

Oil Theft, Budget Deficit and the Crisis of Economic Decline in Nigeria

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Abstract: The paper explores the problem of oil theft, budget deficit and economic crisis in Nigeria. In doing this, secondary sources of data collection were used. The paper establishes that Nigeria is on the verge of a major fiscal crisis following unabated massive theft of crude oil in the Niger Delta. It is said that oil theft/illegal oil bunkering costs the federal government \$1 billion every month. Oil theft is perceived as a consequence of the State's incapacity to bring succour to the populace in the Niger Delta and their desperation to meet their necessities. An analysis of oil theft in the context of the political economy theory reveals that it is a consequence of government's exploitation of the Niger Deltans, the horrors brought about by oil exploration; the desperation of the Niger Deltans to change the social order; government's repression of Niger Delta agitations and economic scarcity experienced by the Niger Deltans. Oil theft is part of a continuum which started with mild agitations, protests, intense activism and disruption of oil production. Apart from some Niger Deltans, top government officials, Multinational Corporation staff, the navy, soldiers and the police are involved in illegal oil bunkering. To halt oil theft would require the government, MNCs, security officials and the Niger Deltans to act in synergy in curbing the trend.

Keywords: Oil Theft, Budget, Economic Decline, Oil Benchmark, Medium Term Expenditure Framework and Fiscal.

INTRODUCTION

According to the CBN [1] crude oil theft in Nigeria has reached an unprecedented and sustained level, with approximately between 100,000 – 150,000 barrels of the black gold stolen every day. This coupled with the global oil market price and other exogenous factors have combined to paint a gloomy future for Africa's largest and the world's fifth producer of oil. It is against this background of dwindling resources accruing to the Federation Account from the oil which hitherto, accounted for 95 per cent of government receipts, but has dropped to 58 per cent as at July this year, that the 2014 Appropriation Bill now before the National Assembly was crafted. The 2014 estimate of N4.642 trillion which is slightly lower than last year's budget, has three broad thrust of job creation, infrastructure development and efficient management of cost of governance. Of the amount, N1.1 trillion or 27.29 per cent is for capital expenditure while the balance which is about 72.71 per cent is for recurrent expenditure. The budget is anchored on the benchmark oil price of \$77.5 per barrel on production of 2.3883 million barrels per day and an average exchange rate of N160 to a dollar, same as in 2013[2].

Attah, [3], further noted that disagreement over the benchmark oil price led to several postponements in presenting the budget before the National Assembly

with the two Chambers singing different tunes which were also at variance with that of the Executive. The Presidency had proposed \$74 per barrel, while the Senate decided on \$76 per barrel, with the House of Representatives insisting on \$79. In the Medium Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP) document, government proposed a benchmark oil price of \$74pb for 2014, \$75pb for 2015, and \$76pb in 2016, having taken account of the outlook of weakening futures prices occasioned by rising oil and unconventional oil supplies, as well as slow economic recovery. In arriving at the benchmark, the government noted that the last decade has seen oil prices rise to record levels, peaking in July 2008 at \$148 per barrel but have been trending downwards since 2012 with looser demand-supply balance. It said the recent discovery and exploitation of shale oil and gas in the US has raised questions regarding the likely impact on global energy markets and the price of oil. These developments suggest that there could be lower demand for Nigeria's crude oil in the near future, and thus, necessitates more prudent management of the limited available resources and the building of fiscal buffers to enable the country respond effectively to any negative impact that this development may have on the international oil price in the near term⁴. According to the Medium Term Expenditure Framework and Fiscal Strategy Paper[5] document for 2014, the benefits of

having had adequate buffers during recent budget revenue challenges cannot be overemphasized. Therefore, it is necessary to avoid engaging in pro-cyclical policies that could necessitate spending cuts in the middle of a possible downturn which will unnecessarily damage the potential for economic recovery and growth.

To correct the disparity in the oil benchmark, Achese [6] noted that the joint committees of the national assembly had to meet several times before overcoming the impasse. However, the Minister of Finance and Coordinating Minister for the Economy, Ngozi Okonjo-Iweala[7], in her presentation, notes that the budget is the budget for job creation and inclusive growth; meaning that it is a budget which will continue the president's transformation agenda for several sectors of the economy. Achese[8], further assert that the Minister of Finance and Coordinating Minister for the Economy affirms that the budget is going to support the push in agriculture; it will kick-start the housing sector where we can create more jobs; it is designed to promote our policies that would support manufacturing because jobs would be created there. She added that industries will also be created in solid minerals to be create job, which the Minister notes is the key to really solving the problems of the Nigerian economy.

