

**CRUDE OIL THEFT, PETRO-PIRACY AND ILLEGAL TRADE IN FUEL: AN  
ENTERPRISE-VALUE CHAIN PERSPECTIVE OF ENERGY-MARITIME CRIME IN  
THE GULF OF GUINEA**

**A DISSERTATION SUBMITTED TO THE DEPARTMENT OF POLITICS,  
PHILOSOPHY AND RELIGION (PPR), LANCASTER UNIVERSITY, LANCASTER,  
UNITED KINGDOM**

**IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE  
DEGREE OF DOCTOR OF PHILOSOPHY**

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**MAY 2018**

## **DEDICATION**

In memory of:

My grandma, Madam Aisha Balogun

My late brother, Waheed Olaide Balogun

My friend, Dr Ismail Oladimeji Soile

## **DECLARATION**

I declare that this thesis is the result of my own work and has not been submitted in substantially the same form for the award of a higher degree elsewhere.

**Wasiu A. Balogun**

## ACKNOWLEDGEMENTS

This research work would not have been a success without the contribution of various individuals and institutions in Nigeria, Ghana, Republic of Benin, the Gulf of Guinea Commission, Angola and United Kingdom. It is difficult mentioning them all here so I want to use this opportunity to express my appreciation to a few who played a crucial role.

First and foremost, I gratefully acknowledge the funding received towards my PhD from the Petroleum Technology Development Fund (PTDF). The journey towards a doctorate degree would not have been possible without the financial support of the Fund.

My debts of gratitude go out to my supervisors, Drs Basil Germond and Sarah Marsden. To Basil, I say thank you! His invaluable guidance and thorough revisions of the thesis would not go unmentioned. I have benefited a lot from his constructive criticisms and I feel privileged to have worked with him on this journey. I am sincerely grateful for his patience throughout the period of the research. Special appreciation goes to Dr. Sarah Marsden, who co-supervised my thesis. Sarah has a way of getting the best of anyone. Her untiring support and encouragement through this difficult but rewarding phase of my academic career together with many productive criticisms provided the much needed enthusiasm that propelled me all the way and helped to significantly improve this work. Thanks, Sarah!

I would also like to thank my committee members, Drs Mark Lacy and Neil Manson for their guidance, invaluable suggestions and help throughout my studies. My gratitude also goes to Sheila Constantine, the PGR Coordinator. Her mails were a constant reminder of what needed to be done. Thank you so much.

Special thanks to Dr Abimbola Ogunkelu, former Minister for Cooperation and Integration for Africa, Rear Admiral Allison Amaechina Madueke, Chief of Naval Staff, 1993-1994, Ambassador Florentina Adenike Ukonga, Deputy Executive Secretary of the Gulf of Guinea Commission, Prof Peter Cameron, Director of Centre for Energy Petroleum Mineral Law and Policy (CEPMLP), University of Dundee, Xuanli Liao, Senior Lecturer in Energy and Climate Diplomacy, CEMPLP, Dundee for their support towards the completion of the study. Both Cameron and Liao had taught me at postgraduate level at the CEPMLP and had laid the foundation for this study. My gratitude also goes to Dr. Sophia Horsfall, Manager, HR Business Partnering at Nigeria Liquefied Natural Gas Limited for encouraging me to pursue a doctorate degree program.

Special gratitude goes to His Royal Majesty Oba Dominic Babatunde Ogunlaja- Kalejaiye II Aladeshoyin of Odo-Noforija Kingdom, Noforija, Epe, Lagos State for his support and encouragement towards the completion of my PhD. There are not many Royal Fathers that appreciate scholarship as much as HRM Ogunlaja. Thank you, Kabiyesi!

I gratefully acknowledge the support and encouragement of my parents Mr W.O and Mrs A.O. Balogun throughout the period of the research work. This feat would not have been without you. Thank you so much. To my second mum Mrs Idayah O. Ogunkoya, this is a token of my appreciation of your support, encouragement and prayers towards my doctorate degree program.

To the Adaranijos, the Elias and the Baloguns, I just wanted you to know that all you have done towards the completion of my PhD program do not go unnoticed. You have immensely contributed to making this academic journey a success and I am eternally grateful. I wish I could have all your names on the certificate.

To my parents-in-law Mr and Mrs Opaleye and the Serikis (Mr and Mrs Seriki), Uthman and Azeez Opaleye, I say thank you for being a strong pillar of support while the doctorate degree program lasted.

To the staff of Nigerian Maritime Administration and Safety Agency (NIMASA), especially Captain Warredi Enisuoh, Nigerian National Petroleum Corporation (NNCP), Department of Petroleum Resources (DPR), Nigerian Institute of International Affairs, Chatham House, London, The Royal Archives, Surrey, United Kingdom I say thank you. The support I got from you all during the data collection stage contributed in no small measure to the success of this study.

I would also like to extend my gratitude to all those who participated in the oral interviews and group discussions. Your contributions and suggestions have contributed to the success of the study.

Many thanks to Dr Alfred Azenabor of the Department of Medical Laboratory Science, University of Lagos who convinced me during our many discussions in Nigeria that I should pursue a doctoral degree program. My thanks also go out to Naval Captain Kamal-Deen Ali (PhD), Director of Research at the Ghana Armed Forces Command and Staff College, Dr Habeed Sanni of the Department of History and International Studies, Lagos State University, Drs Oseni Taiwo Afisi and Oyekan Adeolu both of the Department of Philosophy, Lagos State University and Dr Fayemi Ademola Kazeem of the Department of Philosophy, University of Lagos for their support and encouragement. Special thanks to Dr. Oladipupo Olusola, Lagos State University for her words of encouragement and support towards the completion of the PhD program.

Many thanks to Hammed Olanrewaju Balogun, School of Computing and Communications, Lancaster University, Dr Bolanle Babalola and Mr Adegoke Babalola; Dr Gbenga Ogunmodimu and wife; Dr Vincent Hejirika and Mrs Glory Vincent- Hejirika; Tamunodein Eferebo, Dr. Kuye and Patricia Kuye, Christopher Obida, Lancaster Environment Centre, Lancaster University, Ismayil Suleymanov of the State Oil Company of Azerbaijan Republic (SOCAR), Sabina Suleymanov, Abayomi Abidakun, Nigerian Breweries Plc (Heineken OPCO), Adesola Ebenezer Adewusi, Tokunbo Oduneye, Abd Rahman Fayemi, Dr Paul Adesanya, Reginald Orafa, Oluwakemi Ishola, Tolu Adeshina, Ademidun Agbola, Talita Villars, Mum Kwam, Usroh and Kwam Balogun for their encouragement and support while the PhD lasted.

My sincere appreciation goes to my wife Halimah Olajumoke Balogun for her support, patience, love and understanding in the course of the program. I could not have achieved this feat without you. Thank you so much. To our daughter Naeema Olaide Balogun, those late night cries turned out to be a blessing in disguise. You are the icing on the cake!

Lastly, I give God the glory for being my pillar of support through the entire process of the doctorate degree program.

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## **LIST OF ABBREVIATIONS**

ADB- African Development Bank

AFRICOM- U.S. Africa Command

APS- African Partnership Station

CAR- Central African Republic

CNPC- China National Petroleum Corporation

CRIMGO- Critical Maritime Routes in the Gulf of Guinea

DPR- Department for Petroleum Resources

ECCAS- Economic Community of Central African States

ECOWAS- Economic Community of West African States

EEC- Exclusive Economic Zone

FGD- Focus Group Discussion

GIIA- Ghanaian Institute for International Affairs

GoG- Gulf of Guinea

HIPC- Heavily Indebted Poor Countries

ICC- International Chamber of Commerce

IEA- International Energy Agency

IMB- International Maritime Bureau

IMO- International Maritime Organisation

IOCs- International Oil Companies

JTF- Joint Task Force

NIIA- Nigerian Institute for International Affairs

NIMASA- Nigerian Maritime Administration and Safety Agency

NNPC- Nigerian NNPC National Petroleum Corporation

NOCs- National Oil Companies

NSCDC- Nigeria Security and Civil Defence Corps

NSIA- Nigeria Sovereign Investment Agency

PIB- Petroleum Industry Bill

PPPRA -Petroleum Products Pricing Regulatory Agency

SAP- Structural Adjustment Programmes

SINOPEC- China Petrochemical and Chemical Corporation

SLOC- Sea-lanes of communication

UNCLOS- United Nations Convention on the Law of the Seas

UNDP- United Nations Development Programme

UNDP- United Nations Development Programme

UNECA- United Nations Economic Commission for Africa

UNSC- United Nations Security Council- UNSC

UNODC- United Nations Office on Drugs and Crime

## ABSTRACT

The Gulf of Guinea (GoG) has developed into a global energy-maritime crime hotspot, with Nigeria being the epicentre of illegal oil-related maritime activities in the region. For several decades, scholars have sought to justify crude oil theft, petro-piracy and illegal fuel trade especially in the waters of Nigeria, in the context of greed-grievance. While that approach provides a basis for understanding the realities of illegal energy-maritime activities in the Niger Delta region of Nigeria, it does little to explain how the illicit activities have evolved into a global enterprise it is today, the dynamics of the business and the infrastructure that sustain the criminality. Against the backdrop of this limitation in existing theoretical underpinning of illegal energy-maritime activities in the GoG, this study adopts an enterprise-value chain model which, moving beyond the greed-grievance narrative, emphasises the primacy of both the enterprise and the marketplace (not players in the market) in explaining, and understanding the dynamics, complexities and persistence of crude oil theft, petro-piracy and illegal fuel trade in the GoG. The enterprise-value chain approach as adopted in the study, offers an advantage of interdisciplinary perspective, combining Smith's enterprise theory of crime and Porter's business management concept of value chain to understanding energy-maritime criminality in the GoG.

The enterprise-value chain model sees the tripod of crude oil theft, petro-piracy and illegal trade in fuel as an organised crime; a well-structured economic activity whose business philosophy hinges on the provision of illegal goods and services. Such activities exist because the legitimate marketplace has limited capacity to meet the needs of potential customers.

Within the enterprise-value chain framework, the study identifies, and analyses the dynamics of overlap, cooperation and conflict among the different players in the illegal energy-maritime

industry as well as mutually beneficial relationships between formal and informal energy-maritime economies. Such an overlap is critical to understanding both the nature of the business and its sustaining value chain.

The study concludes that current energy-maritime security architecture in the Gulf of Guinea does not capture the organised, enterprise nature of illicit offshore and onshore activities and its sustaining value chain, which highlights its inherent limitation viz-a-viz the region's quest for energy-maritime security. There is therefore an urgent need to address this seeming gap as it determines significantly how the phenomenon is considered both for academic purposes and public policy. It is this obvious gap in both academic literature and policy on maritime security in the GoG that this study intends to fill. The study, in the context of its theoretical framework, develops a business approach to enhancing energy-maritime security in the GoG.

## INTRODUCTION

Any talk of the Gulf of Guinea (GoG) region of Africa readily brings to mind piracy. Much like the East Coast of Africa where activities of Somali pirates have created one of world's deadliest maritime corridors, the GoG- the West Coast of Africa- including a couple of states in the Central and Southern tip of Africa is yet another global piracy hot spot with greater maritime security challenges. The region is characterised by socio-economic and political conditions which breed, enable and sustain piratical acts as well as other forms of criminal activities of energy-maritime dimensions, such as bunkering, crude oil theft and illegal trade in fuel, providing a context for a convergence of centrifugal forces that have helped create a marriage of convenience among different forms of criminality, with significant overlap, and, in the process, engendering a regime of illegality both on land and sea.

Several forms of criminality pervade both the land and sea of the GoG, including but not limited to illegal and unregulated fishing, illicit trade in weapons and goods and currency counterfeiting (Ola-Balogun, Punch Newspaper, 2016). However, illicit energy activities such as crude oil theft and petro-piracy remain a leading criminal act in the region in recent times (ibid). Out of thirty-four reported cases of piracy attacks in Africa between January and June 2016, the GoG witnessed thirty (ICC-IMB, 2016), thereby replacing the east African coast which had one reported case during the same period as the continent's epicentre of maritime criminality (ibid). Further still, of the 34, Nigerian maritime space recorded 24 cases (ibid), which highlights the significance of the country in the region's maritime security architecture. Any meaningful analysis of the region's maritime challenges intending to reverse this trend must, therefore, have Nigeria at its centre. However, piracy is only one of the intertwined

energy-maritime security challenges bedevilling the region. Others include bunkering or crude oil theft, and illegal trade in fuel.

This study provides an analysis of one of the most dangerous waters in the world, in the context of a tripod of energy-maritime criminality- crude oil theft, petro-piracy and illegal fuel trade, from the perspective of an organised business crime, sustained by a well-oiled value chain. This approach brings to the fore two key components of the tripod- the market dynamics and value chain, which hitherto have seen little or no scholarly attention and in the process, presents a more enlightening narrative on GoG's energy-maritime security. These two components underpin the current study and ultimately will inform a new paradigm in the discourse on energy-maritime safety in the region. This new perspective identifies profit making, racketeering and a demand-driven cycle as undergirding the supply-demand network, value chain support services and the entire business cycle of the criminality, as it applies business and criminology tools in providing an understanding of a social phenomenon.

The approach does see piracy and its sister crimes as no minor crimes, but as an organised enterprise. Oil thieves, petro-pirates and illegal traders in fuel are entrepreneurs whose goal is to make profit criminally. It further affirms the existence of a gamut of support services for both the illegal business and value chain, particularly offshore and onshore services cutting across diverse segments, groups, institutions, and governments in the region. The notion of illicit enterprise and the existence of criminal support service mechanisms brings a different dimension to analysing and understanding maritime security in the GoG. The study draws on the disciplines of business management, economics, sociology and criminology to examine a global development and security studies concern, strengthening a convergence of experts in these fields, with the disciplines speaking a more similar language because empirical cases often so clearly straddle academic disciplines. It, therefore, reinforces the significance of

cross-disciplinary collaboration despite obvious difficulties such as strong disciplinary divisions which lead to separate literature (with few but notable overlaps) and very different methodologies. Such collaboration offers significant insights and perspectives from several disciplines to the understanding of a complex social phenomenon.

The study examines the criminal tripod, to provide a rich spectrum to understanding the peculiarities of the GoG viz-a-viz other troubled maritime zones of the world. These unique but related forms of criminality are analysed as a single business crime. In doing this, the study identifies and discusses key characteristics of the GoG which enable an alignment of the acts, particularly the actors and institutions involved, mode of operation and value-chain, while appreciating structural and operational nuances in the criminal acts when considered as disaggregated crime types. The logic behind this approach lies in the overlap and mutually beneficial (and sometimes conflictual) relationship between the different criminal acts as discussed in chapter three. In addition to presenting a business approach to understanding the criminality, the study highlights the significance of an informed investigation of the business of the crime and its value chain as a condition for an active and result-driven intervention programs geared toward reversing the trend of the criminality. The organised crime approach is crucial to understanding the complex nature of the phenomenon, how it is framed and understood, and the challenges in evolving an effective response to the phenomenon.

The research combines Dwight Smith's enterprise and Michael Porter's value chain theories to develop a modified and overarching theoretical framework- 'enterprise-value chain'- for the study. The new framework provides the theoretical and analytical foundation for the

research, by determining the research questions and how the data was collected and subsequently interpreted. Theoretically, therefore, a different approach to the study of illicit energy-maritime activities in the GoG is presented here, using a qualitative research technique, to enhance an understanding of the illegal enterprise and its value chain.

The geostrategic location of the GOG is central to understanding the evolution of the criminal tripod. The nature of the region is discussed below, alongside key concepts used in the study. Then, background information on the criminal tripod is presented, followed by the methodology and structure of the study.

### 1.1 GULF OF GUINEA: A GEOSTRATEGIC ANALYSIS

The Gulf of Guinea (GoG) is a region that is both controversial and vulnerable to external influence. The controversy results from the composition of the area and its loose geography. The colonial experiences and geological, geographical diversities of the countries that make up the area further expose the GoG to controversy (Adesanya, et al, 2013). So, depending on one's understanding of its geography and the manner it is considered, the region could mean different things to different people (Traub-Merz and Yates, 2004; Mane, 2005; Agwu, 2009; Adesanya et al, 2013). However, the region has its unique characteristics which need to be considered in any analysis of its geostrategic importance, regardless of divergent perspectives. The GoG sits on the south-west of the Atlantic, bringing together several West and Central African countries, most of which are rich in oil. Compared to the Middle East and Gulf of Persia, it is closer to Europe and North America by ship, thus making it an ideal maritime corridor for international maritime business. The region is both a major supplier of crude oil which enjoys a significant share of American and European energy markets and an

important transit route for international oil vessels. Moreover, as an important maritime corridor, the GoG served as a gateway from where the Europeans penetrated sub-Saharan Africa from the era of the slave trade to colonial rule.

This study, therefore, takes a broader view of a region with a six thousand kilometre shoreline extending from Senegal in West Africa to Angola in Southern Africa and encompassing two major economic blocks (ECCAS and ECOWAS), and the various islands on that corridor (including Sao Tome and Principe) (Council of EU, 2012; Anyimadu, 2013; Ola-Balogun, Punch Newspaper, 2016). See also figure 1 below. Indeed, it is a region best defined by a mix of geographical realities, socio-economic and political factors, and colonial experiences.

