MARITIME PIRACY IN THE GULF OF GUINEA

What is the nature of the market?

Much of the piracy that affects West Africa is a product of the disorder that surrounds the regional oil industry. A large share of the recent piracy attacks targeted vessels carrying petroleum products. These vessels are attacked because there is a booming black market for fuel in West Africa. Without this ready market, there would be little point in attacking these vessels. There are indications that oil may also be smuggled outside the region.

Nigeria contains half the population of the region, and contributes more than half of the regional GDP. Oil is the source of 95% of Nigeria’s foreign exchange earnings and up to 80% of budgetary revenues. It is the single most important industry in the entire region, and for two decades has been threatened by transnational organized crime.

Despite oil revenues of US$52 billion in 2011, Nigeria remains one of the poorest countries in the world, ranking 156 out of 187 countries in terms of human development.122 Revenues would be much higher if the oil industry was not subject to continual criminal predation. Nigeria’s natural resource wealth is diverted in a variety of ways, including:

- Bunkering: oil is stolen directly from pipelines, artisanally refined, and sold in local and international markets;
- Kidnapping: oil company employees are subject to kidnapping for ransom;
- Extortion: oil companies pay protection fees to communities and security companies to ensure pipelines are not sabotaged;
- National embezzlement: massive subsidy fraud has recently been uncovered by the Nigerian parliament (see Box: Nigerian fuel subsidy fraud);
- Smuggling: Subsidized fuel is smuggled across borders to markets where it is worth three times as much, at a direct cost to the Nigerian people;123
- And, most recently, piracy.

In the past, a good deal of this activity was tied to the conflict in the Niger Delta. A wide range of militias have emerged over the years, engaging in a campaign of theft and sabotage to undermine the oil industry. The conflict cut production by as much as one-third, while bunkering grossed around US$1 billion for oil thieves each year.124

![Comparison of revenues from selected regional industries](image-url)
Nigerian fuel subsidy fraud

Because of insufficient refining capacity, Nigeria imports almost all of the fuel it needs to function. In compensation, the government provides a subsidy on fuel imports, keeping prices as low as one-third of those in neighbouring states. This subsidy comes at a great cost to the public coffers, but by lowering the cost of transportation, it reduces the price of virtually everything. In addition, a large share of the electricity used in Nigeria comes from private generators, so the subsidy allows power expenditure that would be impossible otherwise, greatly boosting productivity.

Between 2009 and 2011, the amount the government paid in subsidies tripled, from US$5 billion to more than US$15 billion. Clearly, legitimate consumption did not increase at this pace during this period.

The executive took action, and on 1 January 2012, the Nigerian government removed the subsidy. The price of fuel rose from N65 (US$0.41) to N140 (US$0.89) overnight, sparking demonstrations and a week-long nation-wide strike. Some of the subsidy was restored two weeks later, and the petrol price was set to N97 (US$0.61) per litre.

From January through April 2012, the Nigerian Parliament conducted a series of investigations. It found:

- The number of fuel importers increased from six in 2006 to 140 by 2011.
- Many of these new “importers” had no permits, no storage tanks and no experience in oil trading.
- While Nigerians consumed only 35 million litres of fuel per day, subsidies were being provided for 59 million litres per day.
- US$6 billion had been defrauded from the country’s Petroleum Support Fund in 2011.

A very wide range of techniques were used to defraud the fund, from crude embezzlement to methods that may be technically legal. For example, it appears that some importers collected the subsidy through “round-tripping”: i.e. exporting and re-importing the same fuel. It is possible that some of these vessels were the targets of the pirate attacks.

Groups such as the Movement for the Emancipation of the Niger Delta (MEND) admitted to stealing and smuggling oil. This theft was rationalized as reappropriation of wealth and as a form of protest, but the line between political and criminal activity has always been blurry.

The Nigerian government recently offered amnesty to the Delta militants, and virtually all of the recognized leadership laid down their arms. Inssofar as such uprisings are subject to negotiation, the Niger Delta conflict effectively came to an end in 2011. Some still claim to be fighting for the cause, but the link between political activism and oil theft has grown increasingly tenuous. This is likely one reason why, for the first time, petroleum theft has spread beyond Nigerian territory. With the political pretence lost, there is no longer any need for oil thieves to limit themselves to targets in the Delta.