In the budget proposal, expected government revenue for 2014 is N3.73 trillion resulting in a deficit of 1.9 per cent of GDP. A worrying feature in the fiscal operations of the Federal Government has been the issue of mounting deficits. The Central Bank report [9] indicated that while the overall deficit of the Federal Government at \$975.7 billion last year was within the range, results of the fiscal operations of the government in this year's budget so far, has gone out of gear. According to the CBN's Economic Report for the second quarter of (2013)[9], the Federal Government's spending activities between April and June resulted in a N432.12 billion deficit. This amount represents 4.8 per cent of the nation's Gross Domestic Product (GDP), and almost doubled the N221.77 billion or 3.1 per cent of GDP envisaged for the same period in the year 2014 budget. The report revealed a total federally-collected revenue of N2.37 trillion within the period, which translates to a 2.3 per cent fall from the first quarter's figures, a 5.2 per cent and 16.4 per cent drop, when compared with the corresponding period of 2012 and the budget estimate respectively[11].

Again, in August 2013, the CBN[12] reported an estimated deficit of N100.28 billion, compared with the monthly budget estimate of N73.92 billion deficit. The Federal Government's retained earnings stood at N261.88 billion in August, representing a 10.3 per cent drop when compared with receipts in July, and 35.9 per cent from the monthly budget estimate. However, Okonjo-Iweala the Minister of Finance and the

Coordinating Minister for the Economy, attributed the country's dwindling revenue from oil which accounted for 95 per cent of government receipts, but has now dropped to 58 per cent as at July, to both external and internal challenges[13]. Yet, the Central Bank report[14] noted that another issue which has derailed from the laid down trajectory is that of recurrent expenditure which instead of maintaining a downward trend was on the increase at 72 per cent. However, this estimate in the 2014 appropriation bill was explained in the Medium Term Expenditure Framework/ Fiscal Strategy Paper (MTEF/FSP). In the document, government rationalized efforts to correct the imbalance between recurrent and capital spending, which, in 2011 had been at 74.4% recurrent and 25.6% for capital. The CBN[15], noted that between 2011 and 2013, the organization was able to reduce the share of recurrent spending to about 68% and raise capital to about 32%. However, because of the new challenges occasioned by the projected significant reduction in revenue in 2014, there will be a temporary dip in the share of capital spending to about 26.22% (inclusive of the capital component of statutory transfer entities). The paper will examine oil theft, its relationship with budget deficit and economic crisis in Nigeria.

Fundamentals of Oil Theft in Nigeria

Oil theft or bunkering is the process whereby crude oil is illegally siphoned straight from the pipeline onto barges, which transfer the load onto ships waiting offshore. This oil is then sold without a licence or authorisation from the state-run Nigerian National Petroleum Corporation (NNPC), and without payment of taxes, levies, and dues to the Nigeria Government. Illegal bunkering is a response to the inequality of wealth in Nigeria, both an economic and social condition whereby great wealth is accrued by a marginal elite within the oil and gas industry. This is made possible due to the Nigerian Government's inability to control corruption within the oil and gas sector. Many of the oil thieves operating in the Niger Delta believe they are taking oil that is rightfully theirs, but which has been denied them by the corrupt elite of the Nigerian oil industry[16]. Thieves are able to access the crude oil due to exposed pipelines, the source of stolen crude oil. A leaked copy of a confidential report by Shell describes a method known as 'hot tapping', also known as 'under pressure drilling', whereby thieves use hacksaws to damage pipelines, forcing oil companies to shut down oil flow on the affected pipeline. Once this is done, the oil thieves install bunkering points on the hacked portion of the exposed pipes and attach hoses and suction instruments to the pipes. Once oil starts flowing through the pipelines again, they are able to siphon the flowing crude to locally made barges or large canoes named Cotonu boats. These barges are said to be able to store up to 40,000 barrels of crude oil at a time. The alternate method, known as 'cold-tapping', is the process

whereby oil bunkering gangs blow up a pipeline, using dynamite or any other available explosive, putting it out of use long enough for them to attach their spur pipeline. This method requires prior knowledge of the oil companies' operational hours, so that they can target at an opportune moment[17].