**Figure 1: Map of the Gulf of Guinea**



Source: Google maps

The region differs from the east coast of the African continent regarding piratical objectives and modus operandi of maritime criminals. While Somali pirates on the east seek to seize ships and crews for ransom; pirates on the west coast (GoG) target crude oil and fuel vessels

(Onuoha, 2012). There is, therefore, little or no concern for the wellbeing of hostages as the motivation is to steal cargo rather than kidnap for ransom. Nevertheless, there are reported cases of kidnap for ransom but not comparable to the Indian Ocean (Anyimadu, 2013). Somali piracy began as a case of opportunistic behaviour, gained momentum because of collapsed institutions of governance and law enforcement (Panjabi, 2010), but has since developed into a durable, hierarchical, and a complex criminal enterprise (Percy and Shortland, 2013). Such a complex network of operations ensures that both vessels and crew are held hostage while ransoms are negotiated. This development runs contrary to the GoG region where the presence of functional governments and territorial legitimacy makes piratic operations difficult especially the act of hostage for ransom (Anyimadu, 2013). The result is that piracy in the GoG is rather a product of increasing oil production, petro-related activities, and corruption (Ben-Ari, 2013; Onuoha, 2012).

International interest in the region has survived different economic epochs; from the slave trade through palm oil trade to modern day trade in energy and mineral resources. In the contemporary era, the quest for energy security has driven most Western countries and their oil companies (Royal Dutch Shell, Mobil, Chevron, Total to mention a few) into the region. Nigeria, for instance, has played host to oil multinationals since her independence in 1960. This interest was further strengthened by the Middle East crisis of the 70s and 80s up until today which reinforced the need for alternative energy supply. The GoG has since then been seen as a reliable alternative source of oil and gas, further attracting energy consuming emerging economies like China and India from Asia. This trend is likely to continue with the recent discoveries of offshore hydrocarbon deposits particularly in Nigeria and Ghana and increasing demand for energy by China and India.

The GoG is home to the leading oil producing nations in Africa including three of the continent's largest producers- Nigeria, Angola and Equatorial Guinea (IEA, 2014). The region houses three-quarters of around 65 billion barrels of sub-Saharan Africa oil reserves, equivalent to around 5% of the world total. These are held in two countries, Nigeria and Angola (IEA, 2014). Other countries in the region have since joined the league of oil producers. Chad started oil production in 2003 and Ghana came on-stream in late 2010, producing around 100 kb/d (IEA, 2014).

Until recently when President Obama initiated policies to significantly cut US energy import dependence and promote self-sufficiency in oil production as a bulwark of national security, the GoG was a major supplier of US oil consumption and an important region which the US could rely on for both energy security and commercial opportunities (Simon, 2004). The region was indeed a major supplier to the US until President Obama initiated policies to significantly reduce US' reliance on importation of crude oil and promote energy self-sufficiency as a bulwark of national security. With the Obama administration fulfilling this major electoral promise, US age-long reliance on GoG's crude oil dwindled significantly, with a shortfall in revenue accruable to the oil producers of the region, particularly Nigeria. However, what is clearly a major loss is being offset by increased China's engagement with Africa and particularly the GoG. Since 2002, China's state-backed oil corporations- National Petroleum Corporation (CNPC) and Petrochemical Corporation (SINOPEC) had joined the expanding international energy interests in the region. Europe is also not left out in the renewed focus on the area. The EU has increased purchases from the GoG to replace its decreasing oil production and to compensate for output disruption resulting from the Libyan

crisis (IEA, 2014). India, Brazil and South Africa have also invested in the region's energy sector, heralding what Ukeje and Ela describe the "second scramble" for Africa (Ukeje and Ela, 2013, p.9).

The new entrants now compete for stakes among themselves, and with already established western oil multinationals. This latest scramble for Africa's resources and markets undermines the continent's sovereignty and quest for socio-economic and political development (*ibid*). While the old scramble was propelled by competition among European powers for territorial gains and areas of influence in Africa in the age when territorial acquisition played a major role in the balance of power equilibrium, the new scramble is driven by oil and other natural resources. Like the earlier intervention, the new scramble poses a threat to the continent's future by precipitating and in some cases fueling resource wars/conflicts as seen in Sudan and Central African Republic (CAR). It also reinforces the lack of capacity on the part of African leaders to negotiate fair joint venture agreements and trade deals with the oil multinationals for the economic emancipation of Africa. These developments often find expression in the works of "dependency" theorists such as Samir Amin (2010); Andre Gunder Frank (1978) and Walden Bello (2004) and "world-system" theorists like Immanuel Wallerstein (1976). The sophistication of the new scramble and Africa's weak response capacity only help to worsen the precarious situation the continent finds itself.

The renewed international economic interest in the GoG is accompanied by a strategic rapprochement. In 2007, the US set up African Command (AFRICOM), one of her six combatant commands, with headquarters in Stuttgart Moehringen, Germany, to build capabilities to respond to crisis effectively, and combat threats to the US national security

(Brosig, 2013). AFRICOM was also set up to promote the development of the region by ensuring regional security and stability (ibid). The setting up of AFRICOM is indicative of the transformation of US policy towards Africa, which began with "the humanitarian efforts of President George Bush Sr. that ended with the Somalia debacle in 1994, through the selective engagement policy of President Bill Clinton that avoided the Rwandan civil conflict to what could be viewed as a more structured relationship...under President George Bush Jr" (Gebe, 2010, p.1). A recent and perhaps more significant outcome of this structured relationship is the "Obangame Express" and African Partnership Station (APS)<sup>1</sup>. Despite the scepticism in some circles, such collaborative security measures, as observed by Pham (2014), can evolve into an effective instrument in curbing the phenomenon of piracy and oil theft and therefore engender stability and security in the GoG.

In 2013, the EU approved a limited civilian anti-piracy mission, Critical Maritime Routes in the Gulf of Guinea (CRIMGO), charged with enhancing local state capacity to police their maritime zones, rather than projecting European naval power (Flynn, 2014). 'The EU seeks to combat maritime piracy by implementing the IUU Regulation and her partnership agreements on fishing with several GoG states (ibid, p.7). The EU, in collaboration with several other developed countries, is also helping to build and coordinate capacity to combat maritime criminality in the GoG (Council of the EU, 2014). Outside of these multilateral initiatives, several bilateral military engagements exist. For instance, France has continued to maintain military collaboration with her former colonies to enhance protection of coastlines and oil

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Both programmes are multilateral naval exercises between the US and Africa designed to promote maritime security, especially in the GoG.

installations (Globesec, 2010). These developments underscore the significance of the region to the energy security of Europe hence the need to ensure its stability.

China's maritime rapprochement with the GoG has been multilateral and bilateral, although its efforts have been more visible on the bilateral front. Multilaterally, China has given her support to the resolution of UNSC on maritime piracy in the GoG. China committed about a hundred thousand dollars to the GoG Maritime Security Trust Fund set up by the IMO to further strengthen the Yaoundé Code of Conduct (Zhou and Siebel, 2015). Bilaterally, China's maritime security engagement with the GoG seeks to develop capacity through military assistance, an aid program, and limited naval operations. Beijing has entered into development and military cooperation with several GoG countries *to* enhance maritime capacity.

The increasing foreign interest in the GoG has impacted the region in several ways. The volume of maritime trade and activities across the Atlantic has increased, enhancing further integration of the region's economy into the global trade network (Ukeje and Ela, 2013). The discoveries of vast deposits of energy resources in the GoG also meant the area had become a new frontier for power politics, defined in terms of access to and control of use-value as opposed to territories (*ibid*). This new frontier is also about controlling the sea-lanes of communication (SLOCs), so it is also a form of control over spaces, but maritime spaces. Maritime spaces and SLOCs play significant roles as outlets for movements of crude oil-laden tankers and other vessels out of the GoG. For an economy like China, which is increasingly looking to the seas for new growth outlets, making secure SLOCs particularly in the oil-rich GoG is critical for safeguarding energy supplies to fuel economic growth (Erickson, 2013).

Hence, Beijing's military agreements in the form of naval defence cooperation with a host of countries in the region, including Sierra-Leone, Nigeria (coastal defence), Cameroon, Equatorial Guinea and Angola (ERA, 2009). Such SLOCs-security driven military agreements have helped to fuel competitions between China and Western powers in the GoG.

This study, therefore, is an interrogation of the entire gamut of maritime security challenges in the GoG with a particular focus on crude oil theft, petro-piracy and illegal fuel trade- a network of criminal operations, which start with illegal bunkering of Nigeria's crude oil to illegal fuel trade culminating in petro-piracy on the sea. The study takes a regional view of a problem which has its origin in Nigeria's Niger Delta (Edobor, 2014; Katsouris and Sayne, 2013; Bala, 2013; Ebienfa, 2012; Ojakorotu, 2011).

In sum, the GoG is a major source of oil and gas, and an important global maritime corridor. Such geopolitical and economic attributes enhance criminogenic tendencies and stimulate a convergence of energy-maritime criminalities of distinct characteristics. The region's geopolitical and economic context also shaped significantly her relations with the wider world, particularly the US, European countries and China, and how it is perceived internationally. While renewed rapprochement of the great powers in the region is perceived in some quarters as a decoy by the extraterritorial actors to protect their interests, others view it as being complicit in the persistence of criminal activities in the region. The geopolitical and economic realities of the region, its energy-maritime endowments, as well as the great powers' rapprochement have, therefore, combined to create a region in the image of diverse actors and interests, both legal and illegal. In particular, increased exploration of the region's energy resources and maritime potentials combined with a troubled socio-political and economic environment have helped create illegal entrepreneurs and structures whose

activities often collide to form a more potent mix of insecurity in the region and beyond. Understanding how the political, economic and social realities of the GoG nourishes a 'convergence crime' corridor is an important first step in the investigation of the dynamics of the tripod of oil theft, petro-piracy and illegal fuel trade as an organised crime.

## 1.2 CONCEPTUAL ANALYSIS: OIL BUNKERING, CRUDE OIL THEFT, PETRO-PIRACY, ILLEGAL FUEL TRADE AND ORGANISED CRIME

### 1.2.1 OIL BUNKERING, OIL THEFT, PETRO-PIRCY AND ILLEGAL FUEL TRADE

It is important to briefly define the above concepts given their importance in this research. Oil bunkering is an operation involving the fuelling of different kinds of ships within the ports, inland waterways and on the high sea through bunkering licences. In the case of Nigeria, the federal government, through the national oil company, regulate oil bunkering operations on the nation's waters through permits. Such permits are issued to bunker vessels after necessary documentary, and financial requirements are satisfied. While the licenced operators get paid for their services, the government receives taxes in return. Bunker fuel is technically any fuel oil used aboard ships. So, oil bunkering is a lawful operation. However, oil bunkering is often misconstrued in some quarters, in Nigeria, due to a misunderstanding of what its operations entail. The general misconception is that oil bunkering activities entail all forms of crude oil transfers on the high seas and the nation's waters, theft of oil and even pipeline vandalism which are well entrenched in the territorial waters, Exclusive Economic Zone (EEC) of Nigeria and the high sea of the GoG, rendering the line between what is lawful and unlawful blurred. While the misconception does not do justice to the practice of oil bunkering, it does highlights the prevalence of illegal energy-maritime activities especially in Nigerian waters.

A ship-to-ship transfer of oil on the sea (i.e. bunkering) could be illegal when it is done without a license, or when the product is hijacked and stolen by pirates. So, the difference between bunkering and illegal bunkering lies in operational requirements and motives.

The process of oil theft entails cannibalization of crude oil pipelines, outright stealing of ship laden with crude oil, or falsification of bill of lading (Amuwo, 2013) by the different actors involved in the phenomenon. A similar unlawful activity involves petroleum produce, which is smuggled across both the land and maritime borders of the Gulf of Guinea. Illegal fuel trade is an economic activity by which contraband fuel is bought legally in Nigeria, where the country's subsidy regime ensures that pump price of petroleum is lower than in neighbouring countries. Consequent abuse of Nigeria's fuel subsidy regime has created strong incentive for petroleum black market and organised crime in the Gulf of Guinea and beyond.

### 1.2.2 PIRACY

Piracy is an age-long phenomenon with a rich history (Tuerk, 2012). In spite of this, it is an act that is little understood, ill-defined and often trapped in controversies (Burnett, 2003). Several academic definitions of piracy exist as there are scholars across different academic disciplines over different historical epochs. As for legal definition, the United Nations Convention on the Law of the Seas (UNCLOS) Article 101 defines piracy as follow:

Piracy consists of any of the following acts: (a) any illegal acts of violence or detention, or any act of depredation, committed for private ends by the crew or the passengers of a private ship or a private aircraft, and directed: (i) on the high seas, against another ship or aircraft, or against persons or property on board such ship or aircraft; (ii) against a ship, aircraft, persons or property in a place outside the jurisdiction of any State; (b) any act of voluntary participation in the operation of a ship or of an aircraft with knowledge of facts making it a pirate ship or

aircraft; (c) any act inciting or of intentionally facilitating an act described in subparagraph (a) or (b), UNCLOS (1982).

One point which is noteworthy in the above definition is that the UNCLOS definition conceives of piracy from a narrow confine of sea-based activity, excluding any attack in territorial waters. Hence, attacks within territorial waters of states are not acts of piracy.

However, the IMO, in paragraph 2.2 of its operational guideline for investigating acts of maritime piracy and armed robbery, clearly states what constitute armed robbery against ship. Armed robbery, according to the Code, is:

any illegal act of violence or detention or any act of depredation, or threat thereof, other than an act of piracy, committed for private ends and directed against a ship or against persons or property on board such a ship, within a State's internal waters, archipelagic waters and territorial sea (IMO).

Therefore, territorial jurisdiction or exercise of sovereign rights determine how an incident is described. Whether or not a maritime crime is considered armed robbery or piracy speaks to the maritime space within which the incident takes place; national or international. Hence, piratic acts occur on the high seas and falls under international law jurisdiction; armed robbery carries national jurisdictional implication by virtue of where it takes place, i.e. territorial waters. This distinction obviously has legal and practical implications since states without enough resources cannot or are unwilling to deal with robbery at sea in their territorial waters. On the contrary, external powers may well want to intervene in other states' domestic affairs by sending counter-piracy forces, albeit with prior consent of the host country.

However, despite obvious legal and practical distinction, the two crimes have a significant impact on the global shipping industry and maritime trade (Alli, 2015). Similar circumstances and conditions account for the prevalence of the two incidents (ibid), regardless of jurisdiction. Therefore, this thesis discusses both types of incidents as piracy and goes further to show that both incidents should be considered as one issue. Broadly, the study seeks to provide a comprehensive and analytical discussion of crude oil theft, petro-piracy and illegal fuel trade in the GoG within a thirty-year time frame (1983-2013) nested in the enterprise value chain framework.

### 1.2.3 ORGANISED CRIME

The concept of organised crime is subject to debate. Scholars in the realm of the social sciences, in particular, disagree with one another as to the exact meaning and nature of the concept. Finckenauer (2005) notes that 'organised crime' is not amenable to a single definition because of the use of the word 'organised'. Therefore it does not represent "a clear and coherent phenomenon" (Lampe et. al. 2006, p. 17; Van Duyne et al. 2006), and no scholar has yet provided a single working definition (Hagan, 2006). Because there are different attributes of what constitutes organised crime, including activities and structures, which could be viewed differently, the way organised crime is understood may, therefore, differ (Lampe, 2001).

Meanwhile, an attempt can be made to identify and put forward a few characteristics of organised crime as a basis for a better appreciation of the concept. That is to give a description as opposed to a definition of the concept. Finckenauer, 2005) emphasises group membership with clear cut illicit objectives and formalised structure as essential ingredients of organised

crime groups. Such groups are governed by a code of conduct and respect for procedures (Cressey, 1969) and exert significant influence on their area of operations through force and corrupt practices (Finckenauer, 2005). Organised crime groups operate in a hostile and uncertain environment (Lyman and Portter, 2007). And they may be hierarchically organised or not but their activities are coordinated and organised (Hagan, 2006); in which case, a distinction can be made between organised crime and crime that is organised (*ibid*). The former would mean crime organisation that is, how the crime is organised- whether it is a network or hierarchy, or a combination of the two, the latter refers to crimes that often require some structures or degree of organisation with clear-cut lines of authority and accountability (*ibid*). In other words, in the case of the latter, the criminality is the unit of analysis; the former emphasises the structure/organisation. This submission further indicates that there is an element of 'organization' in both organised crime and "organised crime" (a crime that is organised). The point can, therefore, not be made that all organised crimes are committed in an organised manner, neither does it make every crime group who has committed an organised crime an organised crime group (Lampe, 2015; Hagan, 2006).

However, there is a need to have a working definition of the concept as a foundation for the empirical investigation of 'organised' criminality of the type being considered in the study. Such a working definition invariably help in framing the research questions, understand how the phenomenon is organised, and what response mechanism to be deployed. Importantly, a clear-cut conception of organised crime and the severity of its consequences will influence public perceptibility and ownership of the measures towards addressing the problem (Finckenauer, 2005). A precise definition is additionally important because it determines how financial and personnel resources are allocated toward combating organised crime (*ibid*).