Piracy itself is not new to the region. Maritime trade is a key source of income for the coastal states of West Africa and, like oil, it is subject to predation. In the past, most of the incidents have been nothing more than maritime robbery. Sailors are often targeted for robbery on shore – they are displaced, generally uneducated, and usually carrying cash. With containerized shipping, shore leave is often reduced to a limited number of hours, and so they are
The flows unlikely to report being victimized. The same is true at sea – vessels are often under tight schedules, and unlikely to delay their voyage to report a local crime, particularly in areas where contact with the police may lead to further victimization. Local robbers are aware of this, and attack opportunistically when ships are at port or transferring cargo close to shore.

The most recent wave of attacks differs from this profile. Against a background of low-level robberies, there have been more serious attacks, aimed at acquiring cargoes. In particular, these attacks have involved refined petroleum products, typically carried in fairly small craft known as “product tankers” or “chemical tankers.”

In 2011, 22 attacks took place off the coast of Benin, a country that had been mostly unaffected by the continual piracy around Lagos, just a few kilometers away. These attacks stopped as quickly as they started, and only two attacks have been recorded in 2012 to date. But there were 18 similar attacks in Togo by the middle of September 2012, another unprecedented wave. The petroleum-related attacks have also fed a coincident wave of robberies in formerly safe waters. These could be the work of foiled hijackers, or other groups inspired by the successes of the petro-pirates. In either case, the robbery clearly feeds on the momentum generated by petroleum theft, and so most piracy in the Gulf of Guinea can be traced back to the Niger Delta.
Transnational organized Crime in West Africa

Map 6: Piracy incidents in the Gulf of Guinea, 2006

Map 7: Piracy incidents in the Gulf of Guinea, 2007

Map 8: Piracy incidents in the Gulf of Guinea, 2008

Map 9: Piracy incidents in the Gulf of Guinea, 2009

Source: Elaborated from International Maritime Organization data

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Bringing order to the local petrochemical industry is particularly important because Nigeria is no longer the only oil producer in the region. Offshore reserves like those off the coasts of Ghana and Mauritania are set to come on line in the near future. Unless controls of the regional market in petroleum products are reinforced, it is likely that bunkering and piracy will only expand.

How are the attacks conducted?

The international definitions of “piracy” are broad, encompassing several distinct kinds of offences, including:

1. Kidnapping for ransom, typical of the attacks seen off the coast of Somalia;
2. Hijacking with the intent to steal the vessel or the cargo, as is common in the Far East;
3. Simple maritime robbery, which occurs throughout West Africa.

For policy purposes, however, it is important to distinguish between these offences. Kidnapping for ransom is usually the most profitable, but very difficult to carry off successfully. It requires:

- Intelligence to locate target vessels far out at sea;
- Heavy armament, to subdue the vessel and deter rescue attempts;
Transnational organized crime in West Africa

opportunist robberies. Attacks aimed at hijacking petroleum product tankers and everything that remains falls under one of two headings: Nigeria, these attacks have declined in recent years. Almost these kidnappings occasionally occurred at sea. But even in one of the many activities of the Niger Delta militants, and Nigerian waters. Kidnapping oil company employees was years, and those that have been reported all occurred in few kidnappings for ransom have been reported in recent looking at the profile of these crimes in West Africa, very extort ransom.

If hostages are taken, it is to ensure a clean escape, not to is at port or when plans for a grander undertaking go astray. Crimes tend to be opportunistic, occurring when the vessel the value of this booty is generally rather limited, these robbery on shore. A few men with knives can easily over-power an unarmed crew and take their belongings. Since the result of this value is generally rather limited, these crimes tend to be opportunist, occurring when the vessel is at port or when plans for a grander undertaking go astray. If hostages are taken, it is to ensure a clean escape, not to extort ransom.

In contrast, armed robbery at sea differs little from armed robbery on shore. A few men with knives can easily over-power an unarmed crew and take their belongings. Since the value of this booty is generally rather limited, these crimes tend to be opportunist, occurring when the vessel is at port or when plans for a grander undertaking go astray. If hostages are taken, it is to ensure a clean escape, not to extort ransom.