The oil thieves sell their stolen oil both on the domestic and international markets. The oil is either sold to local refineries in the creeks or to large offshore tankers waiting to transport the cargoes to the international markets. The leaked Shell report confirms that the portion that is sold to the local refineries in the creeks is refined into diesel, transferred to a storage depot and then sold in the local Nigerian market. The stolen and locally refined diesel is sold at about N150 (US\$ 00.95) per litre compared to the official price of N190 (US\$ 1.20) per litre. The illegal oil has also been known to be traded in international waters. Once it reaches international waters via boat, illegal oil receives a "stamp of legitimacy" from international corporations, thereby transforming it into a legal commodity. The proceeds of the crude oil are then able to be legitimately transferred back to Nigerian banks disguised as the proceeds of a legal transaction[18].

In an effort to tackle the crisis occasioned by the activities of militant youths in the oil rich Niger delta region, the federal government of Nigeria, under the Late President Umaru Yar-Adua, initiated an Amnesty Programme to rehabilitate and reintegrate ex-militants who were ready to surrender their weapons in order to be reintegrated back into the society[19]. The Amnesty Programme which kicked off on October 4th 2009 was perceived by some Nigerians as a mere palliative that would not solve the underlying problems in the region. Even though kidnapping of oil workers and obstruction of oil production have reduced significantly, oil theft seems to be the innovation that has replaced the problems in the Niger Delta creeks. There have been increasing and worrisome reports of incidences of illegal oil bunkering and unauthorized local refineries in the Niger Delta. An estimated 100,000 to 250,000 barrels of crude oil are believed to be stolen, and about \$1 billion in revenue lost to the oil thieves daily[20]. This is a disturbing trend, considering that the Nigerian economy relies mainly on oil which accounts for 80 per cent of the country's revenue.

In response to this, the Federal Government established a special security outfit to check the menace. The outfit comprising the Army, Navy and paramilitary agencies is known as Joint Military Task Force (JTF). It is mandated to curb and possibly put an end to illegal bunkering in the oil-rich region. Since its establishment, the Joint Task Force has on several occasions launched offensive operations on the oil thieves[21]. The outfit has paraded several suspected oil thieves and operators of illegal refineries in the creeks

of Niger Delta leading to the destruction or recovery of several barges, canoes, speed and large wooden boats. The Task Force has also confiscated drums of oil and other container vessels filled with stolen crude oil. In some parts of Niger Delta, the JTF has destroyed almost 500 illegal refineries which were used to produce poorly refined Automotive Gas Oil (AGO/diesel) and Premium Motor Spirit (PMS/petrol). The former Naval Commander in charge of Bonny, Rivers State, Navy Captain Tanko Yakubu Pani,[22] said "The illegal refining activities taking place within the creeks and environs are alarming. The activities have led to pipeline vandalism, river and land pollution, environmental degradation, oil theft and loss of revenue to the Federal Government. The poorly-refined products, when sold and distributed, result in economic and health disasters, such as vehicle breakdown and kerosene explosions, among others." Pani[23] added that the zeal with which destroyed refineries are quickly reconstructed or built confirms the fact that high profile people are behind the illegal business in the region. But the Commander of JTF, Major-General Sarkin Yarki Bello[24], expressed belief that oil bunkering activities will soon be reduced to the barest minimum after the arrest of a vessel named "MT B VESSEL" in Warri, Delta State. Bello[25] said "The elimination of illegal oil bunkering and related acts of economic sabotage in the Niger Delta remain one of the major tasks of the JTF. We have been battling the increasing spate of illegal refineries, which has become a matter of serious concern. Because of the proactive measures taken by the JTF, incidents of illegal bunkering had reduced". Industry stakeholders have continued to react to the high incidence of illegal oil bunkering. One of the oil companies which have been seriously affected by the trend in recent times is Shell Petroleum Development Company (SPDC). The company's Media Relations Officer, Mr. Joseph Obari said illegal bunkering and makeshift refineries have impeded production. According to Obari[26], "The Shell Petroleum Development Company of Nigeria (SPDC) Joint Venture suffers a daily loss of at least 43,000 barrels to crude theft and illegal bunkering, in a trend that negatively impacts the environment, robs the country of badly needed revenue and fuels criminality in communities".

