



# Pipeline surveillance contracts in the Niger Delta

## Summary

Pipeline surveillance contracts are awarded to private firms by government agencies and oil companies. Surveillance contractors are ostensibly tasked with monitoring sections of oil pipeline, identifying any breaks and protecting them from vandalism. However, the concept of pipeline surveillance contracts in the Niger Delta is a misnomer. They rarely involve any actual surveillance, but are used as a disguised 'payment for peace' to agitator groups and as patronage for political allies. Factors such as a lack of local participation in the oil and gas industry necessitate the existence of this system of pipeline surveillance, to avoid pipeline vandalism and other criminal activities that may disrupt oil and gas production.

Pipeline surveillance contracts have similar short-term effects as amnesty programme payments to ex-agitators. They are not sustainable, especially as they are not part of a more holistic security and development plan. There is growing pressure among a number of regional stakeholders for community pipeline surveillance as part of a solution to protect oil and gas infrastructure. However, there has been no tangible progress made by the Federal Government towards implementation, and it remains unclear whether a community-based system could avoid the pitfalls of the current approach.

## Recommendations

1. Ensure full transparency of the award process of pipeline surveillance contracts. The Bureau of Public Procurement (BPP) should be fully involved to ensure fairness, transparency and competitiveness of the award process.
2. The Economic and Financial Crimes Commission (EFCC) and the Department of State Services (DSS) should increase scrutiny of the award process of pipeline surveillance contracts and conduct thorough background checks on both pipeline surveillance contractors and private security companies to minimise the scope for bribery and kickbacks.
3. Design and pilot non-militarised community-based pipeline surveillance approaches that integrate industry best practices and regulations.
4. Empower the National Oil Spill Detection and Response Agency (NOSDRA) to inspect pipeline infrastructure (as per the draft NOSDRA Amendment Bill passed by the National Assembly in 2018), and consider whether NOSDRA could or should be supported to monitor implementation of pipeline surveillance contracts.
5. Expand the requirements of pipeline surveillance contracting to allow for performance measurement and management. Add skilled roles to improve the character of surveillance work and productivity in host communities.

# Introduction

This briefing paper explains the concept of pipeline surveillance contracts in the Niger Delta – how they work, impacts and implications, and the growing pressure for community pipeline surveillance as part of a solution to protect oil and gas assets in the region. It is based on discussions with pipeline surveillance contractors, interviews with local researchers, and desk research.

there was a resurgence in militant attacks on oil infrastructure, particularly in Delta State. The existence of pipeline surveillance is therefore necessitated by pipeline infrastructure which is vulnerable to attacks, and the lack of local participation or ownership in the oil and gas industry. Contracts are seen by government and oil companies as a viable way to increase participation, and have become a common demand by ex-agitators, local civil society groups, and the public when debating natural resource control in the Niger Delta.

## What are pipeline surveillance contracts?

Companies have sought to placate calls for renewal of aging and fault-prone pipeline infrastructure in the Niger Delta by instigating pipeline surveillance initiatives. The label ‘pipeline surveillance contract’ is a misnomer, as such contracts rarely involve any actual surveillance. Instead, our field research reveals that they function as a vehicle for channeling funds from government entities (federal, state, or local) or private companies operating in the oil sector to ex-militants and young people in the community. In exchange for these contracts, beneficiaries are supposed to refrain from engaging in pipeline destruction and other criminal activity that disrupts oil and gas extraction. Indeed, those who are ‘employed’ by pipeline surveillance contractors function almost as ‘ghost workers’ and rarely carry out any actual work.<sup>1</sup>

In this context, pipeline surveillance contracts function as a palliative for reduced, diverted or discontinued Presidential Amnesty Programme (PAP) payments because when such contracts end, ex-militants feel at liberty to engage in pipeline sabotage and related criminal activities once again. For example, when President Muhammadu Buhari abruptly stopped surveillance contract payments in June 2015, shortly after he took office,

## How they work

The details of pipeline surveillance contracts are rarely made public, purportedly for security reasons. Federal and state government officials frequently cite such concerns to justify withholding information about schemes involving security sector corruption.<sup>2</sup> The security-related nature of these contracts also exempts them from competition, transparency, and oversight provisions within the Public Procurement Act of 2007, making them even more prone to corruption and political manipulation than other government contracts.

