

BACKGROUND

1. Shell's main commitments in the region are in Nigeria; Gabon (more modest production); and South Africa (where they primarily operate downstream business).

[REDACTED]

EIR
12(s)(e)

[REDACTED]

FOI
Section 43

Mozambique

[REDACTED]

FOI
Section 43

Nigeria

5. Shell operates in Nigeria through two joint venture companies (as required under Nigerian law); the Shell Petroleum Development Company (SPDC) and Shell Nigeria Exploration and Production Company of Nigeria Limited (SNEPCo), which operates in deep water offshore. Shell appears to be increasingly focusing on off-shore production and is currently divesting some of its on-shore facilities.

6. Nigeria represents 27% of Shell's daily oil production (949,000 barrels of oil equivalent per day in 2012). It has recently invested tens of billions of dollars into the oil and gas sector, including a \$3.9 billion investment into two gas projects.

7. Oil theft has been a major issue for Shell's operations in Nigeria

EIR
12(S)(e)
+
12(S)(a)

The Nigerian government must take a strategic lead and tackle the issue internally. Senior UK officials visited Nigeria in 2013 to discuss options for UK assistance, if Nigeria take the initiative.

8. We have established an Oil Theft Working Group with international partners, the Met police and IOCs in London whose aim is to identify areas where the international community can address the illegal trade of oil; examples include the tracking of funds from stolen oil and of suspicious cargoes. Shell is positive about the group's work and has recently started to work with the National Maritime Information Centre (NMIC) on tracking ships. NMIC is supported by the UK and based in Ghana.

TWEET

Good meeting with @SHELL today #Africarising. Many opportunities for #GREATUK on the continent



Foreign &
Commonwealth
Office

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8

SUBJECT: MEETING WITH ED DANIELS, SHELL UK CHAIRMAN, 1230 9 MAY

TWEET

- *Not tweetable given Shell's current reluctance to publicise its concerns over Oil bunkering or its efforts to internationalise the issue.*

STEERING NOTE AND KEY ISSUES / OBJECTIVES / MESSAGES

Mr Daniels has requested the meeting to "discuss Shell's operations in Nigeria and the possible synergies between the FCO and Shell in working on solutions to the problems there". We expect him to focus on how Shell and HMG can work together to tackle oil bunkering. Although Shell have been lobbying HMG for several months, it would be useful to gain a better understanding of what assistance they believe the UK can best provide.

[REDACTED]

(EIR
(12)(5)(a))

POINTS TO MAKE

Ice Breakers

- Congratulations on Shell's recent success in winning a large Gas contract in the UAE.
- Share your concern over the situation in the Delta. Apparently increasing levels of theft and reports of increasing violence are deeply troubling.

Points to Raise

- **Oil theft** has been raised by the Prime Minister and others with the Nigerians. We will continue to apply political pressure on them to tackle the issue as a priority.

[REDACTED]

(EIR
(12)(5)(a))

[REDACTED]

- Senior officials visited Nigeria to examine issue of Oil theft in April. Are reporting to the Prime Minister on the options.

[REDACTED]

EIR
12(5)(a)
FOI
S27

- **Petroleum Industry Bill** Our High Commission continues to [REDACTED] Will continue to seek a Bill which encourages transparency alongside competitive fiscals to attract investment.

BACKGROUND

1. In April **Abu Dhabi's** Supreme Petroleum Council (SPC) confirmed Shell as the winner of a 30 year joint venture with Abu Dhabi National Oil Company (ADNOC) to develop the Bab sour gas reservoirs. Shell will have a 40% interest in the \$10.1bn project, which will include the installation of a new gas-processing and treatment plant. [REDACTED]

EIR
12(5)(e)

[REDACTED] This is also good news for Shell's UK based contractors. A second phase of the Bab project is being tendered now.

2. **Oil Theft or "bunkering"** in the Niger Delta is a serious problem, we assess that upwards of 15% of Nigerian crude oil is stolen. This has significant effects on investor confidence, security, Nigerian fiscal revenue and the environment. It has some impact on international energy supplies (Nigerian crude represents about 3% of global production). Shell suffer disproportionately from oil theft as so much of their production is on shore and they are reporting increases in volume of oil theft and associated violence.

3. On the surface the Nigerian government could tackle at least some of the problem relatively easily, much of the theft takes place in daylight and the scale of operations should make them easy to disrupt. [REDACTED]

EIR
12(5)(a)

4. During the Prime Minister's meeting with President Jonathan in February they discussed possible UK assistance to the Nigerians. A visit by the Deputy National Security Adviser Olly Robbins formed an initial response to that conversation. He has now reported back on his visit, we are awaiting a steer from Downing Street on how much priority to give the issue.

[REDACTED]

5.

[REDACTED]

Although much of the stolen oil does end up in international markets, oil theft on this scale is a uniquely Nigerian problem. There is a large demand for oil internationally, but the problem in Nigeria appears to be a lack of effective policing to counter illegal activity, coupled with increasingly brazen and sophisticated criminals.

EIR
12(5)(a)

6.

We also recognise the very sensitive political situation in the Niger Delta. [REDACTED]

[REDACTED] Disrupting their operations might force them back to militancy, unless they had clear alternative livelihoods. So any solution has to be holistic, not merely security focussed.

EIR
12(5)(a)

7.