Arriving at an operational definition of organised crime, the present study aligns with Lampe (2015) by considering the concept, not from analytical categorization but the underlying phenomena, such as illegal markets (economic activities/enterprises) and criminal organisations, which have become almost synonymous with organised crime. It is in the context of this underlying phenomenon that definitions become more meaningful (Lampe, 2015). To this end, the study takes an 'activity' view of organised crime by focusing not on the organisation of the criminal groups involved in the crime tripod, but the market or the nature of the enterprise around which illegal activities are built. This approach is akin to Finckenauer and Waring (1998) perspective to understanding the activities of the "Russian Mafia" in America. Therefore, organised crimes are criminal entrepreneurial activities that exhibit some form of coordination or organisation which may or may not be hierarchical. The notion of hierarchy is necessary here because the criminality under investigation does not enjoy a mafia-like structure or hierarchy as there are different layers within which the illegal acts are perpetrated. However, there is almost a standard sequence in the *modus operandi* of the criminality as there are noticeable layers of authority along the crime cycle and its value chain. So, this study takes an activity-based or enterprise conception of organised crime; a loose economic network which recognises that illicit activities are usually structured and organised, but places no emphasis on hierarchy or organised structure as a condition for existence. This model of organised crime aligns with the objective of this study, which seeks to analyse the persistence of the tripod of crude oil theft, petro-piracy and illegal fuel trade in the GoG as organised crime using the enterprise-value chain approach.

### 1.3 THE ILLEGAL ECONOMY AND CRIMINAL COLLABORATION: A PRELIMINARY ANALYSIS

The first recorded case of petro-piracy in modern day GoG took place in 1983 in Nigeria (IMB, 1983) but the first oil tanker hijack didn't take place until 1987 in Bonny Island (IMB, 1987).

This period is significant in this study. First, it was a time of austerity and severe economic conditions which necessitated adoption of Structural Adjustment Programmes (SAP) of IMF and World Bank. Hence most economies in the region were integrated into the Western capitalist economic framework (Nwagbara, 2004). Second, the period marked the beginning of petro-piratic activities in the resource-endowed Niger Delta part of Nigeria (IMB, 1987).

The late 1970s and early 1980s saw most African countries grapple with severe economic difficulties and rising debt. As a result, there was a massive cut in public expenditure as most governments ran out of finances (Anyanwu, 1992). As funds dried up, African countries in particular resorted to external borrowing from the Bretton Woods institutions (IMF and World Bank) in the form of a loan. However, availability of such credit facilities was based on several conditions which came in the form of structural adjustment programs (Anyanwu, 1992). The adoption of SAP was obviously a response to worsening economic situations in Africa. However, rather than alleviate the sufferings of the people and improve their well-being, SAP and the conditions attached to it worsened people's living socioeconomic conditions (*ibid*). Some workers had their salaries slashed while others lost their jobs through retrenchment, bringing about a dramatic rise in unemployment figures. Subsidies were removed, currency devalued and inflation jumped (*ibid*). Overall, the necessities of life became unaffordable. The aftermaths of job losses and inflation were rising wave of crime and social dislocations (*ibid*). These developments prepared the ground for the emergence of organised criminalities including piracy in the GoG.

The GoG is a busy maritime route for the movement of tradeable commodities, such as oil and petroleum. As a result of inadequate or the absence of domestic refining capacity, most countries in the region, particularly Nigeria, the region's largest producer of oil, export crude

oil to refineries in and outside of Africa, for processing (International Crisis Group, 2012a). Only a fraction of what is consumed daily is processed in-country; the largest chunk of fuel consumed is imported (NNPC, 2013). In 2013, Nigeria produced 800,488,096 barrels of crude oil out of which only 36,193,024 barrels got to Kano, Port Harcourt and Warri refineries; three of Nigeria's refineries with a combined refining capacity of 77.85% (NNPC, 2013). The net volume was exported to refineries overseas for processing into petroleum produce, which is then imported back to Nigeria to make up for the shortfall in local production or/and sold to the international market. This process sees Nigeria rely on imports for around 85 percent of its domestic consumption because of inadequate refining capacity (International Crisis Group, 2012a). The emerging burgeoning oil export-import business not only undermines the prospects of job creation in Nigeria's downstream sector, as jobs are exported to countries where crude is refined but also creates a viable environment for sea piracy as the produce (crude oil or petroleum) on daily transit constitutes potential targets for pirates.

An important dimension is illegal fuel trading, which is different from theft and sale of crude oil. Nigeria provides a rich context and market for the trade in illegally refined petroleum products, which is a lot easier to sell compared to crude oil (*ibid*), and creates a significant incentive for piracy. The black petroleum market is strengthened further by the government subsidy policy which created artificially low prices for petrol and incentivizes profitable arbitrage. But the scheme has been abused and plagued by "endemic corruption and entrenched inefficiency" (House Committee Report, 2012, p. 5), prompting the legislature to launch an inquiry into its operations in 2012. While the scheme may have its benefits, it has come at a cost. The programme has created massive rent-seeking opportunities for illegal

dealers in crude oil and petroleum and continues to sustain refined petroleum and crude oil black market in the region.

The oil theft business comes in three different dimensions. There is a small scale of theft characterised by diversion and selling off of petroleum product meant for sale at local market. Oil pipelines and well heads are often hacked and tapped to steal oil. This process is a more organised operation. The third, the most sophisticated and economically damaging, is known as cargo theft. Crude oil is lifted at the export terminals more than licenced quota through forged bill of lading, which also provides information on the volume or amount loaded onto the vessels and the destinations. (Asuni, 2009; Katsouris C. and Sayne A., 2013). What this shows is that oil is stolen in Nigeria at every stage of the petroleum value chain; from the point of drilling through transportation to exportation via the terminals.

Thus it is possible at this stage to identify and briefly discuss the main players involved in the value chain of oil theft and petro-piracy at this juncture of the thesis.

**Table 1: Actors in the Value Chain of Oil Theft, Petro-Piracy and Illegal Fuel Trade in the GoG**

	ILLEGAL FUEL TRADE	OIL THEFT	PETRO-PIRACY
LOCAL	Niger-Delta Militants, Community Leaders	Niger-Delta youths, Community Leaders	Niger-Delta youths, Community Leaders

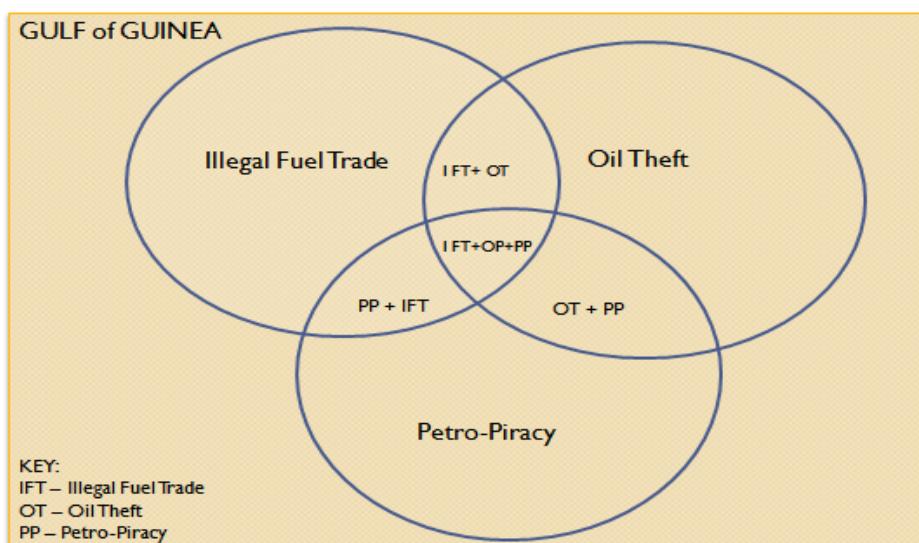
INTERMEDIATE	Oil companies & NNPC Officials, Department of Petroleum Resources (DPR), Petroleum Products Pricing Regulatory Agency (PPPRA), Customs Officials, Banks, Registered oil marketing companies, Shipping industry and Vessel owners	Member of the Nigerian Army (Security personal), Oil companies & Nigeria National Petroleum Corporation (NNPC) officials, Senior politicians, Retired Army Generals	Member of the Nigerian Army (Security personal), Oil companies & NNPC officials, Senior politicians, Retired Army Generals
INTERNATIONAL	Foreign and local banks, International organised criminal syndicates	Several transnational organised criminal groups, foreign nationals, e.g. Moroccans, Venezuelans, etc., and Rotterdam spot market Netherland as a destination for refining crude.	Several transnational organised criminal groups, foreign nationals, e.g. Moroccans, Venezuelans, etc., and Rotterdam spot market Netherland as a destination for refining crude.

**Source:** The author, based on Asuni, 2019; International Crisis Group, 2012a

The scale of oil theft operation speaks to the nature of actors involved in the business. For instance, local gangs, youth and community leaders operate the lowest echelon of the illegal enterprise (Asuni, 2009; International Crisis Group, 2012a). The scale of operation becomes more sophisticated as the business is expanded. The players at this level also become more

diverse with membership straddling state institutions such as the military, oil multinationals, etc. and individual actors like the political and ruling elite (Asuni, 2009; International Crisis Group, 2012a). At an international level, several transnational organized criminal groups and foreign nationals including Moroccans, Venezuelans, Lebanese, Chinese and Russians are involved (Ikoh, 2013), with Ghana, Cameroun and Côte d'Ivoire (*ibid*) and Rotterdam spot market, Netherland (UNODC Report, 2013) as possible destinations for refining of stolen crude. The various actors involved and layered-operational modes underscore the complexity and profitable opportunities in the enterprise. A complex and less transparent transportation system ensures that stolen crude finds its way to the international market and refineries through international criminal syndicates who handles the transport infrastructure and finances (Katsouris and Sayne, 2013). The movement of stolen crude is a clear description of an illegal business model but, it is utterly over-simplistic of a complex web of activities involved in the movement of crude oil and fuel across the sea. A detailed account of the movement of stolen crude is discussed in details in chapter three.

**Figure 1.2: Criminal Convergence: Oil theft, Petro-Piracy and Illegal Fuel Trade in the GoG**



Source: The Author

The distinct layers of operations are suggestive of a segmented oil market, role and functional differentiation. However, there is increasing collaboration, as shown in figure 1.2 above, between actors and segments of the business hence the demarcations become increasingly imaginary. Oil thieves, petro-pirates and illegal dealers in fuel operate in a convergence which enhances their operational capabilities and widens the scope of their illicit business, but does not prejudice conflicts and conflictual relations among others. The basis for such collaboration lies in the illicit business opportunities around the region's energy-maritime economy and the dynamics of commercial activities that drive illegally gotten energy resources. Such collaborative measures will be discussed in details in chapter three. Suffice it to say here that increasing criminal collaboration underscores the capability and dynamism of today's transnational threats to transform into a more potent mix of insecurity across the globe. Such capability, dynamism and the prospect of a greater security threat requires a holistic consideration of the crime setting in the context of 'convergence crime' to combat illegal energy-maritime activities. Against this backdrop, this study weaves an investigation of the phenomenon of crude oil theft, petro-piracy and illegal fuel trade using the prism of convergence crime which is represented in figure 1.2. The study adopts a broader approach that demands a conceptual framework that integrates and demonstrates their areas of overlap. Such a framework also highlights their enterprise nature and the value-production activities that sustain the criminal economy.

#### 1.4 OBJECTIVE OF THE STUDY AND METHODOLOGY

The overall goal of this study, as noted above, is to provide a comprehensive and analytical discussion of oil theft, illegal fuel trade and petro-piracy in the GoG through a robust conceptualization and empirical investigation of the phenomenon. Such an approach seeks to broaden energy-maritime crime understanding in the region and inform an appropriate

strategic policy framework alongside interventions toward reversing the phenomenon. As shown in the literature review, recent works on maritime security in the GoG have described the acts of oil theft, petro-piracy and illegal fuel trade as criminal, criminally motivated and organised (Asuni, 2009; Amuwo, 2013; Katsouris and Sayne, 2013; Vidal, 2013), thus introducing a new level of analysis to maritime security challenges, and further broadening the scope of maritime security literature beyond the greed and grievance perspectives. While the description of the tripod of oil theft, petro-piracy and illegal fuel trade as organised crime may not be inappropriate, there is yet no empirical evidence to suggest this is the case. The literature above and others referenced in the literature review section of the study have not considered these illicit acts from the standpoint of organised crime theory, yet the acts are conveniently labelled organised crimes. This is an obvious limitation in academic literature on maritime security in the GoG and one that offers enormous potential for academic scholarships. The aim of this study is, therefore, to fill this gap in existing literature and advance new perspectives for policy and practice. The present study affirms the reality of organised energy-maritime crime in the GoG, through an empirical investigation of the modus operandi of the criminality, its value-chain and actors as well as interests sustaining the illicit enterprise.

Also, the study will look at the implications of the illicit economy for policy framework and strategic interventions from the perspective of Nigeria. Nigeria typifies an energy paradox. Despite her enormous energy resource endowment, the country is unable to meet the energy needs of her citizens because of inadequate refining capacity which creates a huge demand-supply gap in refined petroleum produce. The supply deficit creates a perfect context for the emergence of an import-export industry around crude oil and petroleum; an industry reinforced by the government's fuel subsidy which inflicts enormous financial burden on the

country and provides an attraction for criminals (Ola-Balogun, Punch Newspaper, 2016). Nigerian maritime waters thus witness substantial energy transportation activities which attract pirates and other criminals.

As noted earlier, the study will rely on enterprise theory, particularly Dwight Right's Spectrum-based theory of enterprise, complemented with Michael Porter's value chain to unravel the nature of the illicit business, actors involved and its criminal value-chain. This analytical tool is used here to provide an explanation for the context within which the illegal business flourishes. The study is descriptive-explanatory. It uses qualitative research techniques, relying majorly on in-depth interviews and literature on energy-maritime activities in the Gulf of Guinea to carry out a systematic study of the criminal enterprise.

The challenge of oil theft and petro-piracy in the Gulf of Guinea is still emerging. A research work of this nature, therefore, offers excellent prospects for academic scholarship both theoretically and methodologically. In particular, the thesis will contribute to existing literature such as Bateman and Bates (1996), Browd (2014), Jasper (2012), Bueger (2013), Brosig (2013), Forster (2014), Murphy (2013), Percy and Shortland (2013), Delano (2012)-all on piracy studies, piracy business model and security in the GoG, and Ellis (2016), Dean, Fahsing and Gottschalk (2010), Lampe (2016) and Gottschalk (2008)- organised crime literature. The study will also be relevant regarding policy recommendations (although this is not its primary goal). The study, coming at a time of renewed drive towards combating oil theft and petro-piracy in the region, will establish an enabling environment for the crime, identify pitfalls in current and emerging efforts and provide concrete proposals on the way forward to tackle the issue in practice. The study, along with those carried out on Somalian piracy, is expected to provoke a vigorous debate and actions within and outside the region,

which could then serve as a springboard for reconciling continental approaches with the wider global anti-piracy measures. The importance of this study also lies in the fact that it evolves from an interrogation of some current perspectives on maritime piracy and organised crime to provide a systematic analysis of the illegal enterprise in the GoG. The research is the first detailed theoretical and empirical study of the business of the tripod of oil theft, illicit fuel trade and petro-piracy in the region, showing cross-country variations where possible but focusing majorly on Nigeria.

This study is organised into six chapters. The introduction is followed by a chapter which, first, carries out a review of existing maritime piracy and organised crime literature and then, discusses the analytical framework. Chapter two discusses research methods and the methodology employed for the study. Chapter three presents the results of the data analysed, tracing the background and conditions implicated in the dramatic rise in oil theft, illegal fuel trade and petro-piracy over recent years. Most importantly, the chapter discusses the nature of the criminal enterprise, its organisation, modus operandi and actors involved in oil theft, illicit fuel trade and petro-piracy in the GoG. In chapter four, the focus will be on the enterprise's value chain, that is, a full-life cycle perspective of the business, particularly chained linkage of activities, relationships among criminal entrepreneurs (national, regional and international actors) as well as land and sea-based support services that help sustain the illegal enterprise. The chapter will further examine the nature of overlap and interlinked relationships that exist among oil thieves, petro-pirates and illegal dealers in fuel, as well the implication of the illicit business for energy and maritime security in the GoG. Finally, chapter five concludes with an overview of the research and the main conclusions. It discusses the implication of the enterprise perspective of organised energy-maritime crime in the GoG for policy. The chapter also considers prospects of further research on energy-maritime crime

and counter-maritime criminality initiatives particularly in the GoG against the backdrop of the conclusions of the study.

## **CHAPTER ONE**

### **BUILDING THE ANALYTICAL FRAMEWORK**

#### **1.1 LITERATURE REVIEW**

##### **1.1.1 ORIGIN AND DEVELOPMENT OF THE CRIMINAL TRIPOD IN THE GULF OF GUINEA**

Academic literature is replete with different accounts about the origin of energy-maritime criminality in Nigeria's Niger Delta region and wider Gulf of Guinea. The phenomenon is said to have "a long history in the Niger Delta" (Cramer, 2007. p. 31), with most scholars (Ikelegbe, 2005; Obasi, 2011) tracing its origin to the early 80s. On theft of oil, Asuni (2009a) admits that the practice is long known but particularly prevalent under the military administrations. So, what started "on a small scale" (Ikelegbe, 2005, p.221) in the late 1980s with active participation of the Niger Delta militants together with opportunistic and some criminal elements (De Andrea, 2008), has become sophisticated with an elaborate operational networks since the late 1990s (Ikelegbe, 2005; Chatham House Report, 2013; Asuni, 2009a). This is due to the fact that a reasonable number of ex-militants have found criminality a more lucrative economic venture and source of income (Chatham House Report, 2013) particularly with increasing cost of crude oil and refined petroleum (Ikelegbe, 2005).

