assa flow station, with an estimated capacity of 600 Mmscf/d gas and 45,000bbl/d of

condensate. Of the total gas production, 300Mmscf/d will be processed at the new gas processing plant owned by the SPDC JV, while the remaining gas will be processed at the ANOH gas processing plant. The processed gas will be transported to the Escravos-Lagos Pipeline System (ELPS) and West African Gas Pipeline (WAGP) through a 24km-long spur line connecting to the OB3 pipeline. The produced liquefied petroleum gas (LPG) will be trucked directly to Owerri, the Imo State capital,

¹⁶ Seplat 2019 Gas Business - Capital Markets Day, June 26, 2019.

¹⁷ Seplat 2019 Gas Business - Capital Markets Day, June 26, 2019.

¹⁸ Seplat 2019 Gas Business - Capital Markets Day, June 26, 2019

while the condensate will be exported to either Shell Bonny and or Total ENI's Brass River terminal via an already existing 150-195km oil trunklines"¹⁹.

Seplat, on its part, had explained that the ANOH gas project is a milestone project which aligns with the gas infrastructure development initiative of the Federal Government of Nigeria. The company assures that AGPC would deliver the project on schedule within the next eighteen months and achieve its objective of being a major gas supplier to the domestic market. However, prior to initiating development of the gas plant project, Seplat expects to focus efforts on increasing oil production at the Jisike field and develop the shallow oil reservoirs in Ohaji South.²⁰

Asides the JV on OML 21, SPDC has contracted an Unitization and Unit Operating Agreement (UUOA) with Seplat's OML 53. Unitization is the process whereby an oil or gas reservoir straddling adjacent contract areas are jointly developed by the interest holders or licensed operators in the adjacent contract areas/acreages. This sort of joint development is more economical and efficient than having the operators carry on with separate developments. SPDC has also conducted an environmental impact assessment (EIA) on the ANOH gas project. Recently too, the SPDC JV signed a gas supply and aggregation agreement with Geometric Power Aba Limited (GPAL) for the supply of about 43MMscfd to support the 140MW Aba Integrated Power plant at Ossisioma in Abia State. By the agreement, SPDC will supply gas from its joint venture gas plant in Imo River traversing Abia and Rivers states to the power producer, GPAL, via a gas pipeline network which is already installed.²¹

ANOH PROJECT OPERATOR ~ SEPLAT

Seplat is an independent indigenous Nigerian upstream exploration and production company with a focus on Nigeria, listed on the Nigerian Stock Exchange and the main market of the London Stock Exchange. Seplat's portfolio comprises six blocks in the Niger Delta, four of which Seplat operates directly. Since Seplat acquired its first block and commenced production in 2010, it has increased oil and gas production and grown reserves in each year of operation and is widely recognised as a leading Nigerian oil and gas operator. Seplat focuses on maximising hydrocarbon production and recovery from its existing assets, acquiring and farming into new opportunities in Nigeria; and realizing the upside potential within its portfolio through exploration and appraisal activities.

Seplat has a 40% working interest in the large onshore OML 53 and NNPC holds the remaining 60% interest. Pursuant to the Joint Operating Model,²² Seplat was designated operator of oil mining lease

¹⁹ Seplat 2019 GAS BUSINESS - CAPITAL MARKETS DAY, June 26, 2019, page 32.

²⁰ <https://seplatpetroleum.com/operations/oml-53/> accessed on January 28, 2019.

²¹ <https://www.thisdaylive.com/index.php/2018/12/24/shell-signs-fid-on-assa-north-gas-project/> accessed on February 12, 2019.

²² The Joint Operating Model (or Agreement) (JOA) in oil and gas industry is an underlying contractual framework of a Joint Venture (JV) where two or more parties agree to undertake a common task to explore and exploit an area for hydrocarbons. The

(OML) 53²³ which contains the oil producing Jisike field as well as the large undeveloped Ohaji South gas and condensate field. The Jisike oil field, located in the northwestern area of the block, are currently the only producing field on OML 53.²⁴ Existing infrastructure at Jisike comprises flow-lines, phase one separation facilities and a flow station with a design capacity of 12,000 bopd²⁵ and 8 MMscfd.²⁶

Seplat Consortium, comprising Seplat, Amni International Petroleum Development Company Limited, and Delta State-owned Belema Oil, on one hand, and Chevron Nigeria Limited ('CNL') on the other hand, signed a sales and purchase agreement of the latter party's interests in OMLs 52, 53 and 55.²⁷ On 5 February 2015, Seplat announced that it had acquired a 40percent (%) working interest in OML 53 from CNL.²⁸



In January 2017, Seplat Group incorporated a new subsidiary, ANOH Gas Processing Company (AGPC) Limited, a midstream gas company committed to the processing of 300 MMscfd gas from OML53 for distribution to the local market. Among other things, AGPC—an incorporated joint venture (IJV) between Seplat and Nigerian Gas Company (NGC) and a wholly-owned subsidiary of Nigerian National Petroleum Corporation (NNPC)—was set up to undertake ANOH gas project development, operation, and maintenance.

parties to the agreement can be broadly classified as operators and non-operators. The operator is responsible for day-to-day management and operation of the field and is entitled to full control over the operations. The main duty of the operator is to carefully plan the activities in order to increase the profitability of the operations. But it is not liable for any loss of production or revenues as a result of its decisions except in cases of gross negligence and/or willful misconduct. The most important duty of non-operator is to answer any cash-calls as the operation requires. Non- operators form part of the joint operating committee (JOC) which oversees the activities of operator. The voting rights of operators and non-operators in the JOC are as per the interest they hold in the JOA. See <https://www.ogi.com/articles/ogfi/print/volume-11/issue-10/features/joint-operating-agreements.html> accessed on January 28, 2019.

²³ <https://seplatpetroleum.com/operations/oml-53/>

²⁴ Seplat: OML 53 ~ <https://seplatpetroleum.com/operations/oml-53/>

²⁵ Barrels of oil per day.

²⁶ Million standard cubic feet per day.

²⁷ Premium Times, Finally, Chevron Completes Transfer of Three Oil Mining Leases to Seplat Consortium, published January 30, 2016 <https://www.premiumtimesng.com/business/197682-finally-chevron-completes-transfer-three-oil-mining-leases-seplat-consortium.html> accessed on January 31, 2019.

²⁸ <https://markets.ft.com/data/announce/detail?dockey=1323-13176461-33G678TN614P7ECGJ6O38KK87F> supra.

ANOH project is fragmented into phases, with different roles for the multiple players and promoters. Phase 1 of the ANOH gas plant, currently scheduled to be completed during fourth-quarter 2021, will include the following:²⁹

- Two 150-MMcfd Joule-Thompson trains with 50% turndown capacity, automated operations.
- A 22,500-b/d two-train condensate handling plant.
- A 1,200-b/d LPG recovery unit.
- Two 100,000-bbl condensate storage tanks.
- A 50,000-bbl produced water tank.
- A 200-bbl diesel tank.
- Eight 1,500-bbl LPG storage bullets

To bridge the shortfall in gas demand-supply side, AGPC will distribute processed volumes from the ANOH gas plant via a planned 23-km spur line to be built by NGC that connects the plant to the government-owned and funded 130-km Obiafu-Obrikom-Oben (OB3) gas export pipeline network linking eastern Niger Delta gas reserves to Nigeria's main demand centers. LPG volumes will be trucked, transported, and sold into the domestic market. For the international frontiers, condensate will be exported via existing trunk lines to the Bonny and Brass terminals for sale as crude into the international market.

LICENSING AND CONTRACTUAL TERMS

Section 2 of the Petroleum Act 1969 provides that only companies incorporated in Nigeria can validly partake in the oil and gas industry for activities such as oil exploration, drilling, storage, production, refining, and transportation of oil and gas. By virtue of this provision, companies are granted licenses such as the oil exploration license (OPL) to explore for petroleum, a prospecting license to prospect for petroleum, and an oil mining lease (OML), to search for, win, work, carry away, and dispose of petroleum.³⁰ Reinforcing this mandate, Paragraph 11 of the First Schedule (Oil exploration licences, oil prospecting licences and oil mining leases) of the Petroleum Act, 1969 confers the lessee of an OML with the exclusive right within the leased area to conduct exploration and prospecting operations and to win, get, work, store, carry away, transport, export or otherwise treat petroleum discovered in or under the leased area.

In 2007, the Federal Ministry of Petroleum Resources through the Department of Petroleum Resources (DPR)—the agency statutorily responsible for regulating oil and gas industry operations in Nigeria—duly awarded an Oil Mining Lease (OML) license to Seplat. The lease subsists for a period of 20 years and is subject to renewal.³¹ Consistent with this 20-year timeline, Seplat's OML53

²⁹ Oil and Gas Journal: Funding Secured for Nigeria's ANOH Gas Processing Plant, <https://www.ogj.com/refining-processing/gas-processing/article/14196827/funding-secured-for-nigerias-anoh-gas-processing-plant>

³⁰ Petroleum Act, 1969

³¹ See Paragraph 10 of the First Schedule, of the Petroleum Act, 1969; <https://www.dpr.gov.ng/acts-and-regulations/> accessed on January 28, 2019.

awarded in 1997 will expire in 2027³² while SPDC's OML 21 which was due to expire in 2019, was successfully renewed for another 20 years in 2018.³³

As the operator of OML53, Seplat holds an equity distribution of 40% while NNPC holds the remaining 60% in a joint venture contract (JVC). Seplat also holds a 50% stake in AGPC while NGC holds 50%. Seplat and NGC hold an upstream unit interest of 30% and 20%, respectively in ANOH upstream while SPDC and its JV partners, holds the remaining 50%.³⁴ For license block OML 21, the operator, SPDC, holds a 30% stake, while the other partners in the JV include NNPC (55%), Total Exploration and Production Nigeria (10%) and Nigerian Agip Oil Company (5%).

OML 53 covers an area of approximately 1,585km² and is located onshore in Imo State in the north eastern Niger Delta, approximately 60km north of Port Harcourt. OML 53 has remaining working interest 2P gas reserves of 671 Bscf.³⁵ On the other hand, ANOH Gas Processing Company (AGPC), an incorporated joint venture (JV) was founded in 2017 for the purpose of processing future wet gas production from the upstream unitized gas fields at Seplat OML 53 and SPDC OML 21³⁷. AGPC will process and deliver both dry gas and several products to customers in the domestic market. Seplat and the Nigerian Gas Processing and Transportation Company (NGPTC)³⁸ in view of their respective interests in AGPC incorporated Joint Venture signed certain agreements namely:

- a. AGPC Shareholders Agreement between AGPC, NGPTC and Seplat
- b. AGPC Share Subscription Agreement between AGPC, NGPTC and Seplat
- c. Wet Gas Sales and Purchase Agreement between NNPC, Seplat and AGPC
- d. Gas Sale and Purchase Agreement between AGPC and the Nigerian Gas Marketing Company (NGMC)³⁹; and the

³² 2018 Nigeria Oil and Gas Industry Report, page 20

³³ See <http://africaoilgasreport.com/2018/04/farm-in-farm-out/nigeria-approves-14-of-shells-17-renewal-applications/> accessed on February 12, 2019.