Oil theft, budget deficit and economic crisis in Nigeria: X-raying its impact and implications

Without doubt, the effect of incessant crude oil theft in Nigeria has dented the image of the country in the foreign domain. The lucrative, but illicit trade has further placed the country high among corrupt countries in the World. It is sad to note that crude oil theft has drastically affected the daily crude production from about 2.7mbpd to 2.4mbpd. For instance, the then Managing Director of Shell Petroleum Development Company, Mr Mutiu Sumonu[27] noted that SPDC alone is losing about 60,000bpd in the Nembe Creek

Trunk line that runs from Nembe in Bayelsa through Niger Delta region to Bonny Island in Rivers State. Not to talk of other E & P companies whose crude stolen cannot be precisely quantified[28]. In 2012, an exasperated President Goodluck Jonathan, with a tone of finality, declared theft of the country's oil in the Niger Delta must be stopped. Jonathan had lamented that Nigeria is the only place on the planet where crude oil is stolen. The President's frustration and threat to put an end to oil theft made no impression on the thieves who, with unfettered relish, have ramped up their larceny to a level unprecedented. In August 2012, ENI, the Italian oil company, suspended its operations in Bayelsa State on account of unremitting assault on its pipelines by oil thieves. Currently, its onshore activities remain suspended, while it has been operating at a loss because of sabotage that has affected about 60 per cent of its production capacity. In announcing the suspension of operations, ENI, which was producing an average of 40,000 barrels daily, said the haemorrhage it suffered "had reached levels that were no longer sustainable recently, both from the point of view of safety for people and for the damage caused to the environment by these activities"[29].

Anglo-Dutch company, Shell Petroleum Development Corporation, SPDC, has not had better luck. In the last two years, the company has had to endure the loss of over 60,000 barrels of oil daily to oil thieves. SPDC operates a network of more than 9,000 kilometers of pipelines, particularly along the Nembe Creek Trunk Line, NCTL. The NCTL, which stretches over a 97-kilometre distance, serves as one of the main crude evacuation facilities in the Niger Delta, transporting both SPDC and third party output to the Bonny Terminal. SPDC's attempt in 2010 to boost its onshore activities via the investment of \$1.1billion to replace the old NCTL yielded a wretched outcome, as it made the facility more attractive to the criminals, who made it a constant target. This resulted in frequent shutdowns to effect repairs on the pipelines[30].

According to Sunmonu[31] in December 2011, due to a spill caused by an unsuccessful attempt by oil thieves to cut into a pipeline for crude theft connections, SPDC was forced to order a shutdown for repairs. After the repairs, the situation worsened. On 2 May, 2012, the trunk line had to be shutdown to mend 50 crude theft points. Like others in the industry, Mutiu Sunmonu, SPDC Managing Director, is perplexed at the staggering amount of oil being stolen through pipeline rupture and the emergence of illegal refining activities. Sunmonu[32] says, "We estimate that some 150,000 barrels of oil are stolen from facilities every day. This is a huge amount and this industrial scale theft is devastating for both the people and the environment". In locations where the oil thieves operate, thick smoke billows from the illegal refineries, a hint of boldness that was absent when the illicit trade was strictly for

subsistence. Back then, thieves broke pipelines to siphon modest amounts of crude oil, which were crudely refined to obtain adulterated kerosine, which was sold for quick cash for survival. From the foregoing, it seems the 'new game' in town is played on a scale that has yoked major oil companies with huge losses. Currently, bunkering has been elevated by the perpetrators to the level of building barges, yards and storage depots for stolen oil. Concerning SPDC, Sunmonu[33] admits that the corporation is in a crisis that may force it to go the way of ENI. He noted that "Shell has already declared, in legal terms, that it cannot fulfil its contractual obligations due to incessant attacks on its pipelines. And it has actually been released from such contractual obligations due to the ugly trend". SPDC's he further affirm is seriously considering closing down the NCTL if the theft-induced pipeline attacks continue at the current levels.