Today, crude oil theft has grown into a full scale business enterprise, hence Etim (2015) used the word "oil terrorism" (p.3) to affirm its robustness and potentials to create regional instability. While Etim's argument may be instructive, there is not yet an evidence-based relationships between criminality and terrorism in the region. Oil theft takes place across Nigeria's six major territorial water zones- Sombreiro-Bonny-BOT/AndoniOpobo and Escravos-Forcados-Ramos-Dodo in Rivers and Delta states respectively (Obasi, 2011; Amuwo, 2013). Illicit bunkering also takes place in the country's 24 export terminals (Amuwo, 2013; Katsouris and Sayne, 2013). This raises the question of what could have triggered the upsurge

from the 1990s. As well as addressing this question, the next section considers what caused criminality associated with oil, and how it has been interpreted in the literature on oil-related hostilities and insurgency in the Niger Delta.

## 1.2 GRIEVANCE VS GREED THEORY

Discussions on oil theft, petro-piracy and illegal fuel trade in Nigeria and wider Gulf of Guinea region have revolved around Niger Delta hostilities and militancy, but most frequently framed within the politics-economics dichotomy. Needless to say that the issue of illicit energy-maritime activities has reinvigorated the debate between politics and economics, or what Cramer (2007, p. 1) would refer to as “politics of battle and economics of gain”; two elements of the “gun and butter dichotomy” (ibid, p. 1). Politics gives an account of motives as a driver and sustenance of conflict (Collier and Hoeffler, 2004). For instance, politics would contend that “rebellion and the drive for engagement in violent protest occur when grievances are sufficiently acute (ibid, p. 1). Economics, on the contrary, sees greed and the drive for accumulation of wealth as basis for violence and war. The two positions find expression in oil related hostility and maritime challenges in the Niger Delta of Nigeria and energy-maritime security challenges in the GoG as literature on hostilities and insurgency in the region is awash with accounts which explore grievance-and greed induced theft of oil and petro-piracy.

### 1.2.1 GRIEVANCE AND ILLEGAL ENERGY-MARITIME ACTIVITIES

The issue of grievance is usually discussed in the context of the prevailing dehumanising socio-economic conditions of the Niger Delta despite the region’s oil wealth. Over 40 years of oil exploration and production in the region has not translated into a marked improvement in the living conditions of the inhabitants of the region. Economic underdevelopment and chronic poverty are the realities of the day. The Niger Delta, as Lubeck et al. (2007) noted, is

a typical case of the paradox of oil which is complicit in the rising phenomenon of frustration and anger, particularly among the youths of the region.

Added to this source of grievance, is the way in which oil multinationals carry out their oil exploration and production activities, their insensitivity to the environmental and ecological conditions of the region, their lack of accountability, and redress from government and the oil companies. These have all helped to produce aggressive, frustrated and angry communities. In response, and as part of several measures of compensation, the people took to vandalizing oil infrastructure and stealing crude oil (Ajala, 2015).

Limited opportunities which further widen inequalities is a major grievance factor. Social scientists argue that conflict is usually triggered by unfair and lopsided political processes and government policies (Churchill, 2005). Hence, violence becomes what Meyer (2004, p. 127), quoting Lipsky (1970) described as the “political resource” available to those at the lowest echelon of the political ladder, to influence decision making machineries of the state. This is the case in the Niger Delta where an increase in derivation revenue from a paltry 1.5 % in the 1980s to 13% in 2001 was made possible because of violent agitations in the region (Fubara, 2002). Hence, Gurr (1991) acknowledges violence as a veritable instrument in the hands of the poor, disadvantaged and marginalised to change the course of their well-being and its sustaining conditions; an instrument which could provide a rallying point for collective action as inequalities widened, especially if such inequalities are driven by legal barriers imposed by more dominant and advantaged groups. This is especially true for the Niger Delta where, as Douglas and Okonta (2003, p. 194) argued, “too many promises and disappointments in the past have exhausted the patience and confidence of the people”. The violent conflicts and

illicit oil activities that have dotted the landscape of the Niger Delta are informed by deep-rooted political and economic inequalities (Welch, 1995).

Linked to the frustration-aggression factor is the question of relative deprivation, which Barker et al (1941) argues to be inherent in human nature, and happens when there is marked improvement of living conditions for a group to the exclusion of another, bringing about feelings of injustice (Stewart, 2000). So relative deprivation, as Gurr (1970) submitted, is the difference between sense of entitlement and actual reward. More often than not this helps to evolve group identity which, alongside the extent and scope of relative deprivation of group members, may ignite collective violence (ibid). Therefore, as Akerlof and Kranton (2000) observed, group and identity are important conditions propelling grievance, and are important ingredients needed for organised large-scale violence, even where greed seems to be a major driver of conflict (Olson, 1965). The presence of the two conditions in the Niger Delta help to show why a hitherto peaceful conflicts have mutated to violence in the region. The Niger Delta people feel marginalized by their lack of access to the several benefits which come with oil production activities. It is not difficult, therefore, to understand the explanation of the Niger Delta conflicts and illicit energy activities in the region as a case of the paradox of plenty which sees the majority of the inhabitants of the Niger Delta live in extremely difficult conditions.

In addition to poverty and the undermining of the sources of livelihood of the people through environmental degradation, petro-capitalism has had significant consequences for the youths of the Niger Delta. Petro-capitalism has worsened unemployment prospects in the formal sector (Ifeka, 2010); a situation which meant that most youths remain dependent on their parents, since it has become increasingly difficult to get jobs. Hence, they resort to

criminalities such as oil bunkering as a means of survival (Osaghae et al, 2008). If this is grievance, it is grievance motivated by predation quest for a vocation, criminal albeit.

In response to this socio-economic milieu, oil theft then became an instrument of protestation (Akinola, 2011) by a “large pool of discontented and disgruntled young men and women” (Watts, 2008, p.36) against years of environmental degradation, abusive activities of the oil companies and the indifferent attitude of the federal government to the region (Akinola, 2011). Such protestations have unfolded in varying degrees and phases since the 80s and taken different dimensions. The dynamics of protestations in the region has seen a transition from peaceful demonstrations against the government and oil companies for payment of compensation commensurate to the damages caused in the delta region, to forceful occupation of oil facilities (ibid).

Oil theft relates to grievances which results from “a long and deeper geography of exclusion and marginalization by which the oil-producing Delta came to suffer all of the social and environmental harms of oil industry and yet receive in return (until recently) very little of the oil revenues” (Omeje, 2013, p. 66; 2008, p. 67). In addition to being a form of protestation, local bunkering was used as “a financial mechanism through which militants...finance their operations and attract recruits” (Watts, 2008a, p.37, Omeje, 2013, p. 67; Szeman and Boyer, 2017, p. 232). However, “the opportunity found in the maximization of profits in a globalized economy may divert organizations from their original route and into the road of criminality” (Palma, 2013, p.56). Hence, illegal oil bunkering, kidnapping and theft became innovative behaviour for survival and wealth accumulation (Ikoh and Ukpong, 2013). Even when, in 2009, late President Musa Yaradua opted for a peace-buying initiative in the Amnesty Programme; a presidential pardon and scheme for rehabilitation of militants through skill acquisition and

job provision as a condition for ceasefire and an end to hostilities by giving up their arms and ammunitions, the drive for wealth accumulation made some militants reject the amnesty offer because the promised daily allowance was nowhere near what they could amass elsewhere through criminal and violent acts. Hence, oil bunkering and kidnapping among other vices, to them, represented the commodification of violence (Joab-Peterside and Zal, 2009; Ikoh and Ukpong, 2013). If this was an era of insurgency, it was equally an era of “commercial insurgency” (Palma, 2013, p.56).

#### 1.2.2 GREED AND ILLEGAL ENERGY-MARITIME ACTIVITIES

Economic theory, unlike politics, asserts that predation or greed provides a plausible explanation for illicit maritime activities in the Niger Delta region. Major proponents of this school are Paul Collier, Anker Hoeffler and Michael Ross. Collier et al (2006) identifies greed as the driver of oil related criminality and youth belligerency in the context of a complex history of oil exploration and production and petro-capitalism to gain access to oil wealth and rents through clientelist networks. There is a direct relationship between greed and conflict, since natural resources create opportunities for rent which incentivises diverse groups to embark on a contest for resource appropriation and wealth accumulation through the subversion of the instruments of state control (Welsh, 1996, p. 485; Young, 1982). The greed proponents establish a strong correlation between resource endowment and risks of civil wars; a relationship which has been confirmed by the wars in Angola, Sierra Leone, Congo Democratic Republic and Liberia. In this context, rebellious acts are defined through the prism of resource predation (Collier, 2003), and resource-based hostilities are better explained by looking into the sources of funding for civil war which is the focus of the greed model (Collier and Hoeffler, 2002). While there is a strong case for grievance as a propellant of conflict, the

prospects of economic benefits and opportunities for rent offers a higher incentive for violent conflicts.

Thus, a consideration of conflicts using the greed framework of analysis provides a logical basis to understanding and appreciating the motivation for mobilisation of rebellious forces. Contrary to the grievance school, it becomes less difficult to mobilise people when several important variables such as a fairly weak state, a lower opportunity cost of rebellion viz-a-viz peaceful negotiations, financial resources, which could be readily available through several illicit sources such as looting and external funding) to buy weapons and pay recruits in other to capture economic power or even the state (Emuedo, 2014). This highlights the difficulties inherent in the quest at mobilising rebellious forces against the state on the basis of grievances resulting from political suppression, marginalisation and exclusive government policies. Therefore, economic considerations which propel groups to engage in rebellious acts provide sufficient explanation for conflict. However, several scholars have sharply criticised the greed perspective on the basis of its methodological assumptions (Murshed and Tadioeddin, 2008; Hegre and Sambanis, 2006; Boschini et al., 2004).

As said earlier, the greed theory has been applied in resource rich countries, where incessant conflicts have been driven by the need to take control of resource endowments either through secession or effective political control of the area devoid of interference from the central government. The greed school has thus strengthened the basis for conflicts in resource rich countries in Africa. However, the model falls short of providing a robust explanation for the Niger Delta conflicts. At the centrepiece of the greed perspective is the notion that militants and insurgents are driven in their quest to secede from Nigeria, or be in a position to use the state as an instrument of exploitation (Emuedo, 2014). However, the

activities of militants or insurgents in the Niger Delta have never been focused on secession, but a demand for a better Nigeria anchored on the principle of true federalism as practiced between 1953 to 1967 which would allow the component units and regions of the country to control, and live on, the resources at their disposal. Greed also operates at a local level, that is, the motivation is not entirely related to large scale political drive to secede, but is also driven by local dynamics. Given the absence of any such notion as secession, or state capture, the notion of greed underpinning hostility and militancy in the region is incomplete.

The greed school also submits that the government and rebels are two distinct groups who do not have strong relationships. This however may not be entirely true for the Niger Delta. The region is characterised by mutually beneficial relationships between the ruling elite and militias, where the political class recruit and arm militias as political thugs especially during elections. Such relationships significantly influenced the outcome of the 2003 elections, and fuelled militancy in the region as it guaranteed steady flow of cash and arms to the militants (ibid). Thus, the notion that the government and rebels are two distinct entities is flawed. It is also alleged that some of the weapons used by the militants were supplied by the Nigerian government forces (Watts, 2008a).

The economic rationale of the greed model, that is, looting of natural resources, is also weak viz-a-viz the Niger Delta situation. Agreeing with Asuni (2009), Collier (2006) notes that several militant organisations partake in illicit economic activities, and the money therefrom is used to procure weapons, fund further militancy and hostility in the Niger Delta and meet the needs of militant leaders. Militia groups involvement in illicit energy activities further reinforce greed as a causal factor of insecurity in the Niger Delta. However, Collier (2003) argues that youth militancy is nothing but a huge criminal network which operates across the

Niger Delta region, pursuing pecuniary objectives through social justice rhetoric. Hence, the level of criminality has become brazen: between 2003 and 2012 4,779 oil thefts occurred, 180 of them in 2012 (Katsouris and Sayne, 2013), and Katsouris and Sayne (2013) further argue that such organized criminality, particularly large-scale bunkering in the region can fetch up to a billion USD per year. This would imply that greed, like grievance, is not a sufficient explanation for oil theft and other forms of illicit activities in the Niger Delta.

### 1.3 A CASE FOR AN ENTERPRISE MODEL OF ILLEGAL ENERGY-MARITIME ACTIVITIES

There is another perspective to understanding illicit energy-maritime activities in the GoG. The notion of criminality seems to underpin the current dynamics of the tripod with the involvement of militants and other elements in illicit oil related activities. Omeje (2008) observed that between 2001 and 2005, militants actively participated in oil bunkering by providing security services to vessels carrying bunkered oil as well as being actively involved in the theft; a conflictual relationship which manifested in frequent clashes over spheres of control. Such criminal engagement has resulted in conflicts especially among warring factions and their leaders; one of such being what is often referred to as the 'war of the creeks' fought in 2004 between Asari Dokubo and Ateke Tom (ibid) over governable space for oil bunkering activities. Though Agbonifo (2007) argued that militants involvement in oil related criminalities should be seen from the need to sustain the conflict in the region, and that it should not blur or override the significance of the underlying issues that caused the conflict in the first place.

However, participation of militants in oil bunkering as agents and paymasters brought to the fore a clear case of self-aggrandizement and drive for unbridled wealth accumulation. Indeed, what the actions of the militias have shown is that violent conflicts could be driven by a

combination of greed and frustration (Emuedo, 2014), because a political conflict could easily transform into a quest for short term economic gains, or become a tool to secure economic advantage (ibid). There is, therefore, a strong possibility for a co-existence of greed and grievance in conflict situations, and as Watts (2008, p. 108) argued,

To see oil theft...as...evidence of a simple linear shift from grievance to greed is not helpful, in part because one person's greed is another's grievance and because inevitably this mix of forces—always open to different definitions and meanings—always operates as part of a complex whole.

Hence, as Cramer (2007) observed, while there is no basis to argue that there has been a marked departure from grievance to greed, "there is no reason in principle why organised crime—not simply extortion and sabotage as the 'obstructability' thesis claims - and grievance cannot co-exist perfectly well" (Omeje, 2013, p. 59; Abrahamsen, 2013, p. 55). In this case, and quite realistically, organized crime has not only symbiotically existed with grievance, it has also interacted with greed.

The involvement and participation of militants in illicit oil activities ushered in a transformation process which saw the 'boys' graduate into 'barons', and began to operate and facilitate oil theft and bunkering business under different guises, and ethnic affiliations and groups, using different instrumentalities to raise money. With this transformation came a change in motivation behind oil related criminalities. Hence, oil theft became a strategy in the hands of militia groups, including the Niger Delta People Volunteer Force (NDPVF) and the Movement for the Emancipation of the Niger Delta (MEND) not only to fund the Niger Delta rebellion and press home their demand for political autonomy and resource control (Omeje, 2008; Ikoh, 2013) through exchange of bunkered oil for arms, drugs and cash (Duquet, 2009) but also a money-making venture and a business for self-enrichment (Etim, 2015).

The NDPVF was involved in small scale production, refining and sale of crude oil to the coastal communities and the creeks (Omeje, 2008). Illegally refined products are cheaper at local markets compared to regulated and official prices; when the official, regulated price was 45 naira per litre of petroleum, illegally refined fuel was going for between 10 and 15 naira (ibid). The NDPVF sees the act of illegal refining as legitimate and an integral part of agitations for resource control (ibid). In most communities where illegal oil bunkering takes place, such acts are considered a form of corporate social responsibility or a form of local ownership of resources that are rightfully theirs. Hence, Asari Dokubo, former leader of NDPVF argued, "it is giving back to Ijaws what naturally belongs to them and providing a commodity that is exorbitantly priced in the creeks at low cost" (Oluwadare and Oyebowale, 2013, p. 41). He added, "there is nothing wrong if I take the crude oil found in our land, refine it and sell to our people at NGN 15 per litre. The real bunkerers are the federal government, which has been stealing oil from Ijawland since 1958" (The Guardian 17 Oct 2004 cited in Ikelegbe, 2005, 226-227; ibid), and have failed to account for the proceeds from the sale of oil extracted from the region.

Hence, like the government, the militants, in continuation of their illicit business enterprise, had developed a parallel oil industry, with artisanal oil refining, distribution and retail facilities. If selling below pump prices was considered to be humanitarian and a service to the Ijaw nation, breaking into pipelines for crude is not only illegal but an act of sabotage. Such acts of sabotage only aggravate environmental degradation of the oil producing communities, which has been the rallying force and justification for rebellion and militancy in the Niger Delta for years. If environmental conditions advanced as motivation for agitations in the Niger Delta are further devastated by illicit activities of some unscrupulous groups within same region, it may then be illogical to justify continued rebellion and militancy on same ground.

The reality is that redress-seeking protests and rebellious acts have become more or less a smokescreen for predation and organized oil theft (Etim, 2015; Omeje, 2018).

Furthermore, as noted by Omeje (2008, p. 67) oil theft offers “a lubricant for a ready existing set of grievances”, as it guaranteed a steady supply of arms through oil for weapons deal (Ikelegbe, 2005; Etim, 2015). However, such crude-for-weapons deals were not only a form of illicit business activity but a mechanism for sustaining it as some of the proceeds of crime were channelled towards acquiring weapons used in sustaining the enterprise (Etim, 2015). What this implies is that the illicit oil economy helped to ensure organized business crime festered in the context of a fight against relative deprivation and sense of injustice. Oil theft and bunkering were strategies used by militants to fund agitations and rebellion, as much as they were strategies for predation and unbridled wealth accumulation (Omeje, 2008), as well as means to ensuring survival of the illicit oil business (Etim, 2015).