Looking at the profile of these crimes in West Africa, very few kidnappings for ransom have been reported in recent years, and those that have been reported all occurred in Nigerian waters. Kidnapping oil company employees was one of the many activities of the Niger Delta militants, and these kidnappings occasionally occurred at sea. But even in Nigeria, these attacks have declined in recent years. Almost everything that remains falls under one of two headings: attacks aimed at hijacking petroleum product tankers and opportunistic robberies.127

In 2011 and 2012, all of the hijacking-type crimes have occurred in just three countries: Nigeria, Benin, and Togo. In these countries, hijackings comprise 63% of the recent attacks. All of these hijackings involved tankers, presumably carrying refined petroleum products. All attacks outside these three countries were simple robberies. If these hijackings had not occurred, there would have been no net increase in piracy incidents in 2011.

The wave of incidents that hit Benin actually began on Christmas eve of 2010, with the hijacking of the Valle di Cordoba, an Italian tanker, and the theft of large volumes of refined petroleum. This was followed by the March hijacking of the Duggit Venture, in which the pirates directed the ship first to Gabon and then to Warri (Nigeria), before panicking and abandoning their attempt near Lagos. The incidents that followed were a mix of failures and successful attacks, with the petrochemical cargoes taken in several incidents. Of 24 attacks recorded in Benin in 2011-2012, 23 involved chemical or product tankers, compared to about 60% in the region as a whole. All involved international vessels, most took place at night and most occurred within 22 nautical miles of the port of Cotonou.

The attacks in Togo conform to a similar profile. Of the 18 recorded attacks in the region from 2011 to date, 15 involved product or chemical tankers. In a number of incidents, petrochemicals were successfully stolen.

Who is responsible for the attacks?

Where information on the attackers is available, almost all of the piracy attacks along the Bight of Benin have been linked to Nigerian pirates. In the Benin attacks, many of the participants were from along the Nigeria-Benin border. Victims in the Benin attacks report that both English and French have been spoken by the pirates. For example, William Locky, a Nigerian arrested in Cotonou on suspicion of piracy, speaks basic French and has parents who come from the border area. On 4 August 2012, five men were arrested in Nigeria and several others in Benin in connection with a pirate attack. Two of these men were brothers – one arrested in Benin and one arrested in Nigeria.

Fuel thieves must have links to the cross-border black market, and so often have links to the Niger Delta. At least one Beninois was recently arrested in Nigeria in connection with bunkering where the destination of the cargo was Benin. The players in the oil bunkering industry are diverse, including corrupt officials, the armed groups they sponsor, corrupt elements of the military, corrupt oil industry officials, militants, and professional thieves.

How big is the offence?

Estimating the value of piracy is challenging. The first problem is to estimate the extent of under-reporting. There are many reasons an attacked vessel may opt not to report, including the fact that the cargo they were carrying was
It is unclear why the attacks stopped off the coast of Benin, but their displacement to Togo is not encouraging. Most of the pirate attacks to date have been close to shore, and none have involved ships actively underway ("steaming"). This could indicate a lack of sophistication, but the ability of the pirates to relocate operations in response to enforcement shows some adaptability. The Niger Delta militants were able to attack targets far offshore. Given the value of the targets, it is likely the pirates will soon acquire this ability as well.

The greatest risk is that piracy will become broadly popular. The hijackings to date are few enough in number that they could be the work of a single syndicate. If the black market for fuel is sufficiently open, there are many dissidents, out-of-work fishermen, and marginalized youth who could be attracted to the trade. The potential for a million-dollar payoff could well attract participants from outside Nigeria as well.

Strengthening maritime interdiction capacity would provide some deterrent to this expansion. It is important to keep in mind, however, the corrupting effect oil wealth has had on the Nigerian forces deployed to prevent bunkering. In addition to building local law enforcement capacity, measures must be taken to better regulate the local fuel trade.

There are few places in the world where one can offload thousands of tons of stolen fuel. Even in West Africa, those with the ability to purchase and resell these volumes must be relatively few in number. It hardly seems possible that all this fuel could be sold at roadside stands, or that thieves would be willing to receive their payoff a few dollars at a time. Rather, a buyer with links to a formal distribution operation seems likely.

These links form a point of weakness in the illicit supply chain. If all volume dealers were compelled to account for the fuel they purchased, it could become increasingly difficult to unload the stolen merchandise. Such an effort would require substantial cross-border cooperation, however. National markets without this level of accountability would quickly become dump sites for stolen fuel.

Itself illicit. The Nigerian navy has estimated that there have been ten to 15 attacks every month in recent years, and that the monthly tally can rise as high as 50. In contrast, the International Maritime Organization (IMO) has recorded about 50 successful attacks annually for the entire region in recent years. The International Maritime Bureau (IMB), however, concedes that the real number of pirate attacks is at least twice as high as the official figure. Allowing for 100 successful attacks per year would loosely fit both the IMO’s and the Navy’s estimates, particularly if the overall rate has declined slightly with the militant demobilization.