Over the last seven years, Nigeria has suffered an estimated loss of \$6billion annually from crude oil theft. An estimated 150,000 barrels of crude oil, valued at \$35.5million, are daily plundered by rogues. Sunmonu reckons that as at 2003, crude oil theft stood at some 100,000 barrels per day. Even that was slashed by the SPDC in collaboration with the government. However, the current scale is beyond what oil companies can hope to curtail. Ziakede Patrick Akpobolokemi, the then Director-General, Nigerian Maritime Administration and Safety Agency, NIMASA, explained that things have spun out of control because of the involvement of rich and influential individuals, who provide logistical support that has made oil pilfering smoother. He attributes the inability of government to successfully check the actions of the oil thieves to this factor[34]. This view is similar to that of Ewa Bassey Eko, Chairman, House of Representatives Committee on Gas Resources, who said: "Some politicians, including governors and highly placed individuals, are involved in illegal bunkering because this thing involves some level of sophistication." An evidence of the sophistication Eko referred to is supplied by quick reconstruction of illegal refineries that are regularly destroyed by the Joint Task Force consisting of the Army, Navy and paramilitary agencies[35]. The quick rebuilding also offers an evidence of the profitability of the business and the support of powerful individuals that are sure of a market to which the illegal products are supplied. This informed Sunmonu's conclusion that bunkering in the Niger Delta is currently a well-funded criminal activity, probably involving international syndicates. The SPDC boss said that "If you fly the whole of our operational areas in the Niger Delta, you will see canoes, barges, and illegal refineries all over the place. The matter goes beyond the economics of financial losses to security as some of these illegal oil bunkering operators appear to have the support of some foreign countries". In some quarters, the escalation of illicit bunkering has been

attributed to the interest of the United States of America, which imports about 25 per cent of the world's oil. Eleven per cent of such imports are said to be illegal, encouraging illegal oil merchants to stick to their trade. The U.S remains the largest importer of Nigeria's crude oil, accounting for 40 per cent of the country's total oil exports. Nigeria provides about 10 per cent of overall U.S oil imports and ranks as the fifth largest source for oil exports into the US[36].

According to Osaneku[37], the Organisation of Petroleum Exporting Countries, OPEC, declared recently that supply in Nigeria has fallen in the last few months, following disruptions by oil spills and theft. Consequently, oil corporations in Nigeria have failed in recent times to meet their supply quota as expected by OPEC. A survey of shipping data at OPEC, with statistics from Reuters, indicated that crude oil supply from the OPEC should average 30.18 million barrels per day (bpd), down from 30.42 million bpd in February 2013. For the oil thieves, the marshlands of the Niger Delta are a boon. Tony Attah, SPDC's Vice President, Health Security and Environment and Corporate Affairs, expressed grave concern to this magazine about the level of sophistication, huge investments and the audacity of the oil thieves. He regretted that many people are sitting back and thinking that what is happening now is just a Shell problem. Attah[38], said the colossal damage to the environment, which has a direct impact on the society, is enough cause for concern to the West African sub-region.

On his part, the Federal Government said it had lost N191billion (\$1.23billion) to oil theft and vandalism in the first quarter of this year on account of aggravating crude oil theft. According to official statistics, the oil sector contributed about 14.75 per cent to real GDP in the first quarter of 2013, compared to the contribution in the first quarter of 2012 which was recorded at 15.80 per cent, and 12.59 per cent in the fourth quarter of 2012[39]. This is a manifestation of reduced output in the oil sector in the first quarter of 2013 compared to the corresponding quarter of 2012 due to increasing vandalism, illegal bunkering and oil theft. The colossal loss in output is aggravated by the force majeure declared by some oil producing companies in the Niger Delta region. Between 2009 and 2012, the Nigerian oil sector witnessed some levels of disruptions as a result of pipeline vandalism and bunkering incidents with some oil companies such as Eni (Agip) declaring force majeure during the quarter," the National Bureau of Statistics (NBS) said. However the Nigerian Union of Petroleum and Natural Gas Workers (NUPENG), is critical about the incessant force majeure being declared by major oil companies in the Niger Delta region, saying that it was dangerous for Nigeria's economic stability. In a statement by its President, IgweAchese, NUPENG said: "We are worried about the incessant force majeure being

declared by oil majors, especially Shell Petroleum Development Company and, recently, by Agip Oil Company in their oil fields in the Niger Delta, due to illegal oil bunkering." It said, the Union read with consternation, the shutting down of the Italian oil firm, Agip's swamp area oil fields in Bayelsa State, which produce about 40,000 barrels of crude oil daily, due to incessant illegal bunkering and pipelines vandalism[40]. According to the statement, it noted that Agip was losing about 7,000 barrels of its crude production daily to oil thieves in Bayelsa State, adding, " We condemn the act of illegal bunkering and theft of crude oil as it is robbing the nation of the needed foreign exchange that should be used for developmental purposes.