The argument can be made further that with the illicit business of oil came a boom in the related illegal arms business. With arms proliferation, inter-group wars for resources were heightened, creating a suitable environment for oil-related criminalities to grow (Ikelegbe, 2005). Such resource-induced wars for “supremacy and control of territory in the bunkering business” (ibid, p. 226) became prevalent following the active participation of pirates and other criminal groups in oil bunkering, either as labourers or workers at oil bunkering sites or as financiers of the business (ibid). Why would there be gang wars or conflicts among community youths for spheres of influence if the motives behind the rebellion, as often claimed, was redress-seeking against “ecological war” (Saro Wiwa, 1995), neglect, deprivation and poverty in the midst of resource endowment and wealth etc.? This, again, is indicative of the fact that, while there were, no doubt, genuine grounds for agitations and

rebellion, there were gun wielding business men, whose primary motive was predation and exploitation of oil related criminal opportunities. Indeed, as Joab-Peterside, et al (2012) observed,

the scourge of oil theft is indicative of existence of a complex conflict environment with varied actors...Many of these conflicts are embedded in folded resource control (grievance) or crime (greed), but in reality the field is complex and differentiated involving quite different clusters of actors and agents. Some of these conflicts can be described as insurgency; others bear a semblance of electoral violence, state sponsored violence; yet, others are connected to mafias and vigilante groups (p.9).

Natural resource plundering (oil in this case), is an important assumption of the greed perspective. However, in the case of the Niger Delta and wider Gulf of Guinea, such blatant theft of resource wealth is done systematically through state and non-state actors, who in part constitute what Burgis (2015, p. 1) described as "the looting machine". This systematic and coordinated theft of Nigeria's oil has transcended the notion of simple predation. A criminal network involving national, regional and international actors now coalesce around criminal opportunities in the region's oil industry. The economic rationale of greed (predation) does not provide a strong basis for understanding the Niger Delta hostility and oil-related criminality. For instance, as far back as 2005, oil theft averaged 400,000 barrels daily but plunged to about 110,000 barrels by 2009, following the Amnesty programme. In 2013, the quantity of stolen Nigerian crude averaged 300,000 barrels daily, according to former finance minister, Okonjo Iweala (Premium Times, April, 18, 2013). At 100 dollars p/b of oil same year, the value of stolen crude was more than the total national budget for education and health combined (UNODC, 2013). The greed framework may therefore not appropriately describe the magnitude of the criminality involved in oil theft. It is against this reality that Collier, quoted in Watts (2009, p. 112) noted further that "rebellion...is like

organized crime". He further argued in 2003, as noted by Watts (2009, p. 112), that the Niger Delta has a semblance of an "American gangland" noted for a fierce struggle among drug syndicates, and similarly in 2007, he considered it as a massive "protection racket" (*ibid*) managed by criminals. Indeed, the nature of the criminality is akin to Klare (2001) account of natural resource plundering in resource rich countries of the world, such as diamonds in Sierra Leone, cocaine in Colombia, and timber in Cambodia. Omeje (2008) could not be more apt; "there are explicitly criminal elements and syndicates at work in the operations of a vast bunkering business in Nigeria"- rebel organizations and insurgents were, in this sense, not merely criminal gangs" (p.68); they were business men.

Whereas earlier scholars of illicit energy-maritime activities in the GoG, especially the Niger Delta, examined the phenomenon of oil bunkering, theft and piracy through the lenses of grievance-greed, later scholars have since moved beyond grievance-greed dichotomy. Such transition of scholarly focus is not unexpected given the transition and progression of the scourge from mere opportunistic acts to a well-oiled and organized criminal business. Not only has the transition affected the nature of the criminality, it has brought in its wake an expanded network of criminal actors from all spheres of life and countries of the world, who exploit illicit opportunities in the region. While the business of oil theft was disguised or inherent in the nature of criminal hostilities and militancy pervasive in the Niger Delta up until 2009 when the Amnesty Programme was initiated, it is, today, a major talking point in global energy-maritime security discourse, with several commentaries on its criminality, criminally organized nature, and the implication it brings to bear on global energy and maritime security.

Several scholars (Asuni, 2009; Amuwo, 2013; Katsouris and Sayne, 2013; Vidal, 2013; Starr, 2014) have described oil theft or "blood oil" (Asuni, 2009) in Nigeria as an organized business

crime "of international dimension" (Katsouris and Sayne, 2013), with significant international repercussions (Lyons et al, 2015; Katsouris and Sayne, 2013; Vidal, 2013). It is an extremely lucrative practice (Amuwo, 2013, p.167), a big criminal ring (Olateju, 2013) which runs into billions of dollars (Katsouris and Sayne, 2013; Asuni, 2009; Vidal, 2013), and second only to the trade in drugs by earnings (Vidal, 2013). Though its financial fortunes are often a function of fluctuations in oil prices (Amuwo, 2013; Onuoha, 2012; Jablonski and Oliver, 2012), it is the most lucrative illegal enterprise in Nigeria's petroleum industry (Onuoha, 2008). Though it may appear disorderly, oil related criminalities are usually planned and structured (Chatham House Report, 2012), and "Nigeria's crude oil is now being stolen on an industrial scale" (Katsouris and Sayne, 2013, p.2), with little attention from international community (ibid, p. 3). Indeed, as Ikelegbe observed,

there is a large scale illegal local and international trading on crude oil. This has grown from a few amateurs in the 1980s who utilized crude methods to extract crude from pipelines to a very sophisticated industry which uses advanced technologies to tap crude and sophisticated communications equipment to navigate through the maze of hundreds of creeks, rivers and rivulets. The oil theft syndicates have also graduated from boats and barges to ships and large oil tankers in the high seas" (Ikelegbe, 2005).

However, "it is not all bunkered oil that are sold to foreigners. Some of the stolen oil is transferred into drums and taken to local refineries located in the creeks (Ikoh, 2013, p.44), where it is refined. Following refining, the by-products are sold to motorists and commuters especially at roadside markets (ibid). Hence, a small percentage or volume of the stolen oil is localised and sold in the local market, while the greater percentage is taken out to refineries overseas (Attah, 2012). Nevertheless, oil bunkering is not only a racket but an organized crime

(Vidal, 2013). Even “the low-level oil theft that is controlled by the rebels as a way of financing their struggle is organized...” (Watts, 2009, p.113).

These crimes are driven by commerce, they have the features of legitimate businesses and are mostly project-based (Ikoh, 2013). Their workforces and recruits are however, organized along socio-cultural lines (ibid), with a loose and fragmented network (UNODC, 2005; Alemika, 2013). It is entrepreneurial, and in many instances, exists based on the contacts and activities of key players who maintain and lubricate several links and alliances that form a network around a range of criminal projects (De Andres, 2008).

The phenomenon poses immense socio-economic and political threats to Nigeria. It harms its economy, undermines growth and creates social dislocation (Asuni, 2009). It also fuels prolonged militancy and insurgency in the Delta region, engenders insecurity in the wider GoG and contributes significantly to global energy market volatility (Boris, 2015). The proceeds of the illegal enterprise find its way into the international financial system, fund other illicit activities across the globe (Chatham House Report, 2012, p.11), and create mutually reinforcing relationships between illicit activities (Farah, 2013). Such links may have broader implications for global security, with “bunkering of hijacked vessels...now feeding into Lebanese and Eastern European criminal interests, who reportedly arrange black market sales of stolen crude and refined cargos” (gCaptain, 2013).

The business of oil theft in the Gulf of Guinea has evolved into a parallel industry with a developed value chain (Attah, 2012); a demand and supply chain (Onuoha, 2008) or piracy infrastructure (Ukeje, and Ela, 2013), with a network of actors, including senior military personnel, government officials and political elite, Niger Delta Joint military task forces. Hence, the “Nigerian state in its various expressions and the oil thieves are both oppositional

and organically self-sustaining" (Watts, 2009, p. 113). Like the oil thieves, some elements in the Nigerian government participate in illicit movement of oil, while some others supply useful information to pirates on the content of vessels, their location and schedule of movement (Starr, 2014). Other actors are politically exposed or well-connected oil traders and merchants; local criminal elements and syndicates that are linked to international criminal networks (Katsouris and Sayne, 2013; Obasi, 2011; and Watts, 2008). The latter involves several countries, including some of Nigeria's immediate neighbours (Benin, Ghana, Cameroon, and Côte d'Ivoire) which serve as either transit or destination hubs for stolen oil. Extra-African countries suspected to be implicated are a legion: Eastern Europe, the Balkans, China, Brazil, Cuba, Singapore, India, Thailand, Indonesia, the US (Katsouris and Sayne, 2013) and the Philippines (Obasi, 2011, p.61). Indeed, "a single operation could involve a multinational network working together" (ibid).

Oil producing communities are enmeshed in the illicit business as collaborators and facilitators (Obasi, 2011). There are two types of communities. First, there are 'Host communities' where illicit bunkering activities take place. The second is passage communities which serve as the outlet or channel through which small barges gain access to the high sea (SDN Report, 2013). In most of these communities, those who have privileged information about the activities of the bunkerers especially the loading and transportation schedule often put up blockades to prevent passage of barges or vessels through their territories for financial benefits (Obasi, 2011); a practice comparable to payment of protection fee by oil thieves to security personnel.

Over all, "some of those involved are working for local markets, inefficiently refining products for communities desperate for fuel and power. Some – far larger in scale, organization and

significance – are managing an international export business with tentacles across the globe” (Attah, 2012; Chatham House Report, 2013, p.11). However, “those involved in the Niger Delta were just the foot soldiers; the networks were orchestrated by individuals both inside and outside Nigeria, running an industry worth billions of dollars” (Chatham House Report, 2013, p.11). Indeed, as noted by Omeje (2008, p. 59), “oil bunkering trade embraces all manner of agents motivated by all manner of desires”. That said, how is the illicit business carried out, or what is the structure of the trade?

### 1.3.1 DYNAMICS, SCOPE, AND DRIVERS OF OIL THEFT

It is important to say that the illegal enterprise has evolved over time in scope, thriving on the interaction of several factors. The theft of oil has developed in three stages ranging from small-scale through medium to largescale operations (Boris, 2015; Chatham House Report, 2012; Katsouris and Sayne, 2013; Onuoha, 2013), and involves activities carried out either by ‘boys’ or ‘barons’ (Amuwo, 2013). Small-scale operations are the exclusive preserve of the ‘boys’ who know the swamps, creeks and mangroves of the Delta very well (*ibid*). They constitute local gangs who specialize in tapping into pipelines, stealing, diverting and smuggling oil within and outside Nigeria (*ibid*). About 30,000 barrels of oil are reportedly lost daily through this process. The second type is done by directly breaking into the pipeline and thereafter connect wellheads hose to tap crude (Boris, 2015). It is more technical and involves larger quantities of oil which feeds small barges and even bigger trawlers offshore (Amuwo, 2013). It is estimated that about 200,000 barrels per day are lost in this way, representing some ten per cent of the country’s total daily exports (*ibid*). The third and final type is the exclusive domain of the barons who specialize in lifting oil in excess of the amounts officially

licensed (Boris, 2015; Chatham House Report, 2013; Amuwo, 2013; Katsouris and Sayne, 2013; Onuoha, 2013).

The literature speaks to a myriad of issues as drivers of the illicit business. The business is sustained by a robust black market where illegally stolen crude oil is traded, which also provides an intersection between buyers and sellers of the commodity for exchange of other items such as arms (UNODC, 2013; Etim, 2015). Hence, the crude black market provides an incentive for crude oil theft; without which there may be no reasonable ground to hijack crude oil vessels, and “for as long as this exists, the practice will continue. When those who buy crude oil refuse to buy from the black market, the practice will become non-profitable and useless” (Etim, 2015, p.13). Yet, the illegal enterprise empowers the youths financially such that they are able to buy better weaponry and build up a formidable arsenal (Lyons et al, 2015), in what is known as crude for arms deal (Etim, 2015). In this regard, there is a mutually-reinforcing relationship between illegal oil activities and weapons proliferation in the Niger Delta; a case of “gunning for oil and oiling the gun” (Badmus, 2010, p.323). This development accounts for the upsurge in criminal gangs who not only engage the government but also one another in a bid to remain in business (Etim, 2015). Beyond the Niger Delta region, accessibility of oil-purchased arms have helped to create an atmosphere of criminality in Nigeria, with proceeds from illegal bunkering lubricating violent criminal activities such as armed robbery and kidnapping and inter-ethnic clashes in several parts of the country (Onwuemenyi, 2012).

Corruption in the form of rent seeking has been implicated in the rising phenomenon of oil-related criminality in Nigeria. As noted by Turner (1976), official corruption which has seen the state increasingly instrumentalise and capture rebellion and transform it in its own image

since the dawn of democracy in 1999, has resulted in a widening of the scope of rent-seeking or rentier economy, creating opportunities for a black market economy to thrive around the country's oil industry in which government officials and clients are profoundly entrenched, in a patron-client relationship; a practice which has come to define Nigeria's political system post-1999 (Nwajiaku-Dahou, 2012). In what vividly highlights the entrenched network of a patron-client network, two high ranking naval officers were discharged from the Nigerian Navy for their alleged involvement in aiding the disappearance of *MT African Pride*, which was stopped on October 8, 2003 carrying over 11,000 metric tons of crude oil alleged to have been stolen and illegally diverted (IRIN News, 2005). Relatedly, Katouris and Sayne (2013) observe that Nigeria's oil industry lacks transparency in terms of sales and management of proceeds from crude which manifests in the network of shadowy middlemen operating in the oil value chain thereby allowing for an intricate, volatile market place and illicit activities.

On another level, Starr (2014) and Ikoh (2013a) identify Nigeria's geography as allowing for easy illicit activities as "pirates conceal boats and stolen commodities in the thousands of inlets, rivers and mangroves...crude oil is unloaded to criminal partners and resold on the local market through government and non-government facilitators". The wider West Africa region is as much vulnerable to exploitation of criminal networks. Ikoh (2013b, p. 4) argued that:

With the Atlantic Ocean bordering the western and southern part of the region, the Sahara in the north, and the Sahel and Savannah which constitute a part of the western and entire eastern border, the region is made up of many unmanned and porous routes. This multiplicity of routes – rivers, creeks, desert, and savannah – provides criminals with a favourable ground with reduced risk to conduct their activities.

Most of the literature has considered oil theft and petro-piracy in the Gulf of Guinea as two distinct forms of crimes. This is understandable as legally speaking, these are two different forms of illicit acts and are attributed to different interpretations in international maritime

law due to differences in location where they occur. The reality however, is that, they represent two sides of a crime coin; oil thieves and pirates exist not only symbiotically but as two of a kind. Alli (2015, p. 134) observes that, in the Gulf of Guinea, "insurgents, rather than achieving a symbiotic relationship with pirates, have fully transformed into pirates themselves." "Elements of MEND that are no longer attacking offshore oil platforms, kidnapping offshore workers for ransom, or extorting money from oil companies have turned to piracy as their principal activity" (ibid), evolving in the process a close-knit relationship with pirates, what Alli described as "insurgency/piracy nexus" (ibid, p. 99). It is in this regard that Ridley (2014) described the illicit business of oil theft as "criminal activity of oil theft by piracy" (p. 208), and Doyle (2013) affirmed "Nigeria's piracy as another form of oil theft". It can then be argued that, "most Gulf of Guinea piracy is essentially a maritime extension of the onshore oil theft that has plagued Nigeria for years" (Johnson, 2014, p. 1).

### 1.3.2 GROWTH, DEVELOPMENT AND DYNAMICS OF MARITIME PIRACY

The origin of contemporary piratic activities in the GoG can be traced to the boom in the price of oil in the 1970s (De Montclos, 2012); a position further corroborated by Murphy (2013) in his discussion of the 'cement armada' episode in Nigeria, which followed the oil boom of the 1970s. That said, Onuoha (2013b, p. 271) contend that much of what is termed piracy in the GoG is "armed robbery against ships, because the attacks occur inside the twelve-mile boundary that lies within the coastal state's area of responsibility". Contrarily, Ikoh (2013, p. 6) maintained that though the conditions that breed these attacks can be found onshore, most of the pirate attacks take place on the high sea. Indeed vessels and tankers farther afield the sea have come under attack. The controversy notwithstanding, the obvious reality is that

both the coastal waters (especially those of the Niger Delta of Nigeria, Togo, and Benin) and sea of the GoG offer a comfortable operational zone for piratic operations.

Piracy in the West African coast has evolved over time in both dynamics and scope, though there is no exactitude as to the date of transition and progression (Alli, 2005a). However, there seem to be noticeable patterns in its progression, which have been interpreted, differently by scholars of maritime piracy in the region. Alli (2015a), identifies seven phases in the evolution of piracy in the GoG: 1) opportunistic sea robbery; 2) hijacking using speedboats by gangs armed with heavy weapons; 3) surgical operations and organized crime by 2009; 4) hunt for vessels to attack with great violence; 5) Full scale piracy characterized by the use of mother-ship to launch further attacks; 6) regional threat and development of piracy networks; and 7) use of sophisticated weapons such as machine guns as attacks became more daring. Elsewhere, he identifies three piratic phases namely the; opportunistic phase, insurgency-piracy phase and full scale piracy (Alli, 2014). However, in piracy operation, there are eight layers of activities, between target selection and disposal of cargo (Onuoha 2012). The eight-layered process is indicative of a complex interaction of actors, and anchored on or job specialization among gang members Onuoha (2013). Alli (2015a)'s categorization also highlights the sophistication and networked nature of interaction that has attended the growth and development of maritime piracy in the Gulf of Guinea. These attributes further reinforce the nature of maritime security in the GoG, and justifies a consideration of the phenomenon as an organised crime as being carried out in this study.