We do know that pipeline surveillance contracts have a defined duration and geographic scope that relates to specific pieces of oil and gas infrastructure (e.g. a stretch of pipeline or oil field). Conversely, the value of a contract does not relate to the surveillance costs or replacement value of that infrastructure, or some other quantitative measure (e.g. length, area). Instead, contract amounts vary depending on how many ‘boys’ the company’s ex-militant operators claim to have under their command, and thus need to financially appease.

Another factor is the political influence enjoyed by those who control a pipeline surveillance company. Both the All Progressives Congress (APC) and People’s Democratic Party (PDP) use state-and corporate-sponsored pipeline surveillance contracts as a form of political patronage,

<sup>1</sup> Interview with senior Bayelsa State government official, 23 April 2018.

<sup>2</sup> Eva Anderson and Matthew T. Page. Weaponising Transparency: Defence Procurement Reform as a Counterterrorism Strategy in Nigeria. (Transparency International, 2017).

according to those interviewed for our research. One local researcher noted, for example, that a security official with the Nigerian Agip Oil Company (NAOC) is an APC loyalist and ensures that the company's surveillance contracts are awarded to party stalwarts.<sup>3</sup> Likewise, a few months before the 2015 elections, the PDP-led federal government awarded large

short-term surveillance contracts to firms controlled by ex-militant allies.<sup>4</sup> In Rivers State, pipeline surveillance contractors have reportedly shifted their support away from the APC (former Governor Rotimi Amaechi's party) to the PDP (the party of incumbent governor Nyesom Wike), coinciding with the shift in political power at Governorship level.

## A day in the life of a pipeline surveillance contractor

In April 2018, SDN interviewed a pipeline surveillance contractor from a coastal community in Rivers State. His firm has been contracted to perform pipeline surveillance work for an international oil company for a number of years.

He explained that each of the four major oil companies operating in the area have separate pipelines; each use surveillance contractors like him to monitor, and ensure access to, that infrastructure. His contract is renewed annually, but the duration of other companies' contracts varies. It stipulates that he must undertake a quarterly inspection of a set number of kilometers of gas pipeline.

When the pipeline was built in the early 2000s, it was buried roughly 10 metres deep, but parts have since surfaced as a result of coastal erosion. This exposure increases the risk of 'community boys', believing it conveys crude oil, breaking into it. Part of his job is to sensitize the community to the fact that the pipeline carries gas, and that breaking it would cause a fire or explosion that could kill them and damage the community.

Beyond these scheduled tasks, the pipeline surveillance contractor also performs liaison duties for the international oil company, and moonlights for other firms seeking to carry out projects or other work in the community. According to the contractor, if the company comes to do work on the pipeline without using



someone like him as an intermediary, they will immediately encounter 'community issues' (resistance). Community members are hostile toward oil company workers that wear company-branded gear and so he ensures workers wear plain clothes and identify as his workers when they are on the job.

Through the network of relationships the pipeline surveillance contractor maintains across communities, he is able to neutralise such opposition by distributing 'royalties' to 'settle' with chiefs, elders, young people, and women's groups before work begins. These demands typically amount to 10%-15% of the value of the work to be done. He keeps track of the total amount of money he distributes and the international oil company reimburses him, depositing that amount into his bank account. The contractor is not responsible for dealing with the local government chairman; the international oil company 'settles' with him directly, using payments euphemistically known as 'local content'.

<sup>3</sup> Interview with local researchers based in Delta, Bayelsa and Rivers states, 23 April 2018.

<sup>4</sup> Interview with senior Bayelsa State government official, 23 April 2018.

# Pipeline surveillance contracts: short-term impact and long-term implications

In the short-term, surveillance contracts have effects similar to PAP payments. They represent a revenue stream for young people in the Niger Delta and, indirectly, communities that remain vulnerable to militancy and the damaging socioeconomic consequences of oil and gas production. Pipeline surveillance contracts have few opportunity costs for local young people; they do not involve any actual duties, they do not preclude them from engaging in other forms of employment, and may provide them with an opportunity to raise their profiles and expand their personal network.