As noted above, about three-quarters of these attacks are simple robberies, netting very little for the pirates. According to past research, the amounts taken have been valued at US$10,000 to US$15,000 per attack. It is unlikely that the robbers realized all this value, but if they did, they would collectively gain as much as US$1.3 million annually in recent years.

Much greater profit could be derived from theft of refined petroleum products. For a number of reasons, the precise amount of the loss is rarely reported, but those reports that have been made suggest that successful attacks result in the loss of thousands of tons of fuel, equivalent to hundreds of thousands of gallons. Refined products destined for the local market have to compete with subsidized fuel, pushing down the price considerably, but this could still represent a very profitable criminal activity. According to Lloyd’s, losses of oil have ranged from US$2 million to US$6 million for these attacks. Value realized for the thieves would likely be around half this amount, or as much as US$30 million for the year.

Implications for policy

The biggest concern for the countries of the region is not the direct losses to the pirates, but the way these losses impact international insurance rates. In Benin, a country whose lifeblood flows through a 121-kilometer sliver of coastline, taxes on trade account for half of Benin’s government revenues, and 80% of these are derived from the port of Cotonou. The wave of attacks in 2011 led international maritime insurance adjustors to place Benin’s waters in the same category as Nigeria’s, greatly increasing the costs of shipping to the country. According to the navy chief in Cotonou, there was a 70% decrease in maritime traffic in the third quarter of 2011 due to these increased costs. This implies a possible 28% loss in government revenue. In addition, Benin’s relative maritime safety record has allowed it to maintain a healthy business in re-shipping goods to Nigeria, and the re-categorization of its waters as “risky” effectively eliminates this business. The adjustment also affects the costs of living for all citizens of Benin, by increasing the cost of imports and decreasing the competitiveness of exports. Given that there have been only two attacks so far this year, a case could be made for re-categorization.
The Niger Delta amnesty

In June 2009, Nigerian President Umaru Yar’Adua announced an amnesty programme, whereby any militant surrendering themselves and their arms within two months would be granted immunity from prosecution and would be given financial and educational support toward finding an alternative livelihood. He also promised that a greater share of oil revenues would be allocated to the Delta state governments.

Some 26,000 militants turned themselves in, including prominent leaders such as Ateke Tom, Boyloaf, Farah Dagogo, Tom Polo and Soboma Jackrich. In October 2009, Yar’Adua held talks with militant leader Henry Okah, said to be the leader of the Movement for the Emancipation of the Niger Delta (MEND), the largest umbrella militant group. After the meeting, MEND announced the commencement of an indefinite ceasefire.

Despite this initial success, there has been discontent with the pace of delivery on promises made, and some are angered at having been excluded from the amnesty process. In January 2010, MEND spokesman Jomo Gbomo threatened “an all-out onslaught” on oil companies unless more resources were allocated to the people of the Delta. Bombs were detonated in Abuja on Independence Day, a crime for which Henry and Charles Okah were later arrested. Threats from people allegedly speaking for MEND were made several times in 2011, but nothing materialised. Whatever remnants of MEND remain in the field, they are a shadow of the group’s former self.

So-called ‘third-phase militants,’ demanding to be included in the amnesty process, continue to launch sporadic attacks, particularly in Bayelsa State. Some of these militants may be new entries hoping to receive the benefits of demobilizing, including training and job placement. This is a chronic problem associated with demobilization programs – since they provide resources to those responsible for violence, it appears the state is caving to extortion. This provides incentives for others to lodge extortionate demands of their own.

Despite these lingering issues, the amnesty appears to have had a positive effect on the oil industry. Production has risen 15% since 2008, and is closer to the former peak (reached in 2005). The number of recorded attacks on the industry – including bombings, kidnappings, hijackings, and acts of piracy – has declined remarkably since 2008. Some 26,000 militants are now out of the field, and, with international support, they may stay there. Making use of some of these newly minted law abiding citizens to root out bunkering could help advance the cause further still.

**Figure 44:** Attacks in Nigeria, 2008-2011

**Figure 45:** Nigerian oil production, 1980-2011

Source: Elaborated from IMB data and Bergen Risk Solutions

Source: Energy Information Administration