On the modus operandi of the illicit enterprise, Onuoha (2013b) observes that, from targeting fishing vessels and general cargo ships off the Nigerian coast, pirates have evolved new tactics by using motherships to launch attacks on oil vessels offshore and, most notably,

sophisticated gangs, have expanded their recruitment base to include other nationalities in and outside of the region as a strategy for dealing with language and communication barriers and geography when carrying out transboundary maritime operations. The primary targets are oil tankers, which are robbed, after which the oil is transferred into smaller ships, and then goes through ship-to-ship transfer until it goes off maritime surveillance radar, and subsequently accesses the legal international crude oil market (Onuoha, 2012).

Like its twin crime; oil theft, petro-piracy in the Gulf of Guinea can be seen as part of an organized crime (Onuoha, 2012; Malaquias, 2012; Alli, 2015), with the Niger Delta at its centre (Onuoha, 2012). Like Somalia piracy (Percy and Shortland, 2013), the GoG piracy is a land-based organized criminal act with a complex business structure, and feeds into a larger range of organized crimes on both land and sea (Ridley, 2014). Onuoha (2012) adds further that, oil piracy in the region is a well-organized and lucrative criminal enterprise, "sometimes highly sophisticated illicit taking of oil" (Malaquias, 2012, p. 1), conducted by criminal gangs, mostly operating from Nigerian waters. "It is a vocation that compares to any other enterprise where money is made illegally. Gulf of Guinea pirates are driven to the sea on the conviction of having a comparative advantage over their targets; buoyed by incentives, means and opportunities" (ibid, p. 1). They carry out a cost-benefit analysis, to justify embarking on risky ventures into the sea. Rewards from such risky ventures are expected to be higher than the costs (ibid).

According to Onuoha (2012), piracy in the GoG, unlike Somali piracy which relies on low technology to sustain the illicit business (Percy and Shortland, 2013), is characterised by violence and the use of sophisticated arms and weapons, and is mostly carried out by transnational mafia groups. (Onuoha, 2013). These groups finance and facilitate the

operations of pirates whose targets are the oil tankers, and also give out useful information on names of vessels, and movement schedules, among others. Onuoha (2012) identifies several explanatory factors for maritime piracy in the region, such as widespread poverty, ease of access to arms and navigational tools such as speedboats, and congestion at port facilities which slows cargo movement especially offshore. However, he is quick to add that poverty is not the main driver, submitting that, if it were, Africa would be a land of pirates. Ukeje and Ela (2013) note further that causes of piracy in the region "stem from decades of bad governance and truncated developmental aspirations for the vast majority of citizens living in the GoG are often overlooked" (ibid, p.13).

Contrary to Percy and Shortland (2013) postulation in regard to Somali piracy, piracy benefits from improved business environment and economic stability, the GoG piracy thrives on the disorderliness surrounding the region's energy industry and instability in the Niger Delta of Nigeria and the GoG. UNODC (2013) observes that the GoG piracy feeds largely on the region's oil industry.

### 1.3.3 CONCLUSION

The business of oil theft and petro-piracy is a reality and it can be affirmed, at least from the foregoing that, it is as old as the Niger Delta agitations, particularly the armed struggle and militancy era. What started as opportunistic acts have evolved into an international criminal enterprise, with national, regional and international players coalescing around criminal opportunities in Nigeria's oil industry. The reality of the organized business of oil has co-existed alongside grievance-induced protests and greed for several years in the Niger Delta. Despite a wealth of information and prudential evidence in support of the existence of this illicit business in the Gulf of Guinea however, there is dearth of empirical study on the nature

of the criminal enterprise, particularly its value-chain which offers the advantage of providing significant insight into the actors, interests, support services both on land and sea, and the nature of interactions or networks among these components along the value chain continuum. Two major works come close to the objective of this present study; Katouris and Sayne (2013), and Percy and Shortland (2013). Katouris and Sayne (2013) - an empirical based study; is a report which has been copiously attributed in most literature on oil theft and petro-piracy in the GoG. The authors, however, acknowledged that the report is an oversimplified narrative of the dynamics of crude theft in Nigeria and posits further that, "without better knowledge of how oil theft works, governments hoping to help solve the problem could find themselves out of their depth" (p.3).

Though a focus on Somalian piracy, Percy and Shortland work is more directly relevant to this study, not least for being an empirical study on 'the business of piracy in Somalia' which is akin to the objective of this research (business of oil theft, petro-piracy and illegal fuel trade in the Gulf of Guinea), and for providing insights into areas where future research could be carried out. Percy and Shortland (2013) emphasize the importance of using different lenses to examine international security problems of crime and threats, which the criminal tripod represents, as the lines between them get increasingly blurred. It is against the latter import from Percy and Shortland's work that this present study adopts "a hybrid criminal/international security problem" (Percy and Shortland, 2013, p. 267) approach, using a business crime theory and value chain model to carry out an empirical investigation into the business of oil theft, illegal fuel trade and petro-piracy in the Gulf of Guinea.

Much of academic discourse on oil theft and petro-piracy in the Gulf of Guinea, as presented above, have justifiably taken Nigeria's Niger Delta perspective of the issues with discussions

being framed in the context of “the ideological category of resource control” (Joab-Peterside et al. 2012, p.) or what Collier (2006) refers to as greed, Ikelegbe’s “economy of conflict” (2005), Joab-Peterside et al’s “social field of conflict” (2012), Ikoh and Ukpong (2013), “political-economy of conflict”; Adeyemi (2015), “aggression-frustration-grievance framework”; Starr (2014), “geo-political framework” etc. Even the piracy studies have seen petro-piracy more as a Nigerian problem hence, petro-piracy discussions have revolved around instability and criminality in the Niger Delta. See, for instance, Alli (2014), Onuoha (2012; 2013) and Murphy (2013). In reality, the scourge represents a wide variety of heterogeneous issues and means different things to different people, not least those who hold the position that oil theft is not theft, and that it is simply taking what nature has bequeathed on the Niger Delta; a way of resource control. This speaks to existence of a complex network of interests, interactions and activities in a “social field of conflict” (Joab-Peterside and Zalik, 2009, p.9), bearing signs of heterogeneousness and differentially situated in the context of participation of different clusters of actors and agents, including the state, oil companies, ethnic militia, ethnic groups and organized crime. Hence, simple generalizations about oil related hostilities and violence in the Niger Delta do little to present the complex nature of the phenomenon under consideration and may result in policy inconsistencies. Such a simple and narrow focus has been the approach in most academic literature on maritime security in the GoG particularly concerning the tripod of crude oil theft, petro-piracy and illegal fuel trade. This thesis therefore sets out to fill this gap in literature by carrying out an empirical study on the criminal business of oil theft, petro-piracy and illegal fuel trade not as a Nigerian problem but that of the entire Gulf region. However, Nigeria is used as a case study as she remains the epicentre of the criminal economy in the region. The study takes the position that energy-maritime illicit activities (oil theft, illegal fuel trade and

petro-piracy) have evolved into an organised business crime with highly developed value-chain that sustains the criminal economy as presented in the next section.

Equally important to note is the fact that most of the literature has discussed oil theft and petro-piracy as separate and distinct but interrelated issues. While the study acknowledges that not all oil thieves are pirates and vice versa, and that obvious differences exist in the modus operandi of the different forms of criminality; the Atlantic coast of West Africa provides a platform for oil thieves, illegal dealers in petroleum and petro-pirates to coalesce into criminal activities around the region's troubled oil and gas industry, creating, in the process, an economy of crime on both land and sea with significant impact on energy and maritime activities in the region and beyond. This study will explore in greater details these illicit acts as three of a kind through a focus on the dynamics of the enterprise, the forms of relationship existing among them –through conflict, cooperation and connivance- and its value chain. This approach will have significant implication for research, policy and legal prescriptions on the scourge and it will be discussed in the current study.

The current study is therefore novel, not least for bringing a fresh perspective to understanding the phenomenon of oil theft, petro-piracy and illegal trade in fuel in the GoG through an empirical investigation of its business character and value chain. The study will examine the structure of the business enterprise and what organized criminals do to make a profit out of the illicit business by looking at their market behavior. Seeing the scourge as organized business crime from an empirically based perspective is an important first step in developing the right policy mix geared toward reversing the trend. As Gottschalk (2009, p. 1) observed, "to fight organized crime, there is a need to understand criminal organizations in terms of criminal enterprises". Hence, this study will examine oil theft, petro-piracy and illegal

fuel trade not as mere criminal acts but as a criminal entrepreneurship akin to non-criminal enterprises. The undertaking thus represents a case study in the entrepreneurial nature of organized crime.

The outcome of this approach is a study that is woven in the business and economics of oil theft, petro-piracy and illegal fuel trade, as important business and management concepts will be applied, thereby making significant contribution to the entrepreneurship literature. Indeed, the study will be presented from an organizational, sociological, criminological, historical and political perspectives to offer insights into all aspects of organized crime activity of oil theft, petro-piracy and illegal fuel trade in the GoG. In addition to offering a deeper understanding of this tripod of criminality as a business enterprise, the study presents a multidisciplinary approach to understanding a phenomenon which has seen little or no empirical investigation of this nature despite its increasing destabilizing national, regional and global impact.

Linked to this, the study, as part of its contributions to energy-maritime security literature on the region, will give a greater consideration to the value chain sustaining the business enterprise. As noted by Porter (1985), and further discussed in chapter four, a value chain is a set of activities embarked upon by an organization to create value or satisfaction for its customers. Beyond a networked-process, a value chain shows the various actors involved in the value creation processes and the interactions among them. The value chain further provides significant insights into the factors implicated in the rise of the phenomenon. It will also highlight where significant resources should be urgently directed in order to reverse the trend.

The current study therefore presents three key elements as value addition to existing body of knowledge on energy-maritime security in the GoG: an empirical investigation of the business of crime; a multidisciplinary approach to the study of threat and crime; and the introduction of a value chain approach to understanding the nature of the business enterprise as a basis for articulating and implementing the right policy mix towards combating the illicit business enterprise. These important contributions are discussed further in the conclusion of the study.

#### 1.4 THEORETICAL FRAMEWORK: 'ENTERPRISE-VALUE CHAIN MODEL'

The literature review above has shown that Niger Delta hostility as well as energy- maritime security challenges in the GoG have received significant scholarly attention, examining the causes, course and dynamics of the oil and maritime related criminalities have been brought to the fore through both empirical and theoretical expositions. However, there is a dearth of information on the tripod as an organized business crime and its value-chain, which serves as a linchpin of the criminality. Unravelling the criminal business dynamics of oil theft, illegal fuel trade and petro-piracy in the Gulf of Guinea comes with a myriad of difficulties. These difficulties, which are the hallmarks of any research on organized crime, include a paucity of official data on organized crime and often contrived notion of the term by the media (Paoli, 2002). Hence, the organized nature of the tripod is a subject of debate and it is most often assumed in some cases and discredited completely in some other instances. However, the most reliable analyses suggest that, while organized oil theft, petro-piracy and illegal fuel trade is a reality, it does not conform to stereotypical mafia (Katsouris and Sayne, 2013), defined by a highly organised and hierarchical structure like the Japanese Yakuza rather, a

picture of a flexible, loose conglomeration of criminals and chained networks is present; a feature of the Chinese Triads.

In chapters three and four, I provide an exposition of organized oil theft, petro-piracy and illegal fuel trade in the GoG using the business enterprise model which is a variant of economic models of organized crime, complemented with the value-chain approach. I contend that the principal, but not exclusive, explanation for organised energy-maritime activities in the GoG is enterprise or the presence of a business of crime. My position is anchored on the economic theory which provides two closely related models for analysing and understanding organized crime. The market model focuses on the nature of criminal markets, whereas the enterprise model analyses the manner in which criminal enterprises behave in criminal markets. Both models assume that criminals are rational actors who constantly seek new opportunities to maximize profits. The market model focuses on the dynamics of supply and demand within illegal markets whether they are local or global. Illegal markets provide a constant exchange of goods and services in situations where their production, marketing, and consumption are legally forbidden or severely restricted. Typical markets of this kind include hard drugs, illicit arms sales etc. (Williams and Godson, 2002).

The enterprise model places emphasis on the business dimension of organized crime and the similarity between illicit and legitimate enterprises. It emphasises the pre-eminence of economic activities and market forces over group structures, and that such market forces operate beyond legitimacy to provide the context for illicit entrepreneurial activities (Smith, 1980). However, "both licit and illicit firms behave in similar ways: they focus on profit, seek out economic opportunities, make rational judgement about their investment of time and money, and attempt to minimize their risks" (Desroches, 2005, p. 42). And "despite some

differences, both the market and enterprise models focus on market forces, criminal opportunities, and the entrepreneurship of organized crime" (ibid). And since this study essentially focuses on these key elements, enterprise analytic model seems the most appropriate. However, this framework, while affirming the WHY of illicit business, does little to expatiate on the HOW of an illicit economy despite Smith's reference to core technology, the technical functions which support creation and disposition of entrepreneur's end product or services (Smith, 1980). This obvious weakness draws on the need to complement the enterprise theory with Michael Porter's value chain approach which, by its underlying assumptions, articulates the infrastructure or chain network required for value creation, production and service delivery, legal or otherwise, thereby offering a significant analytic advantage. The foregoing therefore is a theoretical analysis of the crime tripod using what I refer to as 'enterprise-value chain' theory. The enterprise-value chain framework represents an appropriate architecture viz-a-viz the objective of the study as it helps to advance understanding of the criminal motivation and infrastructure sustaining the crime tripod in the region. It provides a relatively new framework within which an assessment of two parallel (legal and illegal) opportunistic structures could be carried out; an appreciation of the dynamics of marketplace and its role in facilitating opportunistic structures; and lastly, an evaluation of the mechanisms by which such structures create value for entrepreneurs, consumers and other institutions on the spectrum.

#### 1.4.1 ENTERPRISE THEORY OF CRIME (SPECTRUM-BASED THEORY OF ENTERPRISE)

Drawing on business and economic principles, particularly organization theory (Thompson, 1967), Dwight Smith (1975) emphasises the business or enterprise of organised crime or "enterprise crime" (Kirby and Penna, 2010, p. 195), or what Bowden and Basnet (2012, p. 14) would refer to as "economics of criminal motivation". Smith, an American, author of *The*

*Mafia Mystique* (1975), was born on June 23, 1930 in Bellingham, Washington, USA. Having worked as a U.S. Army Counter-Intelligence officer in the 1950s and New York State organised crime intelligence officer a decade later, Smith wrote *The Mafia Mystique* in 1975 as a direct assault on Mafia mythology before seeking to explain organised crime using the spectrum-based enterprise model.

The enterprise or entrepreneurial theory sees entrepreneurship as the primary basis for the existence of organized crime. And as Kenney and Finkenauer (1995) observed, "organized crime is essentially an ongoing economic operation whose business is to provide illegal goods and services" (p. 22). Such activities, in the words of Lyman and Potter (2015, p.70), quoting Smith (1980), exist due to the fact that "the legitimate marketplace leaves unserved or unsatisfied many people who are potential customers". Hence, economic enterprise may involve both legitimate and illegitimate businesses across a broad spectrum as there exists a range of (legal and illegal) behaviour which could provide a context for commercial transactions. Organized crime is therefore "different from legitimate organized business only because its activities fall at a different place on a spectrum of economic enterprise" (Finckenauer, 2012, p. 22). Such a spectrum includes both legitimate business and criminal activities- all "range of economic activity that is continuous 'from the very saintly to the most sinful'" (Beare, 2017, p. 371). Indeed, on the spectrum, there exist a range of behaviour which form the basis for conduct of all manner of business activities, and to that extent, legality becomes a mere arbitrary point on that range and does change or relocate with the passage of new laws (Smith, 1980), but the continuum of entrepreneurial behaviours remain unchanged (ibid, p. 373). Only a thin line exist between what is legal and illegal and to put it

more succinctly, organised crime, in many cases, mirrors the legitimate business world (Landesco, 1929).

However, "just as there is a spectrum of entrepreneurship, there is a spectrum of customers" (Smith, 1980, p. 379). There are customers whose legitimate needs are satisfied legally and there are those whose needs are met illegally, whether the needs are legitimate or not. Nevertheless, Smith's approach focuses on criminal activities rather than individuals or group(s) who partake in such illicit acts, which implies that the unit of analysis is not individual groups or actors, but the illegal economy or marketplace.

Smith may have drawn inspiration from Joseph Albini (1971) who described criminals involved in organised crime as illegal entrepreneurs and constitute a 'syndicated crime' which is characterised by a loosely structured patron-client relationships guided by codes of conduct and mutually agreed upon roles, responsibilities and benefits. Such calculations of expected obligations and benefits fit into the rational theory of crime, which asserts that criminal acts evolve from a careful risk assessment as to whether or not a criminal act should be committed. This is however not to say that all criminal entities or organisations are rational. Nevertheless, offenders are often seen as profit-oriented entrepreneurs who act on the basis of rationality and consciousness, and who, though perpetrating illegal acts, operate within the confines of the laws of supply and demand which regulate legal activities. Therefore, the case can be made that, "there is no need to assume neither rationality nor hierarchy in the criminal organisation" (Gottschalk, 2009a, p. 7), in the application of the enterprise perspective. Instead, the consideration should be how criminals "entrepreneurially form an enterprise to organise links to customers and suppliers as well" (Gottschalk, 2009b, p. 24).