³⁴ Seplat 2019 GAS BUSINESS - CAPITAL MARKETS DAY, June 26, 2019, page 30.

³⁵ Billions of standard cubic feet of gas

³⁶ Company Announcements, [Seplat Petroleum Development Company PLC](https://markets.ft.com/data/announce/detail?dockey=1323-13176461-33G678TN614P7ECGJ6O38KK87F), Full Year 2016 financial results <https://markets.ft.com/data/announce/detail?dockey=1323-13176461-33G678TN614P7ECGJ6O38KK87F> supra.

³⁷ <https://www.ogi.com/articles/print/volume-116/issue-8c/general-interest/spdc-nnpc-unit-form-combine-for-nigerian-gas-project.html> accessed on January 31, 2019.

³⁸ The Nigerian Gas Processing and Transportation Company Limited (NGPTC), formerly Nigerian Gas Company (NGC) Limited, is a fully-owned subsidiary of NNPC which was incorporated in 1981 and commenced business in 1988. NGC was split into NGPTC and the Nigerian Gas Marketing Company (NGMC) in 2016. See <https://www.vanguardngr.com/2018/07/nnpc-subsiary-ngptc-posts-n6-1bn-profit-in-one-year/> accessed on January 31, 2019. NGPTC has a mandate to process and transport natural gas domestically and for export. Also see <http://ngc.nnpcgroup.com/> accessed on January 31, 2019.

³⁹ NGMC handles gas distribution and marketing. See <https://www.vanguardngr.com/2018/07/nnpc-subsiary-ngptc-posts-n6-1bn-profit-in-one-year/> accessed on January 31, 2019.

FINANCING ARRANGEMENTS

The up-front acquisition cost [of CNL's OML 53] to Seplat... is US\$⁴¹259.4 million, of which US\$69.0 million had previously been paid as a deposit in 2013 and US\$190.4 million paid at completion.⁴² It is instructive to note that the ANOH project is fragmented into phases for ease of financing. Seplat and NGC raised \$420m of the \$700m costs of the ANOH midstream phase one project.

In early February 2021, AGPC raised \$260m in debt comprising senior tranche and vendor financing from a consortium of seven banks: Stanbic IBTC (advisor), United Bank for Africa Plc, Zenith Bank Plc, FirstRand Bank Limited (London Branch)/RMB Nigeria Limited, Mauritius Commercial Bank Limited, Union Bank of Nigeria Plc and FCMB Capital Markets Limited. An optimization program executed afterwards lowered total project cost to \$650 million—including financing costs and taxes—from the originally estimated \$700-million price tag.⁴³ As of February 2021, substantiated media reports showed that AGPC has secured necessary financing to complete construction of the gas plant to process future wet gas production from unitized Assa North-Ohaji South onshore gas and condensate field. Phase two of the project is for future development whose cost implication has not been determined.⁴⁴

Records show Seplat paid a total of US\$ 97.2m to the Nigerian government between 2016 – 2018 (Table 2).⁴⁵ The breakdown of the payment showed that US\$18.9m was paid as production entitlement and no payment for fees, royalty, and taxes in 2016. In 2017, payments of US\$58,300.00 (fee), US\$4.84m (royalty) and US\$31.7m (production entitlement) were made. In 2018, payments to government include US\$1.8m (fee), US\$4.7m (royalty) and US\$35.8m (production entitlement). There was no payment for taxes due to the three years tax holiday (renewable for another two years) granted by the government.

⁴⁰ <http://africaoilgasreport.com/2018/08/gas-commercialisation/seplat-signs-commercial-agreements-on-300mmscf-d-anoh-project/> accessed on October 12, 2018

⁴¹ US\$ refers to United States of America Dollar (currency).

⁴² Seplat announced on February 5, 2015 that it had completed acquisition of OML 53. See <https://markets.ft.com/data/announce/full?dockey=1323-12240080-1BJM82SO53RUFIAVO5HA65J0IB> accessed on February 12, 2019.

⁴³ Oil and Gas Journal: Funding Secured for Nigeria's ANOH Gas Processing Plant, <https://www.ogi.com/refining-processing/gas-processing/article/14196827/funding-secured-for-nigerias-anoh-gas-processing-plant>

⁴⁴ Seplat External Affairs and Communications General Manager'

⁴⁵ NEITI OIL AND GAS INDUSTRY AUDIT REPORT, 2018. Page 68 and <http://www.resourcebenefits.ng/project-payment/>

Table 2: Breakdown of Seplat's OML 53 Payments to Government (2016 – 2018)

Payments	2016 (US \$)	2017 (US \$)	2018 (US \$)
Fees	-	58,300.00	1,806,788.00
Royalty	-	4,840,000.00	4,734,920.00
Taxes	-	-	-
Production Entitlements	18,900,000.00	31,700,000.00	35,227,484.00
Total (US \$)	18,900,000.00	36,598,300.00	41,769,192.00
Grand Total (US \$)	97,267,492.00		

Amount in United States Dollar (US \$)

The signed Shareholder Agreement will govern relations in the incorporated midstream joint venture between the parties. Seplat said in a release, *“the execution of these Agreements is an important precursor to the Final Investment Decision (FID) for the ANOH project.”* To reach FID, a project must have a wide range of contracts and permits in place which have allowed it to agree its investment structure and terms with its finance providers (both debt and equity).⁴⁶ There are other conditions precedent to the FID. For instance, the timeliness of the completion of plant and inauguration project depend on these conditions, but the agreements signed, especially the completion of incorporation of the AGPC Joint Venture⁴⁷ are notable events.

In December 2018, SPDC announced the FID on the ANOH gas project. FID is basically the point at which everything is in place for a project to start i.e. when the project execution phase begins and the funds start being spent on project construction e.g. when the engineering, procurement and construction contractor gets to work.

As at the time of this report,⁴⁸ S4C could not ascertain the acquisition cost of SPDC's OML 21 from publicly-available sources. SPDC's JVC on OML 21 located onshore covers an area of 372 square kilometers, with an equity distribution of NNPC 55%, SPDC-30%, ELF-10% and AGIP--5%. The OML license was granted in 2018 and will expire in 2038. Only Ahia well is producing out of the six oil and gas discoveries have been made in OML 21 covering six communities in Ahia, Assa, Assa North, Nkisa, Amapu and Awara. The crude is exported by pipeline through the Rumuekpe manifold on OML 22 and enters the Trans-Niger Pipeline, which delivers crude to Shell's Bonny oil terminal.⁴⁹ However, SPDC's JVC on OML 21 and the Seplat JV on OML 53 look to set up a framework within which to develop the upstream and midstream elements of the project to FID.⁵⁰

⁴⁶ See <https://greycellsenergy.com/glossary-item/fid/> accessed on February 12, 2019.

⁴⁷ <http://africaoilgasreport.com/2018/08/gas-commercialisation/seplat-signs-commercial-agreements-on-300mmscf-d-anoh-project/> accessed on January 31, 2019.

⁴⁸ This data can be accessed at a cost from Wood Mackenzie. See <https://www.dpr.gov.ng/servicom/> accessed on January 28, 2019.

⁴⁹ Wood Mackenzie; Accessed via <https://www.woodmac.com/store/buy-oml-reports/>

⁵⁰ <https://markets.ft.com/data/announce/detail?dockey=1323-13176461-33G678TN614P7ECGJ6O38KK87F> supra.

OTHER EXTRACTIVE COMPANIES OPERATING IN OHAJI-EGBEMA LGA

- **Waltersmith Petroman Oil Limited (Waltersmith)**



Waltersmith is the operator of the onshore Ibigwe marginal field in OML 16 located in Ohaji/Egbema Local Government Area of Imo State, and also the owner of 5,000 barrels of crude oil per day (bpd) modular plant refinery close to the Ibigwe Field, with planned expansion to 50,000 bpd capacity. The refinery is expected to contribute about 271 million litres of refined products including diesel, naphtha, heavy fuel oil (HFO), kerosene and low pour fuel oil annually to the Nigerian domestic market.

- Source: *Waltersmithng*

Waltersmith acquired 65 hectares of land for the construction of its energy industrial complex which included Waltersmith Refinery, Ibigwe field flow station, power plant, and gas processing plant.⁵¹ The Waltersmith Refinery is jointly owned by Waltersmith Petroman Oil Limited (70% equity) and the Nigerian Content Development and Monitoring Board (NCDMB), with 30% equity. Out of Waltersmith's 6 wells and 10 strings, it has only one producing field, with an annual production of 1,798,593 barrels of oil, and a daily average of 4,916 barrels of oil per day.⁵²

- **Sterling Oil Exploration & Energy Production Company Limited (SEEPCO)**

Sterling Oil Exploration & Energy Production Company Ltd. (SEEPCO) is an indigenous company that ventured into exploration and production (E&P) in the year 2005. SEEPCO is one of the few producing companies out of 77 successful bidders that signed the production sharing contract (PSC) in Nigeria during the 2005 bid round held by Department of Petroleum Resources (DPR). SEEPCO has been producing Okwuibome (OKW) blend of crude oil since 2011 and is currently operating under a production sharing contract license for OML 143 (formerly OPL 280)⁵³ Records further show that SEEPCO holds the 51% equity in OML 146, an onshore block under a PSC arrangement with other indigenous oil companies. OML 146 awarded in 2017, will elapse in 2034 while OML 143 expires in 2030.⁵⁴

⁵¹ President Buhari to Commission a Modular Refinery in Eastern Nigeria

<https://africaoilgasreport.com/2020/11/refining-gap/>

⁵² 2018 Nigerian Oil and Gas Industry Annual Report, page 43: <https://www.dpr.gov.ng/wp-content/uploads/2020/01/2018-NOGIAR-1.pdf>

⁵³ SEEPCO website: https://www.stoilmtg.com/?page_id=145

⁵⁴ 2018 Nigerian Oil and Gas Industry Annual Report, page 20: <https://www.dpr.gov.ng/wp-content/uploads/2020/01/2018-NOGIAR-1.pdf>

In terms of exploration, SEEPCO holds 100% equity in OPL 2005, 2006 under a PSC, and another 100% equity in OPL 2004 under a JVC. All three licenses are for onshore blocks located in the Niger Delta area. Known for its ability to put OML 143 into commercial production within two years of signing the PSC, SEEPCO is conducting seismic surveys and prospecting for petroleum in some communities within the Ohaji/Egbema LGA.

- **Shell Petroleum Development Company (SPDC)**

Shell Petroleum Development Company of Nigeria (SPDC) describes itself as the pioneer and leader of the petroleum industry based on its ownership of the largest acreage in the country from which it produces some 39 per cent of the nation's oil.⁵⁵ SPDC has more than 6,000 kilometres of pipelines and flowlines, 87 flow stations, 8 gas plants and more than 1,000 producing wells.