Over the longer-term, however, the stability implications of pipeline surveillance contracts are concerning because they risk:

- Unravelling due to shifting political and economic realities. Like the PAP, the long-term sustainability of pipeline surveillance contracts remains unclear. These contracts are not part of coherent plan to stabilise or promote development in the Niger Delta, but serve as ad hoc tools the state and oil companies use to enter into protection racket-like arrangements with local ‘violence entrepreneurs’. Such deals can unravel as political and economic incentives, for either side, change over time.
- Undermining security agencies. Pipeline security contracts further blur the distinction between state security agencies and non-state actors in the Niger Delta. Already, security personnel are deeply involved in abetting and protecting criminal activities in the region – such as oil theft, artisanal refining, and sea piracy – in exchange for lucrative payoffs. Military units, for example, maintain static positions – known as ‘federal lines’ – giving criminal elements they work with ample room to operate around them.<sup>5</sup> Pipeline surveillance contractors – who, under Nigerian law, must be unarmed<sup>6</sup> – work closely with, and pay stipends to, armed police and military personnel. Under such arrangements, it becomes less clear whether the security contractor is working on behalf of the security agencies, or vice versa.
- Creating private armies. Ex-militants engaged in pipeline surveillance contracts often maintain their own gunboats and can request fire support from locally deployed helicopter gunships, combat aircraft, and naval vessels. Over the last year, joint operations involving the military and surveillance contractors inflicted major damage on several communities, including the town of Bille in Rivers State.<sup>7</sup>
- Empowering and enriching violence entrepreneurs. Pipeline surveillance contracts are highly lucrative for those ex-militants who control the companies that receive them. These leaders often “eat from every dish”, ensuring they are paid by those seeking to protect, sabotage, or repair the pipelines within

<sup>5</sup> Interview with senior Bayelsa State government official, 23 April 2018.

<sup>6</sup> It should be noted, however, that in practice this law is often not followed

<sup>7</sup> Research including interview with soldiers in Bille, October 2016.

<sup>8</sup> Interview with local researchers based in Delta, Bayelsa and Rivers states, 23 April 2018.

their geographic area of responsibility. According to one local researcher, ex-militants involved in pipeline surveillance “are not going hungry”, rather their houses “glitter with gold”<sup>8</sup>. Contracts that employ locals can build or reinforce grassroots support for ex-militants but can risk resentment if other violence entrepreneurs are not included in the arrangement.

- **Setting the scene for future disputes.** The creation of high-value pipeline surveillance contracts has created a new arena of ‘do-or-die’ competition between rival networks of state and local politicians, businesspeople, and ex-militants. This competition increased post-2015, when the Buhari government stopped awarding contracts to regional consortiums like Bajeros and Adef, choosing to pursue a more decentralised approach. The ex-militant leaders involved in these two mega-firms broke away to set up their own personalised firms. This increased the competition for pipeline surveillance ‘rents’ between, and amongst, ex-militants, vigilantes, cult gangs, politicians, and local chiefs. Looking ahead, competition over surveillance contracts between these protagonists and aspiring newcomers is likely to increase and could turn deadly.
- **Displacing more sustainable livelihoods.** Both pipeline sabotage and crude oil theft – and its respective offshoot industries, pipeline surveillance and artisanal oil refining – are far more lucrative than traditional livelihoods like farming or fishing. According to one state official, local people treat pipelines like a “farm they can see” where they can ‘cultivate’ the oil by tapping into the

pipelines and selling it to artisan refiners.<sup>9</sup> Alternatively, they can refrain from doing so in exchange for compensation in the form of surveillance contracts. Many Niger Delta communities are increasingly reliant on ‘cultivating’ pipelines in this way. In doing so, however, they are supplanting more sustainable livelihoods that, while not as lucrative, involve fewer risks and negative impacts.



## Growing pressure for community pipeline surveillance

‘Community pipeline surveillance’ is a term used to describe stewardship of oil and gas infrastructure by host or impacted communities in the Niger Delta. The concept has gained popularity over the last few years, been encouraged by government messaging, and been endorsed by an array of stakeholders.

In the recommendations for peace and development outlined by the Pan-Niger Delta Elder’s Forum (PANDEF) in November 2016, point 8 on “Security Surveillance and Protection of Oil and Gas

<sup>9</sup> *Interview with senior Bayelsa State government official, 23 April 2018.*

Infrastructure” requested responsibility be given to “communities rather than individuals in a manner that ties some benefits to their responsibility.” The 16-point agenda formed the basis of a ceasefire, and was endorsed by many powerful ex-militants in the region who hold surveillance contracts, implying they support the proposition.