The underlying principle of organized crime hinges on understanding "how, by whom and with what effects opportunities to create future profits are discovered, evaluated and exploited" (Gottschalk, 2009a, p. 9-10) and a "necessity to maintain and extend one's share of the market" (Savona & Williams, 2012, p. 3); a principle that governs business operations at the legitimate marketplace as well. Illegal enterprises extend the reach of legitimate market activities beyond existing permissible legal limit guiding business activities and the quest for profit (Smith, 1975); a development which enables organised criminal syndicates to operate and thrive in a manner similar to legitimate businesses. In much the same way as legitimate enterprise, illegal business activities strive to meet the demands of several players in the industry, including competitors and regulators (ibid). Hence, the only difference between the two opposing business activities (organised crime business and legitimate business) is the nature of the goods or/and services they deal in. Whereas organised criminal syndicates deal in illegal products/services, legitimate businesses usually do not. However, a legally recognised business activity or product may be exchanged in a business transaction through an illegal mechanism or process to make what becomes an illicit profit. In this case, what is criminalised is not the product or business activity but the mechanism by which the product is exchanged and services rendered. This is the case with stolen crude oil and refined petroleum produce. Both produce in the GoG are not proscribed by law but remain illegal when stolen, transported and sold illegally. So the notion of illegality or organized criminality can be ascribed to both the product and process by which it is sold. It then goes to say that a legal product derived and sold illegally qualifies as illicit business dealing, regardless of whether the law affirms the sale of such product, and comes under the umbrella of organised crime as long as the key features identified above are present.

The goal of the enterprise model is to provide a basis for analysing illicit enterprises. Such an analytical foundation can be anchored on two notions: (1) that the marketplace often mutate from legal to illegal because of the fluid nature of legal boundaries; and (2) that the existence of demand will sustain the marketplace and thus drives entrepreneurs towards ensuring that demand is satisfied regardless of legality (ibid). To have a reasonably uniform approach and parameters by which to analyse and understand illegal enterprises, Smith makes a case for the marketplace as an analytical tool in any industry which indicates a range of business activities operating at opposing ends of enterprise spectrum, that is, the different legal and illegal business activities operating at the marketplace (ibid). But as the edge of legitimacy is subject to constant change, or because of the fluidity of the legal boundary the existing status of an enterprise (especially an illegal enterprise) may change. What however remains unchanged are the continuum of entrepreneurial behaviours and ability to measure the scale. Scaling therefore helps to provide some understanding on how regulations influence legitimate and illegitimate behaviours.

Several factors influence the development of an illicit market or entrepreneur. First, market dynamics, which serve as the primary context for the illicit entrepreneur and ensures he/she operates beyond the boundaries of legitimacy. Second, a high-level of demand for a particular illicit good or service coupled with a relatively low chance of being apprehended and detained and the possibility of making considerably high profit provide the attraction for crime syndicate networks to access the marketplace with the goal of making profit by supplying illicit goods and services (ibid). This means that all an illicit entrepreneur needs is an identifiable market. There is also a need for a reasonable degree of consumption or demand to maintain an acceptable profit and to justify risky investments (ibid).

In same vein, as noted by economist Peter Reuter, illegal enterprise do not have the endurance of legal business because they operate in a hostile environment which imposes several constraints, including restricting flow of information about the business, lack of external credit facilities and legally binding contracts on their operations (Reuter 1983). Such challenges result in significant consequences for the operations of illegal enterprises which may come in the form of asset seizure, arrest and imprisonment of illegal entrepreneurs among others (ibid). Thus, a crucial element in the survival of an illegal enterprise is how well information about the activities of its entrepreneurs can be controlled to ensure its continued operation and survival.

The enterprise theory, with its focus on a continuum of business activity, has jettisoned the age-long notion of a divide between legality and illegality, with nothing in-between (Smith, 1975), emphasising instead the existence of an intersection between legitimate businesses and the underworld. However, this assumption of interlinked economies has been criticised by some authors who observed that analysing both legal and illegal businesses using the same theoretical assumptions is problematic (Potter, 1994; Reuter, 1983; Southerland and Potter, 1993). In particular, Reuter (1983) argue that both legal and illegal economies are fundamentally different, and that those differences should take pre-eminence, rather than emphasising the points of convergence between the business divide, however promising that perspective maybe. He submits further that illegal businesses do not enjoy the attributes of formality, complexity and rationality which are the basic features of the legal edge of the enterprise spectrum; it may therefore hold little promise to examine organised business crime from the standpoint of legal business and market theories (ibid). Nevertheless, as Newbum (2017, p. 455) remarked; the “unleashing of market forces has unintentionally encouraged

and facilitated not only legal economic activity, but illegal economic activity as well”, bringing about an intertwining between licit and illicit businesses, which allows economic exchanges to sit somewhere between legal and criminal business. Hence, at least in principle, the markets for stolen crude oil or illegally traded oil could be analysed in the same way as legitimate energy markets using the same theoretical foundation, and it is this foregoing assumption that underpins the current study.

Analysing organised crime strictly from the economic perspective blurs the social dynamics of the phenomenon especially the unpredictable relationships among individual players in the enterprise which may significantly affect the structure of the market. In other words, an economic theory of crime merely sets out an account of motivation, it does not examine how this process plays out. What is lost as a consequence of this, is gained through the value chain which focuses on the processes sustaining economic activities, and interactions of different essential components, including human elements in the supply-demand segment of the entire production chain.

#### **1.4.2 PORTER’S VALUE CHAIN APPROACH- WHAT IS A VALUE CHAIN?**

Much like legal businesses, criminal enterprises or markets involve a chain-like production process which intersect production-delivery ends. Each stage of the process requires exchange, value addition which could be information, goods, or human capital operating a networked production system to create value (Dujin, et al., 2014). The subsequent interaction engendered among the sequence of steps in the process support the human and institutional frameworks which constitute the value chain. However, the point needs be made that, while the enterprise paradigm focuses more or less on the business of crime and an intersection of legitimate and illegitimate entrepreneurs on a spectrum, it does not emphasize the

mechanisms that support production and service delivery despite conceding to existence of a market system and technology which underlay a production system (Smith, 1980). This HOW of a business, which is the thrust of value chain analysis, is as much significant as the business motivation (the focus of enterprise theory) in this study. Hence, the need for an alignment of the 'how' and 'why' theories (enterprise-value chain) as it offers an analytical advantage over either of the two disparate theories. The enterprise theory embodies a form of perspective to examining the relationship between organized crime and legitimate business (see, for instance, Smith, 1980 and von Lampe, 2016). For an empirical, comprehensive and much broader analysis, a focus on the value chain offers other important dimensions of the relationship, including activities, structures, and governance (von Lampe, 2016). The new framework therefore seeks to construe the relationship between organized crime and legitimate business not strictly as "contact between two separate spheres: underworld and upperworld" (ibid, p. 241) but one that is embedded in a network of economic activities, structures and quasi-governmental functions.

The concept of value chain emerged in academic literature in the late 1960s and early 1970s by analysts to explain production and export dynamics of mineral resources by countries (Girvan, 1987). Its usage further gained momentum in the 1990s. More recently, value chain analysis has gained prominence in literature on business organization and management; a resurgence which can be attributed to the works of Michael Porter (Porter, 1980, 1985). Since Porter, the notion of value chain has come under different interpretations (see Womack and Jones, 1996; and Raikes et al., 2000) with significant overlap in regard to its theoretical and practical underpinning.

Michael Porter (1985) identified two key components of modern value chain system. First, he identifies the various interlinked functions or activities performed on a value chain. In this regard, distinction is made between the different supply stages from inbound-outbound logistics to marketing and after sales services and processes involved in transformation of inputs end products (production, logistics, quality control etc.), as well as support services (strategic planning, human resources management, procurement and deployment of technology) required by a firm to achieve its objectives (ibid). To Porter, such value chain activities are not strictly distinctive and independent activities, but connected through a chain-like process within the value chain (ibid). The significance of Porter's tiered approach is that attention is taken away from physical transformation to the support services, where it is said that the greatest value is added. Suffice it to say that the above activities and functions could be carried out in an intra-link system through other links (Kaplinsky and Morris, 2000, p. 7). However, Porter, confusingly, referred to this 'intra-link' chain as the value chain. Second, Porter spoke to the notion of "multi-linked value chain" (Porter 1985, p. 48), describing it as "the value system" (ibid). Clearly, Porter's 'value system' conception broadens the notion of value chain to include inter-link linkages. Hence, Porter's value chain speaks to not only a single chain, but also an inter-link linkages; to the notions of intra-link and multi-linked value chain. However, both of these notions are embedded in the contemporary conception of value-chain.

Porter's theory aligns well with the logistics of organized crime approach of Ulrich Sieber and Marion Bogel (1993). Sieber and Bogel (1993), deriving their framework primarily from the logistics of legal businesses and military organizations, reiterates the notion that "goods or services are created and marketed through the coordinated use of required services" (von

Lampe, 2016, p. 87), involving procurement of required resources, production of commodities using these resources, marketing of produced commodities, flow of information, use of violence and corruption to influence accomplices (von Lampe, 2016).

Gereffi and Fernandez-Stark (2011) espoused further Porter's theory by incorporating a global element and explaining value chain in the context of a global production system and international trade. Gereffi and Fernandez-Stark's concept focuses on global value chain and coordinating mechanisms sustaining a globally dispersed production systems. Therefore, they observe that several chains have a command and control system, where some powerful players or parties act as lead firms, determine the structure of the chain, and upgrade and coordinate activities within and between links. Such ability to coordinate a commodity chain can be likened to a system of governance, which could be a buyer-driven commodity chain or producer-driven, in which case the producers play significant roles and drive the chain (Kaplinsky and Morris, 2000, p. 8). Gereffi and Fernandez-Stark's notion brings an interesting dimension to the work on value chains in the context of the tripod of energy-maritime criminality in the GoG. As a global and internationally traded commodity, crude oil and petroleum produce (including stolen and hijacked) operate a global multi-chain structure, facilitated by individual and institutional actors, who are bonded by entrepreneurial motivations and the goal of profit making.

In several organizations though, there are no inbound and outbound logistics, and production of goods does not follow a sequential order (Gottschalk, 2008), contrary to Porter, the highlight of the value chain concept which is of significance to the present study is that it entails the linkage of two areas; the link between the value of any enterprise's activities and

its main functional parts, and the assessment of the role of each component in the overall added value of the business. It emphasizes the significance of job specification and categorization of job functions and activities into key stages in the life cycle of a product – from production to delivery- as well the interconnections underpinning the entire production process.

In regard to the theme of this study, value chain highlights the linkage between crude oil thieves, petro-pirates and illegal dealers in fuel; their financiers and sponsors. From the perspective of governments and law enforcement agencies, understanding a criminal value chain will throw more light on the dynamics of piracy especially its funding sources and financiers, and how funding is generated, which may help deepen understanding of the resilience and longevity of the phenomenon. Such a framework further highlights governance structure within it, which may be of tremendous interest to law enforcement agents viz-a-viz understanding how resources are allocated and how coordination and governance is executed within the chain to evolve the right response mechanism.

Indeed, a value chain model to understanding the tripod of crude oil theft, petro-piracy and illegal fuel trade in the GoG outlines a new approach –building on Geopolicity's "Economics of Piracy- Pirate Ransoms and Livelihoods off the Coast of Somalia", Anna Bowden and Shikha Basnet's "The Economic Cost of Somali Piracy, 2011", Katsouris and Sayne (2013), Asuni (2009), Boris (2015), Igbinovia (2014), among others. Geopolicity's creates an economic and business model to understanding Somali piracy, highlighting costs and benefits, support services, as well as agency and institutional actors across piracy value chain in Somalia. The work underscores the significance of understanding piracy infrastructure or value chain, the

finances that sustain piracy, as well as the profits accrueable from the venture. Though a focus on piratical incidents off the coast of Somalia, it does however provide significant insights into how best to combat piracy. Similarly, Anna Bowden and Shikha Basnet's report situates Somali piracy within the frame of a general economic cost analysis of piracy across the global piracy epicentre, including the GoG. Essentially, the report focuses on primary and secondary costs of piracy, with greater focus on the costs associated with the supply end of piracy and its impact on governments and industry players. The current study therefore takes a path less travelled, and, while the above papers may provide important contributions given the dearth of related literature in this area, detailed research on the value-chain will offer significant insights into how the criminality is organized and festers in the GoG, and further nourishes not least an academic understanding of the illegal business.

A value chain offers a methodical approach to investigating and understanding the competitive advantage of actors involved in illegal oil and maritime activities in the GoG, their financiers and sponsors. The research provides a detailed and overarching crude oil thieves- illegal fuel trade- petro pirate value chain model, which identifies the value creation processes of the illicit activities across the enterprise spectrum- from financiers and sponsors, crude oil thieves and pirates, and logistical support operators or support services providers, engineers and arms suppliers etc. - encompassing both sea and land based support mechanisms. The framework analyses the processes, dynamics and governance structures that underpin value creation for each form of criminality. It also speaks to the interconnectedness and convergence among the disparate forms of criminality in terms of products and services rendered, modus operandi and enabling crime scene (i.e. the GoG). Hence, the framework offers an analytical theoretical advantage because it creates a more systemic, concentric view of the layered structure of dynamics of value creation and its sustaining governance

structures and infrastructures, which provides a foundation for the empirical investigation carried out in this study.

## 1.5 UNDERSTANDING ENERGY-MARITIME CRIMINALITY IN THE GULF OF GUINEA: ENTERPRISE-VALUE CHAIN MODEL

Having discussed the theories, it is conceivable to align the two to provide a broader analytical tool for understanding illicit business enterprise of energy-maritime dimension in the GoG, particularly the mechanism that has sustained its existence and dynamics of its operations, as well as key actors and service providers on the value-chain continuum. Ordinarily, any analysis of business enterprise or its operations should have as part of its focus a value chain; a mechanism by which inputs and outputs required for production activities are coordinated. However, since the enterprise framework does not envisage that, but rather encapsulates the WHY question of a business operation, bringing Porter's value-chain approach to the frame reinforces the HOW of a business or enterprise, and expands the scope, at least theoretically of what seems a narrow focus on the business of crime. The enterprise spectrum approach emphasizes a chained network of operations, defining the organization of crime, relationships and overlap among criminal entrepreneurs. Such interactions and overlap reinforce the significance of a value chain approach in the context of a robust theoretical and empirical investigation of a criminal enterprise. Similarly, the framework provides a broad level of analysis, focusing on criminal motivations, actors, mechanisms, practices and their interconnectedness.

Needless to say that the context for the criminal enterprise in the GoG and infrastructure that sustains it manifest deep-rooted socio-economic challenges in the region. These challenges range from geography, security and a history of conflict, which have combined to produce

entrepreneurs in piracy and illicit business of oil and refined petroleum produce, as well as an atmosphere of disorderliness on land and sea. In addition to creating an order of disorderliness, the GoG provides an ideal transit route; its geography provides a safe haven for criminals and makes interdiction difficult; and it has a wide network of criminals who operate within and outside of the region, as well as a weak political system (Heinrich-Boll-Stifung and Regine Schonenberg, 2014). It is interesting to note that the vulnerability of the region in terms of its politics and political environment can be traced to its colonial history, as well as combination of weak institutions, corruptible party officials among other agents (*ibid*).

The foregoing therefore argues that an alignment of enterprise and value-chain theories (enterprise-value chain framework) provides a novel and rich analytical tool for explaining the causes, course, dynamics and recurrence of energy-maritime criminality, particularly the tripod of crude oil theft, petro-piracy and illegal fuel trade in the GoG. Hence, the objective of this undertaking; a study in economics of criminal behaviour or organised business crime through the lenses of crude oil theft, petro-piracy and illegal fuel trade. Obviously, the theory does not discountenance the reality of genuine grievances as motivations and explanatory factors for energy-maritime criminality. It also does appreciate the fragile and conflictual nature of the region and the context of its history in regard to oil related criminalities. That said, as the Niger Delta struggle and agitations evolved over time, so too have those agents-individuals and institutions- whose interests it is to make profit of a convoluted and disjointed situation by breaking into pipelines to scoop fuel, hijack fuel laden vessels and indulge in diversion and illegal trade of petroleum produce both on land and high sea. What this means is that the emergence and lucrativeness of criminal enterprises is a consequence of a ready

market for their goods and services. It is only rational to think that organization will emerge to satisfy such demands and also make profit. So, criminality is not only driven by criminal conspiracy but by opportunities created by market. It is against this backdrop that this thesis adopts the enterprise-value chain theory, with the assumption that market dynamics and the condition within which market forces operate provide sufficient basis for understanding organised crime, particularly the ones being considered in this study.

## **CHAPTER TWO**

### **RESEARCH METHODOLOGY**

#### **2.1 INTRODUCTION**

This chapter discusses the various methods used in collecting and analysing data for the study. It starts with a discussion of two important elements of philosophy of knowledge (ontology and epistemology) which provides the foundation for the current study especially the research method (qualitative) adopted and how it was applied. It goes further to detail steps taken in producing the research work i.e. the research design, starting from the research question, to how the research protocol was developed; how the sample size was designed, developed and used; to how the most important ethical issues (consent and confidentiality) involved in the study were observed; to health and safety measures and how they were followed. The chapter also considers the twin issues of credibility and transferability as applicable to the study. In the end, the methodology chapter not only discusses the ways and manner the research was conducted, it provides a reasonable ground for data analysis in subsequent chapters. To that extent, this chapter serves as a basis for an alignment of the research objectives with its analytical framework (enterprise- value chain), which ultimately determined how the research question was asked, the various instruments employed in that regard, data collection process, analysis and results presentation.