Shell have been lobbying HMG at senior levels to take action. [REDACTED]

[REDACTED]

EIR
12(5)(a)
12(5)(e)

8.

Shell have established a crisis team which will look to identify options for a strategy to tackle Oil Theft. Once that has reported they are likely to seek an international meeting of concerned governments and oil companies to agree a way forward. One option would be to use the anticipated Chatham House report on Nigerian Oil theft, due for publication in late May or June, as a catalyst for the international community to identify ways it can help Nigeria tackle the issue.

9.

Petroleum Industry Bill. Momentum on the Bill has slowed and it is unlikely to pass before the summer recess, although we hope that it may still be possible to secure legislation this year. [REDACTED]

Officials from DFID's FOSTER programme are providing technical advice to the Assembly legislative committees on achieving International best practice.

FOI
327

Lead Policy Officer: [REDACTED]

Tel: [REDACTED]

Room: [REDACTED]

e-mail: [REDACTED]

Date: 7 May 2013

[REDACTED]

Mr Simmonds Meeting with Shell, 9 May 2013

1. Mr Simmonds met Ed Daniels, UK Country Chairman of Shell on 9 May. Daniels was accompanied by Rob Donnelly and Steve Schofield from their European and UK government relations teams respectively. [redacted] Nigeria Section, FCO also attended.

FOI S40

2. Mr Simmonds congratulated Shell on their success in winning a significant recent Gas contract in the UAE [redacted]

No one factor was responsible for winning the contract, [redacted]

FOI S43

3. Daniels and Mr Simmonds shared their analysis of the damage that oil theft was doing to the politics and environment of the Delta and to the broader Nigerian economy. However while Shell argued that they detected considerable Nigerian political will to tackle the problem, for example through Ministerial Task Force, which Shell's country chair had raised with President Jonathan, Mr Simmonds reported that [redacted]

EIR 12(5)(a)

4. Mr Simmonds and Daniels agreed that further analysis of bunkering was needed. Daniels was keen to see a trilateral committee at ministerial level to pressure the Nigerians. [redacted] suggested that the forthcoming Chatham House report might provide the catalyst that the UK, US and the Netherlands needed to meet to discuss what further steps the international community could take.

EIR 12(3) & 13(1)

5. At Mr Simmonds' prompting Shell highlighted their support of EITI and other transparency initiatives. However they did have a problem, in that EU regulations required UK companies to be transparent about tax and resource exploitation, but in some key countries, notably [redacted] revealing such information was a violation of state secrecy and could result in legal action. Shell was still trying to resolve this predicament.

EIR 12(5)(a)
FOI S27

6. On the voluntary principles Shell was supportive [redacted]

[redacted] Shell prided themselves on being one of the most transparent companies in the world, but knew their reputation made them a target for speculative action. Mr Simmonds said there were no plans for legislation, but was interested in assessing whether the VPs were having impact, positive or otherwise. Shell had a range of Corporate Social Responsibility activity and at Mr Simmonds' request indicated they would provide positive evidence of how compliance with the principles made a positive contribution to both commercial viability and improvement of human rights in the communities where they worked.

FOI S43

- [REDACTED]
7. Daniels also offered Shell's expertise in helping African countries with nascent oil and gas industries to develop the necessary legal frameworks to manage their resources. Shell did not want countries to feel that they had been given a bad deal five years into a contract, and then have to renegotiate; they much preferred to work with competent governments. Mr Simmonds said that the FCO would consider taking Shell up on this offer.
- [REDACTED]

From: [REDACTED]
Sent: 14 May 2013 08:43
To: [REDACTED]
Subject: FW: UNCLASSIFIED 20130509 Mr Simmonds Meeting with Shell
Attachments: 20130509 Mr Simmonds Meeting with Shell.docx
Security Label: PROTECT

[REDACTED] - for you to see too.

From: [REDACTED]
Sent: 14 May 2013 08:42
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: [REDACTED] 20130509 Mr Simmonds Meeting with Shell
EIR 12(S)(a)

Shell do know the situation in country. [REDACTED]
[REDACTED] sense Shell feel they have to absolutely exhaust this process, because it is so important to them.

From: [REDACTED]
Sent: 14 May 2013 08:29
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: [REDACTED] 20130509 Mr Simmonds Meeting with Shell
Importance: High

Thanks for sharing.

EIR 12(S)(a) + 12(S)(e)

[REDACTED]

EIR 12(S)(a)

British High Commission, Abuja

Tel: [REDACTED] Mob: [REDACTED] FTN: [REDACTED]

From: [REDACTED]
Sent: 13 May 2013 17:40

To: [REDACTED]
Cc: [REDACTED]; Giles Lever [REDACTED]

Subject: [REDACTED] 20130509 Mr Simmonds Meeting with Shell

Dear all,

Please see the recent record of the meeting between Mr Simmonds and Shell, please forward as necessary,

[REDACTED]
[REDACTED] Nigeria Section | Africa Directorate | Foreign and Commonwealth Office | King Charles Street | London SW1A
2AH | Room [REDACTED]

e-mail: [REDACTED] | Tel: +44 (0)20 7008 [REDACTED] | Mobile: [REDACTED] | FTN 8008 [REDACTED] | fax: +44 (0)20 7008 [REDACTED]
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<http://www.gov.uk/somaliaconference2013>