SPDC is the ANOH gas project originator and operator.⁵⁶ and ⁵⁷The ANOH gas project consists of Seplat's OML 53 and SPDC's OML 21 which have separate joint ventures governing their operations. In other words, the ANOH gas development project straddles two fields (Assa North and Ohaji South fields) in Ohaji/Egbema Local Government Area of Imo State, Southeastern Nigeria. The Assa North field is located in OML 21 license block (operated by Shell Joint Venture) and extends into OML 53 license block (operated by Seplat), where it becomes known as the Ohaji South field. In fact, under the NNPC/SPDC/Agip/TEPNG Joint Venture, SPDC is the project operator⁵⁸ holding 30%, NNPC 55%; Total Exploration and Production Nigeria Limited (TEPNG) 10%; and Nigerian Agip Oil Company Limited (Agip) 5%.⁵⁹

⁵⁵ SPDC website: <https://www.shell.com.ng/about-us/what-we-do/spdc.html>

⁵⁶ SPDC EIA states that SPDC is the operator of Assa North – Ohaji South Unit Venture of SPDC / CNL JV. CNL refers to Chevron Nigeria Limited which later transferred its 40percent (%) interest in OML 53 to Seplat.

⁵⁷ See SPDC EIA at the *Status* page.

⁵⁸ See SPDC Environmental Impact Assessment (EIA). Agip refers to Nigerian Agip Oil Company; TEPNG refers to Total Exploration and Production Nigeria.

⁵⁹ SHELL: SPDC ANNOUNCES FID ON ASSA NORTH GAS PROJECT - Targets 300 Million Cubic Feet Gas for Domestic Market <https://www.shell.com.ng/media/2018-media-releases/spdc-announces-fid-on-assa-north-gas-project.html> accessed on February 8, 2019.

Chapter Two

ANOH PROJECT'S HOST COMMUNITIES

With estimated gas deposits more than 7.8 trillion cubic feet, communities in Ohaji/Egbema LGA of Imo State in south-eastern Nigeria are attracting several multinational oil and gas companies—like SEPLAT and Shell Petroleum Development Company of Nigeria Limited (SPDC)—interested in extracting their enormous natural resource deposits. Ongoing large-scale investments in the local areas promise to transform host communities into regional hubs for gas-based industries.

The area known Ohaji/Egbema LGA came into being on August 27, 1991 following the presidential proclamation by Ibrahim B. Babangida's administration. Carved out of the former Ohaji/Egbema/Oguta L.G.A, the present Ohaji/Egbema lies in the south/western part of Imo State and shares common boundaries with Owerri in the East, Oguta in the North and Ogba/Egbema/Ndomi in Rivers state in the South West.⁶⁰ Ohaji/Egbema L.G.A comprises 12 council wards and three districts namely; Ohaji East, Egbema North and Ohaji West. These districts further consist of sixteen (16) autonomous communities namely: Egbema, Umuagwo, Oloshi, Umunkwaku, Obile, Obitti, Mgbirichi/Alakuru, Opuoma, Assa, Awarra, Ikwerede, Umuokanne, Obiakpu, Ohoba, Obosima, Mmahu. Each of these autonomous communities are further made up of smaller villages. For instance, Umuokanne Ukwu autonomous community comprises of three villages namely Umuokpoke, Umuokuzu, Umuobogwo. Similarly, Awarra Court Area is made up of four communities namely; Awarra/Ikwerede, Assa, Obile and Ochia. Some of these villages have by state proclamation, assumed the full status of autonomous communities.

The ANOH gas project cuts across four autonomous communities namely Assa, Obile, Ochia, and Awarra/Ikwerede in Ohaji/Egbema Local Government of Imo State, South-East, Nigeria. The four autonomous communities all belong to the Awarra Court Area located at the southern part of Ohaji and have the same culture, language and tradition. The first community to come into existence is Awarra in the 15th century, followed by Assa and Obile.

Ohaji/Egbema covers an area of approximately 958sqkm⁶¹ with population projected at 251,900⁶² and has sixteen (16) autonomous communities including Assa. Rural economy, especially commercial and subsistence farming flourishes in the area. The natives are predominantly farmers and hunters due to the tropical rain forest and friendly climatic conditions. They cultivate cassava, yam, coca yam, water yam, vegetables, maize, palm plantations (including Roche Imo Oil Palm plantation⁶³ which is the largest palm plantation in West Africa), rubber plantations etc. In fact, the name 'Ohaji' ascribed to the local government means *yam is found everywhere in the community*;

⁶⁰ Egele Victor, Historical Background of Ohaji/Egbema Local Government Area, <https://egelevictor.wordpress.com/about/>

⁶¹ Square kilometre (also km²)

⁶² See <https://www.citypopulation.de/php/nigeria-admin.php?adm1id=NGA017> for population details. The 2006 census figures are 182,891 people. Map link is at <https://www.citypopulation.de/php/nigeria-admin.php?mode=density&adm1id=NGA017&map=simple&opacity=0.8>

⁶³ It was formerly referred to as the Agricultural Development Authority Palm (ADAPALM). See <https://afrotourism.com/activity/roche-imo-oil-palm-plantation/> accessed on January 28, 2019.

and springs from the fact that **yams are produced in high quantity and of good quality** (“oha” means “the whole community” and “ji” means “yam”).

In terms of environmental impact, the following autonomous communities, and villages in Ohaji/Egbema LGA have been identified as affected by the ANOH gas project. They include:

- Assa | Obile | Obitti
- Ilile | Obosima | Ohoba
- Oloshi | Umuapu | Mgbala Agwa
- Uwaorie | Obuomadike | Umunwaku | Ochia

ANOH PROJECT'S COMMUNITY ENGAGEMENT PRACTICES

A host of global frameworks setting standards and guidance for community engagement—such as the UN Guiding Principles on Business and Human Rights (UNGPs), OECD Guidelines on Multinational Enterprises (2011), International Finance Corporation (IFC) environmental and social performance standards etc—lay emphasis on conducting meaningful consultation with indigenous communities that are free from coercion, with diverse stakeholder groups, early and throughout the project cycle, and providing timely disclosure of relevant and understandable information. The focus on community engagement is important to ensure mega-projects proceed carefully and maximize economic benefits for the country and local people while minimizing potential communal dislocations and environmental consequences. It also provides a vehicle for incorporating the perspectives and



needs of various interest groups and local communities, throughout all stages of planning, design and implementation of the project.

Consistent with the above, S4C used three indicators used to gauge the effectiveness of community engagement practices in the ANOH project: the land acquisition and compensation arrangements, the extractive companies' consultation and benefit sharing mechanisms and the operators' level of compliance with environmental guidelines.

- **Land Acquisition and Compensation**

Land has historically been a major source of wealth, power and conflict. Reinforcing this fact, the ANOH project's environmental impact assessment (EIA) report lists the loss of access to land and resources and third-party agitations among the top associated and potential impacts of the ANOH project.⁶⁴ It is against this backdrop that policies and legal instruments designed to regulate dispossession of land—especially when needed for public purpose infrastructure projects—have been formulated to mitigate the tensions, potential disruptions including human displacement that often accompany infrastructural development projects.

Nigeria's Land Use Act of 1978 is the main legal and policy framework governing land ownership and administration in Nigeria. First promulgated as a decree by the then ruling military government of Nigeria, the Land Use Act (LUA) sought to ease the procedure for government's acquisition of land for economic, social and industrial development. Nigeria's Petroleum Act also obligates the holder of an ... oil mining lease to pay fair and adequate compensation for the disturbance of surface or other rights to any person who owns or is in lawful occupation of the licensed or leased lands.⁶⁵ The LUA, petroleum laws and other state policies also stipulate a set of substantive rights and freedoms, as well as associated obligations and restraints that aim to protect the interests of those that will be potentially affected by business and investment decisions.

The handling of land takings for the ANOH gas project and compensation to local communities establishes an important parameter for evaluating the quality and effectiveness of the community engagement practices employed for the gas project. To ascertain the actual size of land acquired and compensation mechanisms, S4C researchers received no reply to requests for information from both Seplat and Imo State government through the Ministry of Lands, Survey and Urban Planning.⁶⁶ However, one report indicates that the project is sited on a 200 hectare of land donated by the Imo State Government.⁶⁷ Another report states that 100 hectares of land were acquired.⁶⁸ These estimates sharply contrast with Seplat external communications showing that it acquired 87 hectares

⁶⁴ Environmental Impact Assessment of Assa North – Ohaji South Gas Development Project (Facilities), (Final Report), 2016.

Page 340

⁶⁵ Section 37 of the Petroleum Act

⁶⁶ Letter dated February 2021

⁶⁷ Business Day, Shell's \$3.5 billion Assa Gas Plant in Imo set to Kick-off

<https://businessday.ng/companies/article/shells-3-5-billion-assa-gas-plant-in-imo-set-to-kick-off/>

⁶⁸ Environmental Impact Assessment of Assa North – Ohaji South Gas Development Project (Facilities), (Final Report), 2016.

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of land for the project which contains access roads, rights of way, flowlines, gas plant, field logistics base (FLB), LPG loading, utilities and additional accommodation space for future expansion.⁶⁹

Factfinding missions and interviews with local communities equally disclose conflicting information on the actual land acquired for the ANOH gas project. For the most part, local leaders lack knowledge of the size of communal lands compulsorily acquired. Local sources contend that ANOH gas processing facility sits on approximately 90 hectares land while about 112 hectares had already been cleared. Insufficiently-negotiated compensation paid for unknown size of land grants remain a source of local discontent in the host communities. As prescribed by law, landowners are entitled to receive compensation for the unexhausted improvements on the land. The amount of compensation payable is the value of the land as at the date of revocation. If the revoked land was previously used for agricultural purposes, the local government is under a duty to allocate to them alternative land to use for the same purposes.

- **ANOH Project's Community Consultation and Benefit-Sharing Mechanisms**

The extractive companies in Imo have almost uniform community engagement mechanisms in place for interacting with their host communities. The Global Memorandum of Understanding (GMOU) is the most popular instrument for encoding the understandings and negotiations reached between ANOH project operators and locals. Shell Petroleum Development Company of Nigeria defines a GMOU as an agreement between the company and a group (or cluster) of several communities. Clusters are based on local government or clan/historical affinity lines as advised by the relevant state government.

According to Shell, the aim of the Shell-Assa North Cluster GMOU is to encourage the concept of 'participatory partnership' and consolidate the 'existing cordial and mutually-beneficial relationship between the people of Assa North Cluster and SPDC.'⁷⁰ The GMOU brings communities together with representatives of state and local governments, SPDC and non-profit organizations, such as development NGOs, in a decision-making committee called the Cluster Development Board (CDB).⁷¹ In 2019, SPDC executed a five year-term GMOU for the Assa North Gas Development Project with a 15-member Cluster Development Board (CDB), drawn from communities in Avu, Umuapu, Obosima, Obiti, Ohoba, and Assah North, Ohaji South in Ohaji/Egbema.⁷² The CDB comprises the chairman and secretary who must be from among the community representatives, state government representative not below grade level 13, representatives of community trusts, one representative each from SPDFC, NAPIMS, NDDC and donor agencies. One woman is to hold a key position as chairman, secretary or treasurer. Shell's GMOU is supplemented by the Operating Principles and Procedure Guidelines which sets out the standards and best practices for implementing the GMOU in SPDC host communities.