The CBN Economic Report for April 2013 said the country lost \$304 million (N48.64 billion), following a 1.5 per cent dip in crude oil production and another \$95 million (N15.2 billion), following a decline in crude export. With an estimated average of US\$105.68 per barrel for the month, the report said Nigeria earned \$6.246 billion (N999.36 billion) from crude oil production in April, compared with \$6.55 billion (N1.048 trillion) earned in the preceding month. According to the report, Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at an average of 1.97 million barrels per day or 59.10 million barrels for the month. This, the report said, was 0.03 million barrels per day or 1.5 per cent below the average of 2.00 million barrels per day or 62.0 million barrels produced in the preceding month. Also, the report stated that Nigeria's earnings from crude export dropped by \$95 million (N15.2 billion), as the country exported crude valued at \$4.819 billion (N771.04 billion) in the period under review, dropping by 1.9 per cent from \$4.914 billion (N786.240 billion) in March. Specifically, the country's crude export in April stood at 45.60 million barrels, compared with 46.5 million barrels exported in March. The report attributed the decrease in production to incessant pipeline vandalism and crude oil theft. Adding to the feeling of impending disaster is the apparent inability of the Federal Government to effectively combat sabotage or tidy up its messy management of oil revenues.

The signals of trouble are coming in cascades. Early in 2014, it was reported that expected revenues fell short by \$4.8 billion or N769.2 billion in the first quarter of this year following a drop in crude oil production by 43.92 million barrels. Spending plans outlined in the 2014 budget thereby suffered a 20.4 per cent shortfall. In its Economic Report for Q1, the Central Bank of Nigeria said crude production, including condensates and natural gas, averaged 1.9 million barrels per day, a far cry from the budgeted 2.38mbd and the estimated 2.6mbd capacity. The 2014 federal budget is clearly precarious, as are the budgets of the 36 states, the Federal Capital Territory and the 774 local governments, which are also dependent on oil

revenues for their survival. For ordinary Nigerians, the business community and our trading partners, the shortfalls spell bad news indeed since our governments typically scale down or abandon capital projects entirely when revenues fall, while ensuring that nothing stops recurrent expenditure. With only N2.4 trillion accruing to the Federation Account, 11.76 per cent short of the projected N2.72 trillion for the quarter, and oil receipts accounting for 74.9 per cent of this, President Goodluck Jonathan should have realised that it cannot be business as usual. This over-reliance on oil is becoming more unsustainable by the day. Last week, the International Energy Agency declared that oil theft and vandalism in Nigeria had contributed to missed Organisation of Petroleum Exporting Countries' production, export and price targets. Industry sources said Nigeria lost at least \$12 billion to oil theft in 2013. Shell assessed its losses for that year at about \$1 billion, while Agip said 60 per cent of its production in Nembe creek, Bayelsa State, was lost to thieves and vandals. The theft, which Chatham House, a British think tank, says has reached "industrial proportions," is not new and has been extensively reported in local and international mass media. The stolen crude is sold openly in the international spot market and a smaller fraction refined in illegal refineries. The dynamics of the well-organised racket, involving large and small ocean-going vessels, barges and a network of participants – the barons, local operatives, security, especially military, personnel, bureaucrats and politicians – are also well documented.

According to Osahon [41], members of the House Committee also expressed displeasure at the high incident of crude oil theft, saying that the House was worried by the fact that the country was losing about 400, 000 barrels of oil per day. Ajibola Muraino, Chairman of the Committee said the development was threatening Nigeria's revenue and if left unchecked, will attain a worrisome dimension. He was worried by the fact that the loss of 400,000 barrels of crude per day translated to a loss of about \$42.728 million (N6.836 billion) daily, \$1.282 billion (N205.08 billion) monthly or \$15.38 billion (N2.461 trillion) annually for the country. Muraino[42], declared that the amount recorded as a loss in 2013 could amount to equivalent of the total daily crude output of about 14 countries. Osahon[43] therefore urged the Federal Government to take steps towards addressing this worrisome trend, calling for an urgent military intervention in protecting oil facilities across the country. He said: "Limited funds availability has hindered DPR from carrying out what it should have done. Another issue is crude theft and gas flaring. "DPR alone cannot solve the issue of crude theft. Urgent steps need to be taken, such as military intervention." He appealed to the National Assembly to assist DPR in any way it could to address the challenges of crude theft and vandalism of oil facilities.