Partnership in pipeline surveillance became one of the areas in the oil and gas sector that the Presidency promised communities an increased role.<sup>10</sup> In addition, former Special Advisor to the President on Niger Delta, and Chairman of the Presidential Amnesty Programme, Gen (rtd.) P.T Boroh, announced “over 10,000 youths would be recruited to protect oil installations in the region” by the Federal Government, as a result of negotiations and planning with the Acting President.<sup>11</sup>

This increased expectation sparked preparations, most notably by the Host Communities of Nigeria (HOSTCOM), an umbrella organization that claims to have grassroots support across the region. HOSTCOM has since trained more than 5,000 in pipeline surveillance, established five state companies registered for

surveillance (Akwa Ibom, Delta, Edo, Ondo, and Rivers), and continues to grow its membership base in communities.

Despite heavy pressure for community pipeline surveillance, there has been no tangible progress made by the Federal Government towards implementation. Theories have started spreading that it was part of a broader strategy to get citizens of the Niger Delta on board for 2019 elections. Pipeline tappers and artisanal refiners who were promised surveillance roles (and modular refinery jobs) are already returning to business as usual, and others will join them unless there is action.

However, community pipeline surveillance may not solve the problems of the existing pipeline surveillance approach. For instance, it would still be highly vulnerable to contest and capture by elite groups and patronage networks, and ensuring standards and quality over potentially hundreds of contracts would be extremely challenging. Any attempt to introduce community pipeline surveillance should therefore be designed to minimise, and monitored to detect, these potential challenges.

<sup>10</sup> *February 2017: Acting President promised a “partnership with the oil producing communities” and the Inter-Ministerial Committee on Niger Delta was mandated to design and implement a coordinated development response to the 16-point agenda*

<sup>11</sup> <https://www.youtube.com/watch?v=WaVgKHE2vuk>

# Recommendations

## 1. Disclose the amount of money spent on pipeline surveillance, and to whom, to ensure competitiveness

Federal Ministries, Departments and Agencies, state, and local governments should transparently budget for, and announce the award of, pipeline surveillance and waterways security contracts. Only bodies/institutions with an infrastructure security mandate should be able to award and terminate contracts, and the Bureau of Public Procurement should be involved to ensure maximum competitiveness.

Nigeria's international partners should put pressure on the government, as well as international and domestic oil companies, to publish details about their pipeline security contracts and share lessons learned with one another.

## 2. Increase scrutiny of the award process for contracts to reduce political influence

The Financial Crimes Commission (EFCC) and the Department of State Services (DSS) should conduct due diligence and background checks on recipients of pipeline surveillance contracts to minimise the scope for bribery and kickbacks, and ensure that private security companies are not involved in facilitating the type of activities they are being paid public funds to prevent.

## 3. Design and pilot non-militarised community-based pipeline surveillance approaches that integrate industry best practices and regulations

This should be trialed via pilots that leverage local knowledge as well as the experience of existing contractors, with structures that ensure protection from capture or control by powerful local individuals. The European Union and Federal Government's Department of Petroleum Resources are currently designing a strategy, so others can support this process.

## 4. Empower the National Oil Spills Detection and Response Agency (NOSDRA) to inspect pipeline infrastructure

The National Assembly passed the NOSDRA Amendment Bill in 2018, with a provision to enable the inspection of pipeline infrastructure to prevent oil spills, but the President declined to sign the bill in January 2019. The National Assembly should work with the Presidency to ensure the bill can be passed, maintaining its provisions to strengthen NOSDRA's remit to ensure the prevention of, and prompt response to, oil spill pollution. Extending NOSDRA's role to monitoring pipeline surveillance work could also be piloted, as part of a trial of community-based pipeline surveillance.

## 5. Expand the requirements of pipeline surveillance contracting

Contractors typically carry out pipeline surveillance activities only in reaction to attacks, if at all. Ensuring contract payments are performance-based, adding skilled roles, and daily activities would improve the character of surveillance work, and provide productive employment in host communities. If extended to recording and reporting the integrity of pipeline infrastructure to oil and gas companies and a national regulator, companies would be helping highlight areas vulnerable to attacks or leakages.



Published by SDN, June 2019

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