Shell Petroleum also establishes Community Trusts (CT) drawing its membership from major interest groups within the community, including youths, women and elders. The CTs functions include

⁶⁹ Seplat Petroleum Development Company Plc Annual Report and Accounts, 2019. Page 21

⁷⁰ Shell-Assa North Cluster GMOU, page 2, dated February 5, 2019

⁷¹ Shell Nigeria website:

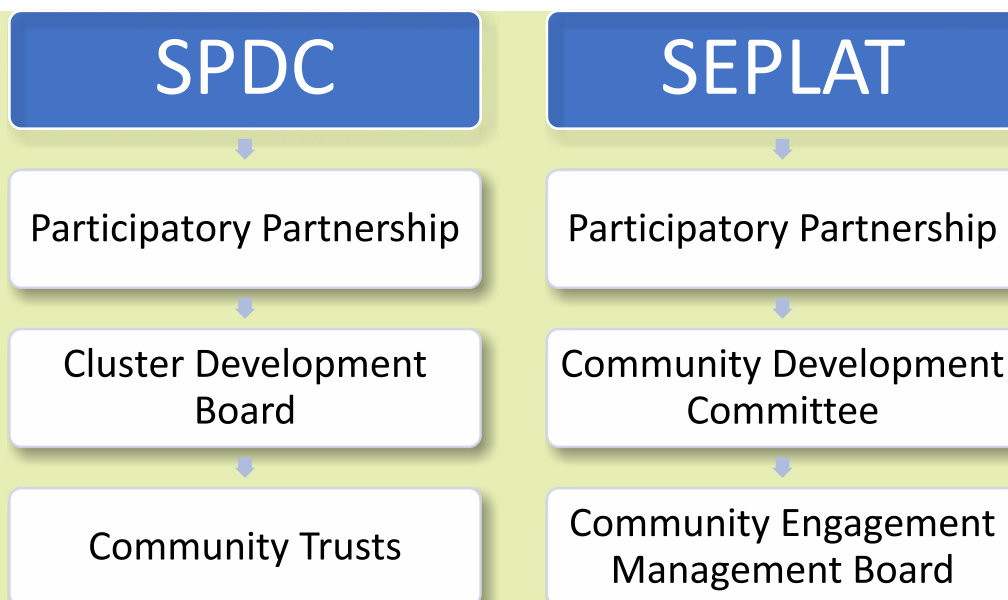
<https://www.shell.com.ng/sustainability/communities/gmou.html#:~:text=A%20GMOU%20is%20an%20agreement,by%20the%20relevant%20state%20government.>

⁷² Charles Ogugbuaja, The Guardian, Shell to Spend N1 Billion to Develop 11 Imo Communities; <https://guardian.ng/business-services/shell-to-spend-n1-billion-to-develop-11-imo-communities/>

developing community development (CD) plans for their respective communities and aligning those plans with the local government and Niger Delta development plans. They are to make appropriate requests for funding of projects in the CD plans through the CDB, secure and sign off Freedom-to-Operate licenses for SPDC activities. These company-established engagement mechanisms subsist for a single tenure of 5 years.

On the other hand, Seplat's definition of a GMOU is broader in scope. It refers to the comprehensive understanding or agreement that guides the relationship between the community(ies) and the company, including the company's agents, contractors and sub-contractors, over a period of five years. Hence, Seplat executed a GMOU with host communities hosting the Ohaji South Well 3 & Well 4 locations within OML 53 in Imo State. Similar to SPDC's CDB, SEPLAT constituted the "Community Development Committee (CDC)" defined in its GMOU as a grassroots institution with responsibility for coordinating implementation of the development programs and projects within the local communities. The CDC is the final decision-making body for the local communities for *purposes of Company-Community relationship*. It also means the accredited representatives of each of the respective communities as selected, appointed or elected by each of the respective communities and duly authorized to act on behalf of a particular community.

Seplat's GMOU also emphasizes '*Participatory Partnership*' for sustained conducive operating environment, peaceful co-existence, and security of lives and assets/property. Beyond the CDC, Seplat also constituted the "Community Engagement Management Board Executives." Seplat engaged these executives drawn from the immediate host community to liaise with the company and also promised to appoint a *Community Liaison Officer* from the immediate host communities to liaise with the company. Both SPDC and Seplat's GMOU are to subsist for five years. SPDC and Seplat's GMOUs are so broad covering both the ongoing and future oil and gas operations of the two companies, ranging from soil tests, site preparation and dredging, seismic operations, dredging, construction of gas plants and flow stations, mechanical and civil works, construction, maintenance and repairs of pipelines, access roads, field logistic base, gas receiving facilities and manifolds, drilling of new wells, work over of existing wells, well services and well-head maintenance up to decommissioning of facilities, flowlines and pipelines.



- Operators' Compliance with Environmental and Extant Regulations

Environmental Impact Assessments

In line with the Environmental Impact Assessment (EIA) Act Cap E12 Laws of the Federation of Nigeria (LFN), 2004, every major public or private development projects shall be subjected to an assessment of the potential impacts whether positive or negative on the natural environment.⁷³ At the conception phase of the project, Shell Petroleum Development Company (SPDC) conducted an impact assessment study in 2006, to identify, determine and evaluate the potential and associated impacts of the ANOH gas development project on the socio-economic, health, and local environments. The impact assessment report was submitted to the Federal Ministry of Environment of Nigeria (FMEnv) and the Department of Petroleum Resource (DPR) in September 2015 and was approved in February 2016. In 2019, FMEnv approved that Seplat (AGPC) should rely on the 2016 impact assessment approval granted to SPDC.

Chapter five (5) of the EIA report details the project's potential, associated and cumulative environmental impacts of the project, and by implication, in the host communities. Risks and impacts including cumulative effects were assessed within the context of both the immediate project impact area and the wider zone of influence (12 – 15km for soil, surface water, sediment and groundwater and 50km for air quality modelling).⁷⁴ The report details and distinguishes between adverse impacts that could arise at different states of project execution ranging from pre-mobilization, mobilization and site preparation, construction, demobilization, operations and maintenance up to decommissioning and abandonment.

At the pre-mobilization, mobilization and site preparation, and construction stages where the ANOH project currently is, communities are witnessing the projected positive and negative impacts. The positive impacts recorded so far include skill acquisition, increased cash flow and stimulation of local economies within the communities, stimulation of local economy and markets from increased demand for food, and other products in the local market and opportunities for employment. The adverse impacts range from loss of access to land resources, third party agitations, damage to existing access roads, air/noise pollution from increased vehicular movement, inter and intra community conflicts, increased pressure on existing social amenities/infrastructure, vibrations and ground motion, contamination of ground water, occupational injuries, generation of earth wastes, contamination of groundwater, noise/air emissions, leaks/spills, hearing impairment, prevalence of diseases, bush fires, equipment failure and damage leading to injuries/fatality, loss of vegetation and crops, soil and water pollution from chemicals, drill cuttings and mud.

⁷³ EIA Act Cap E12 LFN, 2004

⁷⁴ Environmental Impact Assessment of Assa North – Ohaji South Gas Development Project (Facilities), (Final Report), 2015, see page 340.

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loss of access to land resources, third party agitations, damage to existing access roads, air/noise pollution from increased vehicular movement, inter and intra community conflicts



increased pressure on existing social amenities/infrastructure, vibrations and ground motion, contamination of ground water, occupational injuries, generation of earth wastes, contamination of groundwater, noise/air emissions, leaks/spills



hearing impairment, prevalence of diseases, bush fires, equipment failure and damage leading to injuries/fatality, loss of vegetation and crops, soil and water pollution from chemicals, drill cuttings and mud

More specifically, ANOH's 2016 EIA report indicated that noise level within the project area were 43.62 dB(A) and 46.86 dB(A) for wet and dry season respectively.⁷⁵ During intermittent vehicular (Seplat's heavy duty trucks) movements, noise levels could rise as high as 74.5 (dB(A) far above the World Bank's ambient noise limit of 55 dB(A) for residential areas during the day time.⁷⁶ In addition to causing disturbances, excessive noise can damage health and have physiological effects on humans generally as it relates to annoyance/nuisance and negative effects on health caused by both short and long-term sound levels. Prolonged exposure to noise frequencies higher than regulatory limits can either cause temporary hearing loss (temporary threshold shift), which disappears in a few hours or days, or permanent loss. Noise can also be stressful and cause stress related damage on health.

Cognizant of the above negative impacts on the local environment, the EIA outlines a wide range of impact mitigation measures. For instance, emissions from machineries shall be reduced using fume catalysers and standard equipment that meet existing emissions requirements. There shall be regular maintenance of combustion systems (generators etc.). Ambient air quality monitoring programme shall be developed, detailing the monitoring location, parameters (THC particulates CO₂, SO₂, NO₂, SPM and VOCs), methods and frequency, etc. The Environmental Management Plan (EMP) of ANOH Facilities outlined in the EIA report also reveals the different project phases, impacts, rating before measurement, mitigation measures, rating after mitigation, parameters to be monitored, monitoring frequency, responsible/action party.

⁷⁵ Environmental Impact Assessment of Assa North – Ohaji South Gas Development Project (Facilities), (Final Report), 2015

⁷⁶ World Bank General EHS Guidelines 2007: Environmental (Noise Management)

- *Environmental compliance records of ANOH project operators*

Finally, a litany of documentations establishes that oil companies operating in Ohaji/Egbema LGA, including ANOH operators, have low environmental compliance records. In 2019, the House of Representatives ordered immediate stoppage of oil exploration by Sterling Global Oil Exploration and Energy Company in Ogwu Ikpele in Ogbaru, Anambra State.⁷⁷ The legislative motion further exposed that SEEPCO is operating without Environmental Impact Assessment, Baseline Survey, Social-economic Impact Assessment and Corporate Social Responsibility. Prior to that, the September 22, 2016 record of proceedings at the lower legislative chambers reported oil pollution of Ndokwa communities by SEEPCO's crude oil barges.⁷⁸ And again, about 86 communities along River Niger and Remos, under the umbrella of "the River Niger and Remos Amalgamated Communities also protested against water pollution in Kwale, Delta State, caused by residues from SEEPCO's installations which damaged their waterways, farm crops and other means of livelihood.

As with SEEPCO, the impacts of SPDC's oil exploratory activities on the local environment are well-documented. Decades of petroleum exploration and production by oil multinational corporations like SPDC have resulted in massive pollution, environmental degradation, total or partial destruction of vegetation in many locations, destroying the peoples' ability to live and make a livelihood. SPDC was linked to the targeting of Ogoni human rights defenders with harassment, detention, torture, killings including the 1995 execution of nine Ogoni activists.⁷⁹ Since 1993, Ogoni community in the Niger Delta region has resisted and blocked SPDC's efforts to resume oil exploration and exploitation in their fields. The execution of nine Ogoni activists, linked to Shell, is currently being examined in a Dutch court.