Aside from the obvious impact the illegal oil trade is having on the Nigerian economy and the resulting rising cost of production, the illegal trade has also had a negative impact on those who feel forced to partake in the theft as well as on people living in the areas where bunkering takes place. High unemployment and a lack of alternative employment opportunities have meant that individuals often partake in the illegal oil trade despite the significant risks involved[44]. The illegal oil trade is extremely dangerous, particularly for those utilising the 'cold-tapping' method which involves the use of explosives. While the explosions themselves can cause injury, those involved are also vulnerable to injury from a gas explosion, a common result of the practice, and from rashes due to contact with the harsh chemicals. Furthermore, people living around busted pipelines are also susceptible to disease and rashes from benzene contamination of the surrounding water for example. The oil trade also has the effect of fuelling conflict and violence in the Niger Delta. The area has had a violent history due to warring factions fighting over the resources in the oil rich region. Sabotage, and kidnappings have long been perpetrated by criminal gangs and militants who claim to be fighting to gain the local population a greater share of the country's oil wealth. This resource-fuelled violence has decreased dramatically since the amnesty deal for militants in the Niger Delta by the Nigerian Government aimed at reducing unrest was implemented in 2009. However, since then a precarious peace has resided in the Niger Delta, which the illegal oil trade threatens to upset.

Conclusion/Recommendations

From the foregoing, it is obvious that crude oil theft has negatively affected Nigeria's internal revenue and foreign reserve, that is, excess crude account (ECA). Recently, the country recorded revenue shortfall due to the constant attack on the 2b pipelines which is regarded as the economic arteries and livewires of the nation's economy. According to the Minister of petroleum, Allison Madueke [45], about \$12bn was lost to oil thieves and \$5bn was spent in the last one year on pipeline repairs caused by oil thief adding that such huge amount would have been used to address the issues of infrastructural development challenges affecting the growth of the economy. Thus, the menace had degenerated into a national crisis that could have adverse effects on effective and full implementation of the budget.

Crude oil theft leads to declaration of force majeure which prevents the E&P companies from meeting their contractual agreement. For instance, Shell's Nigeria Joint venture (SPDC JV), declared force majeure on Bonny and Forcados terminals. This is because of the production deferment caused by a burning vessel involved in crude oil theft from 28-inch Bomu-Bonny Trunk line. Base on this development,

over 150,000 barrels of oil per day were deferred. Also, Exxon Mobil declared force majeure in the wake of the leakage and fire outbreak at Trans-Niger pipeline which lead to deferment of revenue and other benefits. Thus, the war against crude oil theft is no longer a war against the poor people of Niger Delta but a war against the "big fishes" and powerful Nigerians with political connections which requires multidimensional approach. Also, Nigeria's satellite technology should be improved to show all the ships in Nigeria's offshore coastal water. Government should review all relevant laws, replacing it with stiffer punishment for oil thieves to serve as a deterrent to those that have the ambition of joining the illegal trade. As a matter of fact, all oil thieves suspects should be prosecuted and convicted by a separate court created for that purpose as a measure to instill fear into the cabal that are reaping from the evil trend. The joint military task force (JTF) and other security agencies should be reorganized to enable it meet the challenges and expose the sponsors of oil thieves along with their international collaborators. Federal Government agencies such as Department of Petroleum Resources (DPR), Petroleum Equalization Fund (PEF) should work out a model to tackle oil thieves that steal crude by forging crude oil and gas export clearance permit to avoid loading more than the quantity purchased. The Pipeline Product Marketing Company Limited (PPMC) in collaboration with the exploration and production companies (E&P) should device a more practical and scientific approach through electronic pipeline surveillance to track down oil thieves that steal crude by perforating pipelines, fix valves and hoses to the sea through which they siphoned crude into ship. Above all, the Federal Government should seek for international assistance from foreign countries where oil stolen from Nigeria is sold.

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