- *Compliance with extant regulations*

The Nigerian Content Development and Monitoring Board (NCDMB), established by the Nigerian Oil and Gas Industry Content Development Act (NOGICD) of 2010 issues guidelines for community content. Under the Community Content Guideline, the key performance indicator of extractive companies is to "deploy 30% of business opportunities from host communities". It explicitly specifies the percentage of unskilled, semi-skilled, and skilled workers allotted to indigenes of the host communities.

In 2018, the federal government through NCDMB ordered Seplat Plc to suspend work on the ANOH Gas Plant project in OML53 over alleged violation of the Nigerian Oil and Gas Industry Content Development (NOGICD) Act of 2010 by using a United Arab Emirates (UAE) firm for engineering and fabrication works. Seplat allegedly commenced engineering and fabrication of ANOH Gas Plant

⁷⁷ Business Human Rights: Nigeria: Parliament suspends Sterling Global Oil Exploration and Energy for failure to comply with regulatory requirements & environmental pollution, May 9, 2019; <https://www.business-humanrights.org/en/latest-news/nigeria-parliament-suspends-sterling-global-oil-exploration-and-energy-for-failure-to-comply-with-regulatory-requirements-environmental-pollution/>

⁷⁸PLAC: <https://placng.org/i/wp-content/uploads/2019/12/House-of-reps-votes-and-proceedings-for-thursday-22nd-september.pdf>

⁷⁹ UK Guardian, Shell, Nigeria and a 24 year old Fight for Justice; <https://www.theguardian.com/business/audio/2019/oct/09/shell-nigeria-and-a-24-year-fight-for-justice>

for OML 53 through Global Process Systems of UAE, as well as tenders for other integration and construction works without the approval of the agency. NCDMB argued that Seplat embarked on execution of projects and contracts in violation of Nigerian Content Plans (NCPs), Nigerian Content Compliance Certificates (NCCCs) and other approvals, which capture Nigerian content commitments to be implemented in such projects. Although Seplat debunked these claims,⁸⁰ local leaders gave examples where Seplat's external contractors were used to execute projects that locals could have skillfully executed.



⁸⁰ Seplat's spokesperson, Dr. Chioma Nwachuku, debunked claim by the NCDMB that the company violated the Nigerian Content law in the ANOH Gas project, stressing that the company could not have violated the local content law when the contracts have not even been awarded. <https://www.proshareng.com/news/STOCK%20&%20ANALYST%20UPDATES/Seplat-Plc-Has-Not-Violated-Local-Content-Policy-Regarding-the-ANOH-Project/40293> accessed on December 27, 2018. <https://www.thisdaylive.com/index.php/2018/05/21/fg-stops-seplats-project-over-alleged-violation-of-nigerian-content-law/> accessed on December 27, 2018.

Chapter Three

ASSESSMENT OF THE COMMUNITY ENGAGEMENT PRACTICES AND BENEFIT-SHARING NEGOTIATIONS IN THE ANOH PROJECT

S4C conducted community-wide surveys and interviews in 6 communities in Ohaji/Egbema LGA hosting these extractive facilities to map local knowledge of industry operations in their localities. Seven hundred and forty-three (743) structured questionnaires were distributed to community members, followed by key informant interviews with traditional rulers, cabinet chiefs, elders, women, and youth leaders. 41% of the respondents lacked knowledge of the name and number of extractive companies operating in their backyards as well as the nature of extractive activities going on there. While some respondents (30.9%) reported three (3) extractive companies (Seplat, Waltersmith, and SPDC), others (27.3% and 41.8%) reported two (Seplat and Waltersmith) and one percent (Seplat) respectively.

To validate the questionnaire findings, follow-up focus group discussions with leaders and representatives of various interest groups in Assa community showed that locals lacked knowledge of the details of the gas development projects. They had no idea about the contract deals between the federal government and the companies, the actual land grants taken from them to build flow stations and gas processing facilities, the terms of the licences and mining leases awarded to the indigenous and multinational operators, and the scale of environmental impacts that will result from these extractive activities in their communities.

Both SEPLAT and SPDC's GMOUs lay continual emphasis on non-disruption of peace and oil and gas operations, prevention of acts that cause 'public disturbance' or that may impede extractive companies' ability to operate. Benefits to host communities are conditioned on the existence of peace and non-disruption of extractive operations. In other words, the communities do not receive natural benefits as of right, but rather as charitable contributions received in exchange of a peaceful climate to operate.

Although the GMOUs claim to set the standards for participatory partnerships and to provide mechanisms for the negotiation of benefits of natural resources between the extractive companies and their host communities, the commitments expressed in the documents reveal additional intentions. For instance, both SEPLAT and SPDC's GMOUs lay continual emphasis on non-disruption of peace and oil and gas operations, prevention of acts that cause 'public disturbance' or that may impede extractive companies' ability to operate. Benefits to host communities are conditioned on the existence of peace and non-disruption of extractive operations while sanctions apply where and whenever disruption takes place. Sanctions take the form of massive deductions from negotiated payment to communities. This creates an impression that communities do not receive natural resource benefits as of right, but rather as charitable contributions received in exchange of a peaceful climate to operate.

At the instance of oil and gas operators, 80% of host communities surveyed have established either Community Trust (CTs) which form part of SPDC's Community Cluster Development Boards (CDB)



recognized in the signed GMOUs. 20% do not have a signed GMOU, no established CDB and or are not included in CDB. In the communities with signed GMOU, respondents (95%) are not satisfied with the level of implementation of agreements by extractive companies. All respondents (100%) unanimously agreed that extractive companies do not accord appropriate recognitions to existing traditional institutions in the scheme of things. Other concerns include the non-implementation of agreements in the signed GMOU and surging environmental problems (land degradation, air, and water pollution) arising from the extractive activities. Let's take the issues one after the other.

• **COMMUNITY RELATIONS BETWEEN SEPLAT, SPDC AND THE HOST COMMUNITIES**

S4C's assessment of the relations between project operators and the host communities reveal both good practices enhancing the rights of host communities and challenges constraining communities from negotiating better deals and accessing equitable benefits from natural resources.

The Good Practices

1. SPDC and Seplat recognize that stakeholder engagement and community development are crucial to the achievement of a stable climate for extractive activities. The concept of 'participatory partnership' reflect their acknowledgement of the mutual benefits arising from community participation, cultural preservation, environmental sustainability recognizing the needs of host communities as well as the maintenance of cordial relationships between host communities and extractive companies.
2. SPDC's Cluster Development Board (CDB)s and SEPLAT's Community Development Committee (CDCs) have been constituted as mechanisms for enabling communities to take ownership of local development, bolster economic growth and enforce communities' right to natural resource benefits.
3. SPDC and Seplat's consultation mechanisms are populated by community representatives, who are empowered to make decisions, plan and execute their own development programs. The mechanisms are equally backed with a promise to transfer knowledge, competency and skills to local stakeholders to drive self-reliant development.

4. Shell GMOU upholds gender inclusion while the Community Trusts (CT) draws membership from major interest groups within the community, including youths, women and elders. Shell requires one woman to hold a key position as chairman, secretary or treasurer. Shell's GMOU is also supplemented by the Operating Principles and Procedure Guidelines which sets out the standards and best practices for implementing the GMOU in SPDC host communities. Also, 15% of the company funding for social investment projects (One Hundred Million Naira per annum) is specifically for women-targeted projects and programmes managed by women.
5. Extractive companies have often made good their promise to undertake community development assistance programs in their host communities.

Every SPDC-operated new project exceeding \$50 Million within the Cluster attracts an additional funding for the social investment projects to the tune of 2% of the total project cost... 15% of SPDC funding for social investment projects is specifically for women-targeted projects and programmes managed by women

The Challenges

The relations between ANOH operators and the host communities reveal significant communication gaps and heightened due process concerns regarding the handling of important issues around land, resettlement, compensation and livelihoods in the community. Community exclusion topped the list of local concerns about extractive industry practices. Fears about imminent loss of farmlands and displacement from their ancestral lands are widespread, fueling anger and resistance. Local concerns relating to land acquisition, farmland destructions are summed up below:

- a. Seplat acquired communal lands at an underpriced sum of Ninety Thousand Naira only (₦90,000.00) per plot, a far cry from the prevailing market rates. Landowners said they felt obligated to accept the compensation rates offered to them without any prior consultations and without access to independent legal advice.⁸¹
- b. According to the Land Use Act, if the revoked land was previously used for agricultural purposes, the local government is under a duty to allocate them alternative land to use for the same purposes.⁸² Landowners received paltry compensation sums for lands acquired and no alternative land was provided for acquired lands used solely for subsistence farming and other agricultural purposes.
- c. In Ilile community, natives merely observed the influx of foreigners and the constant movement of heavy equipment into the community but remain largely unaware of the specific corporations operating there. For the land discussions, the corporations also prefer to interact directly with a few landowners that own the fields where the oil discoveries were made.
- d. Farmlands are being destroyed caused by oil and gas exploratory activities. Locals cited the example of the pipeline fire explosion which occurred from an SPDC facility in Etekwuru, Obuoma-Dike community of Ohaji-Egbema LGA, on the 4th of February 2020.⁸³ They alleged that the explosion resulted in loss of lives, extensive destruction of aquatic lives and traditional

⁸¹ Sourced from S4C's field visit report.

⁸² Section.6 (6) of the Land Use Act

⁸³ SweetCrude Reports: Fire explosion: Imo Lawmaker Accuses SPDC, NAOC Of Recklessness;
<https://sweetcrudereports.com/fire-explosion-imo-lawmaker-accuses-spdc-naoc-of-recklessness/>

means of livelihood. While SDPC and AGIP described the incident as a 'minor fire outbreak', ISOPADEC⁸⁴ attributed it to 'equipment failure'.

- e. In June 2021, SPACES FOR CHANGE reported that an oil spill resulted in an inferno which raged continuously from May 16 to May 30, 2021, before it was finally put out. The fire contaminated water sources, devastated farmlands and traditional livelihoods, leaving communities poorer and traumatized. In response to S4C's claims, SPDC stated that "the unfortunate oil spill incident of May 16, 2021 incident affecting the 16-inch Egbema-Assa



pipeline at Obile, Imo State, resulted from a third-party interference with an SPDC JV facility and we took immediate steps to stop the spill and successfully contained the spread within the SPDC JV right of way."⁸⁵

- Local Stakeholders Have Difficulty Accessing and Understanding the EIA Reports

There are concerns whether impact assessment reports are publicly accessible, particularly to the locals. Local stakeholders have expressed concerns regarding the inaccessibility of the ANOH project's EIA report to understand the potential effects of gas production on soil performance and

⁸⁴ Imo State Oil Producing Area and Development Commission (ISOPADEC)

⁸⁵ The Guardian, SPDC, Imo community differ on oil spill, published 20 June 2021; Accessed via <https://guardian.ng/news/spdc-imo-community-differ-on-oil-spill/>

crop yields, which could pose a threat to their traditional livelihoods. Air pollution from gas production, release of dust particles from frequent vehicular movements, land degradation (resulting in low crop yields), noise pollution, and surface water pollution (for shoreline communities) are some of the environmental issues reported by local leaders and community members.

In 2019, Assa North community requested Seplat to share the environmental impact assessment (EIA) report/s with them before they embark on discussions for a Global Memorandum of Understanding (GMOU). This request borrowed a leaf from the series of discussions and negotiations between community representatives and another operator, SPDC.⁸⁶ Discussions on the Seplat GMOU however commenced without the production of the EIA report. According to Awarra Court Area Youth Front, comprising Awarra/Ikwerede, Assa, Obile and Ochia communities, *“... Seplat failed to even start a discussion with the communities which they view as a calculated attempt to deny our people their right in the project.”*⁸⁷

Statutorily, communities must be afforded an opportunity to review the EIA and make input for regulatory agency consideration.⁸⁸ Section 11 of the EIA Act prescribes timely consultations with the affected State or local government where project will impact the environment significantly. Project operators can be fined where they fail to adhere to the EIA Act.⁸⁹

BENEFIT-SHARING NEGOTIATIONS UNDER THE ANOH PROJECT

To demonstrate their good will to the world, it is now customary for extractive companies to institute community development or corporate social responsibility (CSR) in the communities where they operate. Oil company development initiatives began in the 1960s beginning with SPDC's Community Assistance Programs that focused on the provision of agricultural extension services to improve the livelihood of agrarian communities. The programs gradually expanded to include education, infrastructure, water and sanitation programs. In the 1990s, the programs were further extended to include provision of health care, hospitals, and youth services as well. During that decade, SPDC began a transition from “community assistance” to “community development.” Nonetheless, these efforts were criticized for involving a low level of community participation and for failing to deliver on the social welfare dimension of development.

Beginning in the 1990s, oil company development initiatives began to move towards a Sustainable Community Development (SCD) Strategy. For instance, the SPDC's Sustainable Community Development principles espoused in its GMOU with Assa North Cluster commits to aligning contract awards in line with the goals of the Nigerian Content policy as it relates to community contractors. Seplat defines Sustainable Community Development (SCD) as all activities, efforts and expenditure related to supporting local communities to improve and maintain their capabilities to generate and sustain their own socio-economic progress, improve quality of life and health. This new approach places greater emphasis on partnerships with the communities, government, and strategic local and international development organizations. In this connection, SPDC and Seplat recognize the

⁸⁶ This appears to be corroborated by chapter 4 of the SPDC EIA report where Primary Stakeholders comprised Local Councils, traditional rulers, cabinet chiefs, CDCs, community elders, men, women and youths were engaged.

⁸⁷ The Punch, Gas project: Host communities seek MoU with Seplat, <https://punchng.com/gas-project-host-communities-seek-mou-with-SEPLAT/> accessed on October 3, 2018

⁸⁸ See Section 7 of the EIA Act

⁸⁹ S4C calls for a review of the fines prescribed as the sums are paltry.

inclusion of mentoring non-governmental organizations (NGOs) in their local governance models. It is difficult to evaluate to what extent this change represents an actual change in practice versus a change in rhetoric.

Under the ANOH project, benefits to communities are primarily instrumented in the GMOUs executed between operators and host communities. Seplat describes the GMOU as “supreme” and comprises *“the full and complete understanding and guiding principle in respect of the relationship between the parties and supersedes all prior communications, understandings and agreements reached between the parties, whether written or oral, expressed or implied.”* Seplat’s GMOU with OML53 host communities sets aside the sum of N100,000,000.00 (One Hundred Million Naira) per annum for “Community’s Benefits” on an annual basis. In the distribution or allocation of the fund, the principle of derivation and equality is applied to the host communities within OML 53. Along this line, 70% of the funds are applied to projects dispersed equally to the ten (10) communities where production is taking place within the OML; 20.5%) to scholarships equally to all communities for secondary and tertiary institutions; 4.5%) for administration of CDC (Community Development Committee) as its administrative cost and sitting allowances and the remaining 5% for the running expenses of the CEMB.

Table 2: SPDC’s funding of social investment projects

Year	2019 (NAIRA)	2020 (NAIRA)	2021 (NAIRA)	2022 (NAIRA)	2023 (NAIRA)
Q1	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00
Q3	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00
Total	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00

Amount in Nigerian Naira (N)

Similarly, SPDC equally contracted to make cash contributions of One Hundred Million Naira (N100,000,000.00) per annum for five years for social investment projects in the host communities: Assa North Cluster. 15% of this funding is specifically for women-targeted projects and programmes managed by women. The CDBs acting through the CTs utilizes these funds for community development. Every SPDC-operated new project exceeding \$50 Million within the Cluster attracts an additional funding for the social investment projects to the tune of 2% of the project cost. These payments are paid into the GMOU account as one-off-payments to the cluster to cover the duration of that project, even if it stretches beyond the GMOU’s 5-year tenure.⁹⁰

- Processes and Outcomes of the Benefit-sharing Negotiations and Agreements

Despite the obvious importance accorded to outcomes of meaningful community engagement practices, good practice guidelines and indicators of success tend to focus more on the process.⁹¹ Outcomes of the processes involved in negotiating benefit-sharing agreements between extractive companies and the ANOH project host communities are detailed below:

Tensions between parallel structures of community engagement: SPDC and Seplat set up mechanisms—such as the CEMB, CDCs, CDBs—for engaging host communities. These oil company mechanisms discounted the preexisting leadership structures or the traditional modes of community engagement such as the Eze stool, Eze’s cabinet, town unions, traditional prime

⁹⁰ SPDC-Assa North Cluster GMOU page 7

⁹¹ Emma Wilson, Sarah Best, Emma Blackmore and Saule Ospanova, *ibid*, at page 15

ministers. In essence, the new mechanisms are polarizing communities, deflating community bonds and fueling restiveness especially in communities like Ohoba where community members switched allegiances to the parallel bodies not sanctioned by local chiefs. Factional groups attached to the feuding parallel structures not only pose significant constraints to meaningful civic and political engagement with extractive companies, but also lowers the quality and outcomes of benefit-sharing negotiations.

Operators unilaterally drafted the GMOUs: SPDC and Seplat's GMOUs were unilaterally drafted by the companies and handed over to community representatives to sign, pointing to lopsided power relations between the negotiating parties. S4C's factfinding mission to all the communities that have executed GMOUs with Seplat and SPDC reveal uniform trends of power imbalances at the negotiation table. For instance, although locals acknowledge participating in series of meetings with operators, the majority lack understanding of the nature, scope and scale of extractive operations going on in their villages. It was easy to tell that communities neither made any inputs into the drafting of the benefit-sharing agreements nor received expert guidance to negotiate better deals and benefits. The GMOUs imposed on the communities are therefore, considered wanting and in need of periodic review especially in light of the subsequent discoveries of more oil wells.

Resistance to communities' request for legal representation: For the most part, interactions between extractive companies and host communities have been carried on without involvement from state departments and or other impartial third parties including non-governmental organizations. The absence of state participation and third-party observation have entrenched the culture of imbalance during meetings to negotiate GMOU terms and conditions or to secure communities' consent or companies Freedom-to-Operate. In particular, extractive companies, especially Seplat, have not honored community requests for their legal representatives or mentoring NGOs to be present during the GMOU negotiations. This resistance is inconsistent with both Seplat' and SPDC's avowed commitment to Sustainable Community Development principles.

GMOUs are not fully implemented: SEPLAT and SPDC's GMOUs contain a ton of promises about better economic opportunities, job creation, improved infrastructure and enhanced service delivery. Nigeria's Petroleum Act⁹² obligates OML holders like ANOH and SPDC to ensure that the number of citizens of Nigeria employed in connection with the lease in managerial, professional and supervisory grades shall reach at least 75% of the total number of persons employed in those grades. These obligations find further expression in the GMOUs where operators committed to employing competent and qualified indigenes of the community in all aspects of its oil and gas operations both in skilled and non-skilled positions *subject to availability of vacancies*. However, the company reserves the right to look elsewhere if local expertise is unavailable. Promises of job-creation have not materialized as unemployment soars among local youths, and youth restiveness steadily on the rise. Requests made to one of the project operators to award the project site-clearing contract to former landowners failed. The contract was eventually awarded to a non-indigenous contractor who subsequently sub-awarded the contract at ridiculously low-priced rates to community members.⁹³ These developments led to disputes and the abandonment of the site-clearing activity.

Community priorities not reflected in benefit-sharing agreements: The GMOUs also established mechanisms for facilitating company-community relations. Ideally, these mechanisms aim to help local people to understand a project and become more aware of a company's plans and how they might affect the community positively or negatively. Bitter complaints were made regarding the way the communities were shut out of conversations regarding the subdivision and use of the lands as well as the extent to which exploration and prospecting activities are to be carried out.

⁹² Section 38.

⁹³ Interview with local communities. August 2018.

Likewise, Seplat's GMOU requires 70% of the *Community Benefits* to be applied to projects dispersed equally to the ten (10) communities where production is taking place within the OML. Assa community leaders kick against being grouped together in the same cluster with other neighbouring non-oil producing communities where they are required to share the entitlements accruing from extractive projects equally with them. This has stirred dissatisfaction among the natives who

8.3 Commitments	
SPDC Commitments	Assa North Cluster Communities Commitments
<ul style="list-style-type: none"> Proactively engage Assa North Cluster to pursue a mutually beneficial and sustainable relationship always. SPDC is committed to an amicable, cordial, constructive relationship free from violence, acts of criminality and destruction. SPDC and her Contractors shall keep Assa North Cluster aware of employment opportunities in the Company by making available relevant information of vacancies to the accredited Communities representatives through the Imo State Government and the CDB. SPDC shall ensure that its contractors are formally introduced to Assa North Cluster with the support of government. SPDC shall endeavour to resolve any disagreements between Assa North Cluster and Contractors that affect the commencement and/or continuation of an activity/project with the support of the State Government. SPDC and her contractors shall comply with the terms set out in this GMoU. To support the police and other law enforcement agencies in the handling of breaches and other illegal activities. <ul style="list-style-type: none"> No ghost worker will be allowed. No work no pay principle for site/facility shutdowns by communities. Any worker that misbehaves or whose performance is below standard will be reported to the concerned community for replacement. 	<ul style="list-style-type: none"> Resolve to actively work and cooperate towards ensuring a peaceful environment and a conducive atmosphere for SPDC's operations and the execution of Assa North Cluster area Projects. Assa North Cluster is committed to an amicable, cordial, constructive relationship free from violence, destruction or acts that may disrupt peace and SPDC operations. Ensure that the elected representatives of Assa North Cluster take full responsibility to discharge their duty to safeguard this GMoU entered into with SPDC and its Contractors. Take all lawful steps and diligent actions to forestall any activities in Assa North Cluster that may be detrimental to the safety of lives and property and to bring person(s) to book irrespective of whether they are members of Assa North Cluster or SPDC and its agents. Ensure that where names of Assa North Cluster members/representatives, etc. are required in the course of interaction with SPDC, that such names are well authenticated and confirmed to be genuine from Assa North Cluster. Forward only names of qualified and competent personnel for jobs/positions offered to Assa North Cluster under this GMoU and other interactions with SPDC. Affirm SPDC's right (and that of its contractors) to reject any personnel found not to be qualified and/or suitable for a position. Ensure that Assa North Cluster personnel offered jobs/positions are subject in entirety to the terms and conditions of employment of their employer. Agree to observe and execute the terms of this GMoU in its entirety notwithstanding any change in the name, constitution, and community executive, communal authority or in the name or constitution of Assa North Cluster. Agree to actively assist the police and other law enforcement agencies in handling and prosecuting matters that may cause public disturbance or impede SPDC's ability to operate. Agree that no other Community Development Support will be requested or demanded from SPDC or any of SPDC contractors. Assa North Cluster shall identify and recommend contractors to the Technical Committee of the CDB for any community-dedicated job.

consider the situation to be unfair. Again, this inability to communicate and channel their grievances to the company points to the want of meaningful community engagement and opportunity to decide upon their own priorities in the gas development processes.

Extant laws not followed: Nearly all the communities engaged disclosed they have never seen the EIA report and unaware of the nature and consequences of the ongoing gas production operations. The provisions of the Petroleum Act, Local Content Act and GMOU clauses regarding the employment of skilled and unskilled local labour have hardly been followed. These complaints not only strain the relations between operators and host communities, but also illuminate the huge cracks within the established mechanisms of engagement or the want of safe spaces for building trust, brokering dialogue and negotiation over costs, benefits and impacts.

No gender balance in existing community engagement mechanisms: Although Shell GMOU upholds gender inclusion and insists that a woman shall hold a key position as chairman, secretary or treasurer, findings show that women are rarely part of the conversations around land acquisition, compensation, negotiations, and membership of the constituted committees. This means that decisions and agreements reached between operators and local communities hardly take into account, the socially-determined roles for men and women, their differentiated experiences in resource extraction zones, and the needs and responsibilities which derive from social and historical constructs.

Huge contrasts between reported payouts to communities and local realities:

Despite the evident cracks in the negotiation of the benefit-sharing agreements, communities have often made good their promise to undertake community development assistance programs in their host communities. S4C investigation revealed that extractive companies are reporting to have spent huge sums of money on various projects on health, infrastructure, education, capacity building, and others in the host communities and payments to the government as fees, royalties, taxes, and production entitlements. The state of development in the oil producing communities neither corresponds to the enormous amounts reportedly spent on community development nor reflects the massive revenue earnings generated from the huge mineral deposits in the localities. The payouts and company spending on community development are neither monitored by state departments nor independent third parties for implementation and verification. The signing of GMOUs with the multinationals, coupled with the litany of verbal promises of development progress made to the natives, have yet to translate to any marked improvement in local living conditions

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Table 3: Seplat Operations (Western and Eastern) Investments in Host Communities for Ten (10) Years (2010 – 2019)

Investments	Amount (US \$)	Percentage (%)
Health	5,000,000.00	7
Infrastructure	17,000,000.00	24
Education	5,000,000.00	7
Capacity Building	18,000,000.00	25
Environmental Stewardship and others	26,000,000.00	37
Total (US \$)	71,000,000.00	

Amount in United States Dollar (US \$)

As the above table shows, Seplat's reported total investment in host communities from its western and eastern operations from 2010 to 2019 stood at US\$71m. The breakdown showed that US\$5m (7% of total investment) was spent on health, US\$17m (24%) on infrastructures, US\$5m (7%) on education, US\$18m (25%) on capacity building, and US\$26m (37%) on environmental stewardship and others (Table 1), but there was no breakdown of the amount spent in communities hosting OML 53 extractive operations.⁹⁴ Because of the extensive underdevelopment and poverty in the host communities, S4C researchers could not establish the accuracy and impacts of the reported investments. Ilile and Obitti Ukwu communities report they have signed two GMOUs with multinational oil companies, but this has not translated into improvement of their living conditions.

As of December 2013, Waltersmith, claimed it had spent over Thirty-Two Million Naira in Ohaji-Egbema LGA on a variety of projects such as relief materials, Assa Town Hall, sports grants, community farmers and landowners etc. The breakdown of the spending is detailed below:

WALTERSMITH PETROMAN OIL LTD								
S/N	DESCRIPTION OF PROJECT	PROJECT BENEFICIARY	PROJECT LOCATION	TOTAL PROJECT VALUE (BUDGETED)		PROJECT STATUS	AMOUNT EXPENDED AS AT 31ST DECEMBER 2013	
				N	\$		N'000	\$'000
1	Relief materials for Egbema flood victims	Egbema flood victims	Ohaji-Egbema LGA			100%	2,075,000.00	
2	Sports grant and financial assistance to Communities	Ochia & Usubo Community	Ohaji-Egbema LGA			100%	4,000,000.00	
3	Assa Town Hall	Ohaji-Egbema	Ohaji-Egbema LGA			100%	8,342,286.04	
4	GMOU Implementation	Ohaji-Egbema	Ohaji-Egbema LGA			100%	12,694,500.00	
5	Community farmers/land owners	Ohaji-Egbema	Ohaji-Egbema LGA			100%	5,154,400.00	
Total							32,266,186.04	

Waltersmith also claimed to have spent about N300m in 2019 in education, capacity building, and infrastructure in communities hosting its facilities in Ohaji/Egbema LGA but provided no further details of how this money was allotted to the projects. Also, payments to the government were not disclosed. With regards to SEEPCO, there was no disclosure of money spent in communities in Ohaji/Egbema LGA as well as payment to the government. Amid huge investments and payouts to the government, the community is not connected to the grid. Ilile has been experiencing a total blackout of electricity for several years following a mass disconnection since 2015 till date. Most of the local youth are unemployed and lack basic skills needed to gain access to social and economic opportunities. Likewise, Obitti community comprised of 19 villages has no town hall, no secondary school, one dilapidated health centre and also experiences total blackout due to non-availability of electricity. Youth restiveness is also on the rise there.

Listing of community benefits: Despite the glaring cracks in the community engagement and benefit-sharing processes in the ANOH project, the GMOUs clarify what host communities are entitled to as their own share of the natural resource extraction activities going on in their ancestral fields. Based on the GMOUs, here is a list of community benefits under the ANOH project:

S/No	Seplat	SPDC
1	N100,000,000.00 (One Hundred Million Naira) per annum for "Community's Benefits"	One Hundred Million Naira per annum for five years for social investment projects (SIP)
2.	Freedom to Operate: Stipulated fees paid by Seplat's contractors/agents to communities for any activity within the fields	15% of SIP fund (N100,000,000) is specifically for women-targeted programmes

⁹⁴ Seplat Petroleum Development Company Plc Annual Report and Accounts, 2019. Page 81

S/No	Seplat	SPDC
3.	Workers' slot depending on the contract sum (E.g. communities are entitled to 2 workers' slots for projects with a contract value of N500,000.00-N1,000,000.00 and 20 slots for onshore drilling operations)	2% of the cost of new projects exceeding \$50 Million within the Cluster
4.	Peace bonus: Three percent (3%) of the total GMOU sum is payable to the community when there is no disruption to company's operations.	Community employment opportunities depending on scope of work and contractor's discretion
5.	Educational assistance to qualified indigenes	Peace award: 5% of SIP fund (N100,000,000)
6.	Capacity-building programs (Training for youth development and employment generation)	Capacity-building programs (Training for youth development and employment generation)
7.	Payment to recognized traditional rulers	Freedom to Operate fees
8.	CSR initiatives: Micro credit schemes, skill acquisition programs	Skill acquisition programs
9.	Non-capital projects listed in GMOUs	Donor-supported programs listed in GMOUs
10.	Penalties for disruption for a cumulative period of 3 days = 10% deduction from N100Million	Penalties for disruption for a cumulative period of 3 days = 20% deduction from N100Million Penalties for disruption for a cumulative period of 2 weeks = 100% deduction from N100Million

While the above list of community benefits from natural resource extraction linked to the ANOH project reflects a good practice, the character of the negotiations coupled with the asymmetry of power between extractive companies and host communities are inconsistent with the process requirements espoused in global frameworks setting standards and guidance for conducting meaningful consultation with indigenous communities. The GMOUs are drafted and presented to communities to sign without their input or the opportunity to seek expert guidance before signing. This means that in spite of companies' good intentions, the negotiation of the benefits did not follow a process that meets the criteria for community participation, consultation and free, prior and informed consent.

At the validation meeting held in May, local stakeholders deprecated the practice of signing GMOUs with clusters of unrelated communities impacted differently by mineral extraction. Ostensibly companies have preferred the approach of grouping all their host communities into a single cluster for administrative convenience and logistical efficiency. On the other hand, communities are advocating a return to the old system of signing agreements with specific communities. This individualized method gives local stakeholders a voice and enhances their bargaining power, enabling them to negotiate benefits that align with their own socio-economic priorities, cultural needs as well as the peculiarities of the local environment. ANOH project promoters (SPDC and Shell) did not respond to numerous S4C's queries regarding the challenging aspects of the negotiations.

The exclusion of women in the negotiation of community benefits is a deeply-worrying trend because women are disproportionately impacted by the extractive operations. The women in Ohaji/Egbema LGA are predominantly farmers and trader. Due to the vast portions of land acquired for extractive activities, fewer lands are available for the women to farm. More inclusive arrangements, including improved access to information and opportunities, will enhance the delivery of direct economic benefits from extractive operations to the most vulnerable groups within the host communities.

STATE OF PROJECTS IN THE HOST COMMUNITIES



Chapter Four

MOVING FORWARD: TAKING BOLDER STEPS TO GOOD PRACTICE



S4C's investigation into the Assa North – Ohaji South (ANOH) gas development project finds that the gas project and other extractive activities within the Ohaji/Egbema LGA have significant impacts (both positive and negative) on the socio-economic, health and environment of the local communities. In sharp contrast to the enormous revenue accruals to the state and federal governments, the communities receive minimal benefits from the fees, taxes, royalties, and other payments, not to talk of the profits raked in by the project operators. The local communities have minimal information about the extractive activities and the environmental impacts of these activities on their livelihoods. More enlightenments and meaningful engagements are necessary to resolve brewing tensions and community concerns effectively while rebalancing power between stakeholders.

Research findings are summed up as follows:

- SPDC and Seplat recognize that stakeholder engagement and community development are crucial to the achievement of a stable climate for extractive activities. The concept of 'participatory partnership' reflect their acknowledgement of the mutual benefits arising from community participation, cultural preservation, environmental sustainability recognizing the needs of host communities as well as the maintenance of cordial relationships between host communities and extractive companies
- Series of on-site inspection visits by S4C, including interviews with numerous community leaders and representatives disclosed significant deficits in the company's handling of community relations. There were also heightened due-process concerns regarding the handling of important issues around land, resettlement, compensation and livelihoods in the

community. ANOH project promoters (SPDC and Seplat) did not respond to numerous S4C's queries regarding the challenging aspects of the community consultation and negotiations.

- Technical knowledge of oil and gas development, processing, transmission and especially the environmental impacts, is low within communities, meaning that local stakeholders may indeed attend meetings convened by extractive companies, without understanding what is being discussed. Limited access to information and absence of third-party supervision and legal representation shaped communities' capacities during the negotiation of benefits encoded in the GMOUs. Huge capacity-building deficits among locals must be urgently reversed to increase their ability to negotiate better deals and fairer benefits from extractive companies.
- One major factor fueling tension in the host communities is the parallel structures of community engagement created by the extractive companies such as the CEMB, CDCs, CDBs. These oil company mechanisms discounted the preexisting leadership structures or the traditional modes of community engagement such as the Eze stool, Eze's cabinet, town unions, traditional prime ministers. In essence, the new mechanisms are polarizing communities, deflating community bonds and fueling restiveness. Factional groups attached to the feuding parallel structures not only pose significant constraints to meaningful civic and political engagement with extractive companies, but also lowers the quality and outcomes of benefit-sharing negotiations.
- A huge gap exists between the ANOH project's consultation and negotiation processes and the requirements espoused in global frameworks setting standards and guidance for conduct meaningful consultation with indigenous communities. The GMOUs are drafted and presented to communities to sign without their input or the opportunity to seek expert guidance before signing. This means that in spite of companies' good intentions, the negotiation of the benefits did not follow a process that meets the criteria for community participation, consultation and free, prior and informed consent.
- There is need for adequate disclosure, independent verification and monitoring of extractive companies' spending on capital and non-capital projects in local communities. Effective enforcement and monitoring of GMOUs are needed to ensure the reported pay-outs to host communities match actual development on the ground.
- Insufficiently-negotiated compensation paid for 'unknown' size of land grants is another source of local discontent in the host communities. Women are rarely part of the conversations around land acquisition, compensation, negotiations, and membership of the constituted committees. This means that decisions and agreements reached between operators and local communities hardly take into account, the socially-determined roles for men and women, their differentiated experiences in resource extraction zones, and the needs and responsibilities which derive from social and historical constructs.
- Recent fire explosions, leaks and spills in ANOH project host communities evince that extractive companies are importing the environmental bad practices in the Niger Delta into locales of new oil finds in Imo State. Companies' robust commitment to sound environmental principles and best practices publicized on their websites have not been followed. The recent fire explosions, leaks and spills prove that cosmetic statements and performance rhetoric are not enough to guarantee compliance with environmental regulations. Except Chevron Nigeria Limited (CNL), the oil companies operating in Ohaji/Egbema LGA, including the ANOH project, have not only failed to comply with international oilfield practices, but are also unwilling to provide the information needed to independently verify corporate claims of environmental excellence.
- Government's regulatory and enforcement mechanisms, especially as regards environmental compliance and land compensation, are weak and ineffective. This is partly because the government is an active player and a regulator in the ANOH project, resulting in a conflict-of-interest situation. The low environmental compliance records of the extractive

companies operating in Ohaji/Egbema LGA can wreak havoc on the local environment if the destruction of farmlands, aquatic life and traditional livelihoods continue.

- Fears about imminent loss of farmlands and displacement from their ancestral lands are widespread, fueling anger and resistance. From community to community, the locals who are predominantly subsistence farmers, demand among other things: protection for their traditional livelihoods and opportunities to participate and benefit from the huge economic activities going on around them.
- ANOH host communities share borders with oil-producing communities in the Niger Delta ravaged by violence and environmental devastation linked to oil and gas exploration activities. Because of this proximity to violence-ravaged locales in the Niger Delta region, ANOH project operators can avoid the deterioration of the current tensions into full-blown violence by maintaining the safety and security of their operations within a framework that ensures respect for human rights.
- Until SPACES FOR CHANGE's intervention, host communities signed GMOUs without having external contacts with other organizations and institutions that could help them to access sound legal advice and alternative information that can enrich the quality of negotiations with extractive companies. S4C's sensitization and capacity-building initiatives are reversing this trend, by equipping communities with the information needed to contest given information and strengthen their bargaining power. More recently, host communities that have benefited from S4C's empowering initiatives have declined to sign GMOUs foisted on them without meaningful consultations and negotiations.
- There is no legal framework at the national and federal level for organizing and conducting meaningful consultations and negotiations for securing communities' informed consent and participation in extractive operations and for ensuring that best practice requirements are followed and respected. There is growing perception that the Petroleum Industry Bill (PIB) currently under consideration by the federal legislature will among other things, accelerate the delivery of direct economic benefits from petroleum operations to host communities and improve peaceful coexistence between host communities and extractives companies.

CONCLUSION:

The violence resulting from oil exploration in the Delta may be used as an example in other contexts to convince operators of the ANOH project that good environmental practice and quality community remediation is within their best interest. The cost of the Delta crisis to an extractive company can be measured in terms of foregone profit due to attacks on oil installations, sabotage, oil bunkering, increased risks and unpredictability which raises the cost of investment, staff kidnappings, restricted staff movement etc. Even though extractive companies do not always feel a legal obligation to meaningfully engage and ensure fair benefits to host communities, follow environmental standards strictly and fairly compensate communities when operating in Nigeria, it may still be in the company's best interest to do so. Ultimately the costs of maintaining good community relations by way of adequate compensation may be lower than the cost of the violence associated with enraged and desperate communities.

RECOMMENDATIONS

Governments (both federal and state) and/or their agencies and ministries should;

- Set the legal framework for information disclosure, community consultation and engagement processes in large-scale infrastructure projects.
- Ensure that extractive companies conduct environment and social impact assessment (ESIA) of all development projects and enlighten local communities on the impacts of extractive activities.
- The timely passage of the Petroleum Industry Bill is imperative, to accelerate the delivery of direct economic benefits from petroleum operations to host communities and improve peaceful coexistence between host communities and oil and gas companies.
- Ensure companies' full adherence to the provisions of the Nigerian Oil and Gas Industry Content Development (NOGICD) law by oil and gas companies.
- Work together with civil society organizations to ensure that mitigation measures proffered and approved in the ESIA reports should be monitored for full implementation and the ESIA reports made available to local communities.
- Put in place accessible grievance mechanisms for the peaceful resolution of disputes between companies and their host communities. Lack of access effective remedies for individuals and communities who suffer human rights abuses directly or indirectly as a result of business activities, paves the way for militancy and hostilities to fester.

Extractive Companies should;

- Revisit all cases of unfair or insufficiently-negotiated compensation for acquired communal lands, and particularly satisfy legal requirements applicable to land previously used for agricultural purposes. Treating local communities as major stakeholders in the extractive process and paying fair compensation for land acquired for extractive development projects are examples of major ways of providing real benefits to communities.
- Benefit-sharing agreements or GMOUs executed between extractive companies and the communities must be accompanied by community access to sound legal representation, independent legal advice and bargaining processes that are representative, inclusive and perceived as fair. Companies must periodically review and ensure full implementation of their obligations set out in the agreements entered into with local communities.
- Conduct regular and extensive engagements with local communities to discuss costs and benefits; educate them on the nature, scope, scale, and environmental, social, and health impacts of extractive activities, and institute a system of fair and equitable remediation.
- Full disclosure of payments to the government as well as investments in local communities must reflect local demands in MoUs with the communities.
- Consultation/engagement is a two-way or multi-way process of negotiation, leading to the integration of local knowledge in development planning and greater community participation in decision-making processes
- Good environmental practice and quality community remediation is in the companies' best interest. Strict adherence to environmental standards, prompt remediation of degraded environment, fair compensation for negatively-impacted communities and taking care of the waste in a humane way are some of the ways for preventing social and environmental problems in the area

Host Communities should;

- Seek expert's guidance, including collaboration with civil society organizations, during the negotiation of benefit-sharing agreements with extractive companies.
- Demand inclusion, information disclosure, full implementation of commitments in signed agreements and fair compensation for land acquisitions and environmental damage.
- Beyond the clamour for joint solutions and joint decision-making about future development, host communities can propose alternative community development plans and present same to extractive companies for adoption and full implementation.

APPENDIX

ENGAGEMENTS WITH STAKEHOLDERS

S/No	Agency/Organization	Response
1.	Department of Petroleum Resources (DPR): Letter dated November 2020 requesting information session regarding ANOH project's regulatory compliance	GRANTED December 2020, S4C and DPR had an information sharing session to understand community concerns and strengthen relationship between government and civil society.
2.	Federal Ministry of Environment Letter dated March 2021, requesting a copy of the approved EIA report of the ANOH project	No response to date
3.	Seplat: Letter dated December 2020, requesting breakdown of money spent on health, infrastructure, education, capacity building, and environmental stewardship and others in local communities in Seplat's Eastern Assets (OML 53) from 2010 – 2019,	No response received to date.
4.	Seplat: Letter dated December 2020 regarding breakdown payments of royalties, taxes and production entitlements on OML 53 made to Nigerian government from 2016 – 2019	No response received to date
5.	Waltersmith: Letter dated December 2020 and a follow-up letter one month later requesting for a courtesy visit to share our notes on extensive engagement	No response received to date
6.	SEEPCO: Letter dated December 2020 and a second letter followed up a month later.	No response has been received to date
7.	Assa community: October 2018 sensitization workshop on ANOH project licensing and contractual terms	300 members of the community members in attendance
8.	Assa community: Round table discussion on integrating 'natural resource benefit-sharing' clauses into GMOUs	22 leaders and representatives of various interest groups in the community attended
9.	Ohoba community: town hall meeting held in October 2020, by S4C, tagged "Equitable Sharing of Benefits of Natural Resources in Imo Host Communities".	193 villagers attended including the Traditional Prime Minister of the community, members of the Eze's cabinet, women and youth leaders
10.	Ilile and Obitti Ukwu communities: town hall meeting in November 2020	301 natives comprising traditional rulers and their cabinets, traditional prime ministers, the town union President Generals, women, and youth leaders.
11.	Assa community: GMOU negotiation workshop held on February 2021	18 community leaders comprising community landlords, town union leaders, cabinet chiefs, and youth representatives, to empower them to negotiate better terms that increase their participation and ensure fair and equitable sharing of benefits from natural resources extracted from their community.
12.	Seplat: Letter dated February 2021 ~ queries regarding findings of the investigative research into the ANOH project.	No response has been received to date
13.	Stakeholder validation workshop on May 12, 2021	45 stakeholders in the extractive sector comprising federal, state and local government officials, representatives of oil and gas host communities in Ohaji/Egbema LGA, civil society

S/No	Agency/Organization	Response
		organizations, and the media—the opportunity to deliberate on and make inputs into the draft research report
14.	Seplat: Letter dated May 2021 requesting for official comments in respect of the investigative research report into the ANOH project.	No response has been received to date
15.	SPDC: Letter dated May 2021 requesting for official comments in respect of the investigative research report into the ANOH project.	No response has been received to date

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PROJECT TITLE: RENOVATION OF AWARA COMMUNITY HALL
PROJECT OWNER: AWARA COMMUNITY
CONTRACTOR: DIMCHUCKS NIG. LTD.
PROJECT DURATION: 90 DAYS
SUPERVISION / CONSULTANT: COMMUNITY DEVELOPMENT BOARD ASSA NORTH

The Shell Petroleum Development Company of Nigeria Limited
Operator of the NNPC Shell TEPN Agip Joint Venture



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