##### **2.1.1 ONTOLOGICAL AND EPISTEMOLOGICAL FOUNDATION OF THE STUDY**

Decisions on methodology of research and methods are usually informed by the issues and context of investigation, but more importantly by the researcher's views of reality and knowledge. So the twin issues of ontological and epistemological provides the safeguard and starting point of all research (Grix, 2010) because it determines research methods and methodology appropriate for a particular study.

Ontology focuses on “the nature of existence” (Crotty, 1998, p. 3), epistemology deals with “the nature of knowledge” (ibid, p. 8). Ontology and epistemology provide a guide for all academic research. This guide can be explained in the context of two research paradigms: positivist and interpretivist, with both having different and often competing ontological and epistemological assumptions.

#### 2. 1.1.1 POSITIVIST APPROACH

Positivism holds the view that natural sciences research inquiry procedures and practices can be applied in social sciences. Thus, social science researchers with positivist inclination adopt natural science procedures in controlling and understanding the natural world. In doing this, the notion is held that the researcher’s primary responsibility is to provide explanation of issues from unbiased and objective standpoint, as well as establish cause-effect relationship, and predict laws.

Hence, the positivists’ ontological assumption is predicated on a realist, foundationalist paradigm which assumes the existence of “an apprehendable reality, driven by immutable natural laws and mechanisms” (Hassad et al, 2012, p. 144; Bremmers, 2014, p. 128). For them, the objects being studied is independent of the researcher, that is, there is a difference “between the knower- researcher and the known-observed” (Johnson and Duberley, 2000, p. 35), a case of “subject-object dualism” (ibid).

Epistemologically, positivists approach social inquiry from the dualist and objectivist perspective. To them, objectivity is a crucial element of any research (Creswell, 2009). In other words, the objects of study are facts and should be unbiased. The process of inquiry involves testing and verifying questions and hypotheses through experiments and quantitative data which can be tabulated and analysed statistically. This is then followed by establishing causal

relationships between independent and dependent variables and then controlling threats through preventive procedures to ensure credibility, after which transferability can be carried out. The guiding principle in all of these is that the researcher and the object being researched are different entities, and neither of them influences the other.

#### 2.1.1.2 INTERPRETIVE APPROACH

The interpretivists are of the view that social reality is multi-layered and complex, and is engineered through the creativity of people. The interpretivist argue that the social world should be constructed in the natural world, relying on participants' understanding, with interference from the researcher.

Interpretivists assert the relativity of reality, that is, reality differs from person to person (Guba and Lincoln, 2004), and hence there are multiple realities (Pring, 2000) which are socially constructed through interactions of individuals (Grix (2004)). Both the social and natural worlds are part of a whole world and operate within a convergence which ensures that researchers are embedded within the social reality they seek to unravel.

Epistemologically, interpretivists assert the significance of subjective meanings and interpretations which aligns with subjectivist opinion (Pring, 2000). Thus, both the object and subject of study cannot be disengaged from each other in any meaningful discussion (Crotty, 1998), contrary to the positivist epistemological paradigm. Therefore, the relationship between the researcher and object of research is a close-knit which requires continuous interaction. Interpretivists maintain the position that "social world can only be understood from the standpoint of the individuals who are part of the ongoing action being investigated" (Cameron, 2014, p. 103).

In social inquiry, interpretive researchers employ a myriad of methodologies ranging from phenomenology, ethnography, and case studies. Unlike positivists who employ random sampling techniques, interpretivists carefully determine and select individuals and sites rich in information; a purposive sampling technique (Creswell, 2008).

From the above ontological and epistemological foundations, the study, ontologically and epistemologically, draws on interpretivist paradigm. Ontologically, it aligns with an anti-foundationalist stance which assumes that the world is socially constructed rather than objective (Marsh and Stoker, 2002; Carson et al., 2001), perceived (Hirschman, 1985), and that "social reality is within us" (Collins and Hussey, 2003, p. 53). Epistemologically, it posits, following from the socially constructed assumption of reality, that meanings and understandings of the world can be better drawn through interpretation. Interpretivist epistemology assumes that people's experiences and practices can be accurately understood from their frame of reference (Devine, 2002). This therefore implies that, social phenomenon or specifically the tripod of crude oil theft, petro-piracy and illegal fuel trade in the GoG does not exist independently of the stakeholders' interpretation. What this approach does, therefore, is to emphasise the significance of the perspective of the participants; their subjective experiences and interpretations of the same in constructing and understanding the theme of this thesis.

Very much like its ontological and epistemological basis, the research methods and methodology flow from an interpretivist paradigm, involving the adoption of a case study method of research; qualitative sources of data collection in tandem with a constructed social reality to achieve the research objectives as shown in the research questions; the use of a purposive sampling strategy; and inductive interpretation. In all, the interpretivist paradigm,

unlike positivist, uses qualitative research techniques and procedures for investigating a socially constructed reality such as the focus of the present research work hence, its adoption as the basis of the study's methods and methodology, ontology and epistemology.

## 2.2 QUALITATIVE APPROACH AS A RESEARCH METHOD FOR THE STUDY

As noted in the introduction, the study adopts a qualitative research technique, to empirically reconstruct the Gulf of Guinea from the standpoint of the tripod of energy-maritime criminality- crude oil theft, petro-piracy and illegal fuel trade- that continue to plague the region. Qualitative technique is a scientific research approach which seeks to collect data through a set of procedures to answer specific questions, and which could serve as a basis for transferability (Lincoln & Garuba, 1986). Added to this, qualitative research seeks to address research questions through the lenses of the participants involved in the study.

In elaborating the points further, Edwards and Skinner (2009, p. 397) identifies the essence of qualitative research which is to “understand the world through interacting with, empathizing with and interpreting the actions and perceptions of its actors”. Arguing further, Berg (2001, p.8), notes that “qualitative research properly seek answers to questions by examining various social settings and the individuals who inhabit these settings”, “to describe life-worlds ‘from the inside out’, from the point of view of the people who participate” (Maren and Breuer, 2010, p. 196; Uwe Flick et al, 2000. P. 1) through a careful and purposeful selection of settings and participation (Babbie and Mouton, 2001). Hence, qualitative research offers a significant advantage in providing specific useful information about particular contexts (Mason, 2002). Its strength is further reinforced by the basic features of qualitative interviewing: naturalistic, autobiographical, in-depth, interactive, open-ended,

non-directive and narrative (ibid) which align with the primary goal of the study: to provide understanding and insights on the business of the crime tripod in the region.

The above basic characteristics of qualitative research technique align with the overall objective and framework of the study. As said earlier, the objective of the study is to discuss the criminality of crude oil theft, petro-piracy and illegal fuel trade, particularly as an illicit business with a sophisticated value chain, while the framework is the enterprise-value chain. The primary focus of the study is to explore or understand research participants' subjective meanings and interpretation of the energy-maritime criminal tripod in the GoG rather than seeking to ascertain the frequency of particular views often associated with quantitative techniques. Such subjective experiences of individuals are not used on their own terms, instead they form the basis of data needed to develop the analysis of the study using the value-chain approach. Hence, as noted by Black (2002), the research question determines the research approach and the tools of the research.

Suffice it to say that this study is framed within "logico-deductive research" (Blaikie, 2009, p. 141) or what I refer to as a top-down logic. This implies that, from the start of the research inquiry, the researcher already had a clear cut knowledge of the research questions and the theoretical framework. Such understanding helped to determine the key components of the study- research design, case study, data collection processes, among others.

## 2.3 THE CASE STUDY DESIGN

This research adopts a case study, and goes further to provide a justification of the appropriateness of the approach. A case study is a scientific inquiry technique which seeks to investigate and understand a phenomenon in its real-life setting using different data collection sources (Yin, 2009). Accordingly, the use of a case study approach in this study is

driven by the desire to deepen the understanding of the phenomena of crude oil theft, petro-piracy and illegal fuel in the GoG. Within the context of a case study approach, efforts are made to align the outcome of the research with its theoretical foundation or framework (enterprise-value chain). The theoretical framework is most useful in both the pre and post data collection stage especially at the level of data analysis. Suffice it to say that a research's theoretical foundation is a determinant of the questions asked, levels of analysis, and provides the rationality for an alignment of data with the research questions.

The GoG states were investigated and analysed as a unit (a single case study), though data were collected for the different states as shown in subsequent chapters, because of their shared historical, geographical, and socio-economic realities. Nigeria however, remains the focus of the research given that the analysis of the implications (for policy and intervention mechanism) of the tripod is done within the context of the largest oil producing country in the region. The focus on Nigeria is reinforced by the increasing cases of oil theft and petro-piracy in the country relative to other GoG states.

However, data from the GoG states visited, as noted in the sampling section below, were considered as a whole, using a single narrative. A single narrative is a type of single case study, yet it represents the basic unit of collective case study. In a single narrative, "the 'cases' are individual narratives or units which share several common characteristics" (Shekedi, 2005 p. 21). A single narrative thus allows for data collected from participants selected from the GoG states to be analysed as a single study, thereby ensuring a "thick holistic description (narrative)" (ibid), which could lead to an "achievement of a level of understanding and interpretation" (ibid). The single narrative enabled the researcher to capture conditions that run across countries in the region such as the porous maritime domain, inadequate capacity

for domestic refining of energy produce, struggle for oil benefits among oil producing communities and individuals, rent-seeking dispositions, and struggle for leadership. It further provided the researcher the opportunity of studying social phenomenon such as oil theft, petro-piracy and illegal trade in fuel through the thorough analysis of an individual case, thereby providing "opportunity for intensive analysis of many specific details that are often overlooked by other methods" (Kumar, 2005, p.113).

## 2.4 DATA GATHERING PROCESS

The data gathering process and techniques evolved from the research objective and its theoretical framework. As noted in chapter one, the objective of the study is to provide a deeper understanding of energy-maritime crime tripod- oil theft, petro-piracy and illegal fuel trade in the GoG from the standpoint of organized crime which is discussed in the context of business enterprise-value chain framework. Hence, the study focuses on a social phenomenon, which provides a basis for adopting qualitative data collection technique. Three data collection techniques were used: (1) interviews (face-to-face), (2) focus group discussion, and (3) document review. Compared to quantitative methods, such as questionnaires, interviews have the advantage of enhancing a deeper understanding of any social reality under consideration (Silverman D, 2000). Gill et al (2008, p. 292) notes further that interviews are the "most appropriate where little is already known about the study phenomenon or where detailed insights are required from individual participants". Interviews allows for a more robust exploration of complex and sensitive issues like the theme of the study, where research participants may be reluctant to share their opinion in a group setting. Likewise, focus groups provide a useful tool in appreciating and understanding the experiences and belief systems of research participants (Morgan, 1998).

#### 2.4.1 SAMPLE AND SAMPLING STRATEGIES

It is difficult to collect data from everyone knowledgeable in a particular research area, particularly when the focus is as broad as in this study. In qualitative research, data collection is limited to a population size or a sample carefully chosen for a study. Therefore, sample selection and sampling strategies are key considerations in any research. This is because it draws on issues of knowledge and setting of the study, access, data collection, and relationship with participants, ethics, and validity (Gill, P. et al, 2008). By implication, a reasonable time frame should be devoted to identify the population sample and determine prospective interviewees' characteristics. The research objectives and assumptions influenced the use of a qualitative approach which privileged knowledge of respondents in the research area over quantitatively inclined criteria such as gender or demographic reflection of subject population.

However, there are no guiding rules and procedures on appropriate sample size, because qualitative research is not preoccupied with generalizing results to a larger population (ibid). Instead, the researcher determines the requirements and parameters in selecting a sample size which are adequate to achieve the essence of the research and should be flexible since the sample size may change once data collection process starts (ibid). Given the objective of the present study, the researcher opted for a small number of information-rich participants. Yet, the sample size will be robust enough to enable the researcher identify features which bind a homogeneous group, or conversely, a nuanced participation.

The study essentially focuses on people from the GoG, particularly the littoral states who have had significant share of the energy and maritime security challenges in the region. In this

category belong ex militants and pirates; community chiefs; and energy and maritime security experts. Other participants include officials from the Gulf of Guinea Commission in Luanda, Angola; Research Institutes such as Chatham House; Nigerian Institute of International Affairs, and Ghanaian Institute for International Affairs; Government Agencies and Departments such as NNPC, DPR, NIMASA, the Nigerian Armed Forces; International organizations; Non-Governmental bodies and oil companies in the region.

The study relied on purposive sampling strategy. This choice was informed by the need to select appropriate participants who not only possessed requisite knowledge and experience, but also time, expressive abilities and willingness to participate in the exercise. Moreover, as Ritchie et al. (2013) posited, the conditions for determining the appropriateness or otherwise of samples hinge on the research questions being explored. Therefore, the sample size and the participants that were eventually chosen were determined based on specific factors, such as the experience and knowledge of the participants viz-a-viz the theme of the study, occupation of participants, institutional affiliations etc. These options were explored bearing in mind Crabtree and Miller (1999, p. 96) position that “respondents should be selected so as to maximize the richness of information obtained pertinent to the research question using in depth interviews.” “This type of sampling is extremely useful in constructing a historical reality, describe a phenomenon or develop something about which only a little is known” (Kumar, 2010, p. 207; Mukul and Deepa, 2011, p. 47).

However, there were limits to this sampling strategy because several individuals declined granting interviews while a few others who obliged were cautious in their responses. The sensitive nature of my research was a limitation in this regard as some participants (mostly from the coastal communities) were unwilling to give out as much as they would have despite

being aware of the fact that the research is academic and having consented to participation in the first instance. However, more youths consented to participate in the interviews and focus group discussions unlike the elderly who maintained a cautious approach. So, the sample population was youth dominated which greatly enhanced the quality of the data gathering exercise because the focus of the research is an area that has witnessed increasing youth participation. Indeed, the youths had as much useful and relevant information as the chiefs and community leaders. With a larger percentage of research participants for the focus group being youths, there is an underlying social inequality question in the region, which is also culpable in the rising illegalities surrounding the energy and maritime industries in the GoG. The dominant youth involvement in the focus group revealed a nexus between the changing socio-economic landscape of the GoG states and the forms of energy-maritime criminality prevalent in the region. It also brings an important demographical element to the analysis of tripod of criminality which has seen significant youth participation.

The researcher also used snowballing sampling in several instances. Otherwise known as chain referral sampling, snowballing is a purposive sampling method which allows the researcher to leverage the networks of already identified participants to reach out to people equally knowledgeable in the theme of the study and who may be willing to be part of the study. In the study, accessing many of the participants and institutions involved in the research was quite challenging, typically due to their varied geographical location and busy schedules. Institutional bureaucracy was also evident in securing management approval for access to official documents and interview conversations with relevant staff. Mindful of the associated challenges of accessing such high profile individuals, the researcher found snowball sampling useful. The strategy provides access to network of people, friends, colleagues who might ordinarily be difficult to reach (May, 2001). Characteristically, such

nominations were based on relevance to required experience and knowledge. Several other participants were found through social media platforms such as LinkedIn. E-mails were sent out to establish contacts with participants and request for interviews. Some of the interviews were however conducted electronically.

To ensure the sample is credible, and covers the main groups required for the research, the researcher adopted maximum variation sample, a form of purposive sample which seeks to be as representative as a random sample, even though it is not (Gill, et al, 2008). The aim is to sample for heterogeneity, though typically used in quantitative approaches. By this, the researcher selected a small number of individuals or participants that maximize the diversity relevant to the research question. The researcher also ensured wide perspectives to generate data by approaching and interviewing diverse actors in the region's energy-maritime industry.

The honour of approaching respondents as an overseas research student, supported by introduction letters, telephone calls, email messages, and personal visits helped to make appointments possible. In some cases, several successful unscheduled visits (tolerated in Nigerian culture) for the purpose of introduction and follow-up were made. The researcher approached intermediaries or 'gatekeepers' for contact addresses of some prospective respondents and delivery of request letters. Equally, personal contacts in the Nigerian military were instrumental in securing interview opportunities. My initial communication with potential respondents included explanation of research topic, objectives, and rationale for their selection. While most respondents proved comparatively receptive considering logistics for setting up interviews and actual interviews owing to their interest in the research subject, some required several calls to arrange an interview.

Participants in the study were drawn from across the region and even beyond. Sixty-four people took part in the study and they were drawn from groups involved in oil theft and petro-piracy, government agencies and departments, the military (including the Ghanaian army) and para-military institutions such as the Nigerian Civil Defence Corps (NCDC), diplomatic missions and embassies in some of the GoG states. Of this number, forty-four took part in semi structured interviews and twenty (ten in each group) participated in two separate group discussions. Of the forty-four participants in the interview, ten people were drawn from groups involved in crude oil theft and petro-piracy in the region, eight from think-tanks and research institutes such as the Nigerian Institute for International Affairs (NIIA), Lagos, Ghanaian Institute for International Affairs (GIIA), and the Chatham House, London. Two staff of the International Maritime Organization (IMO) also participated in the interview. Others include seven military personnel of the Nigerian Army (including the Navy) involved in anti-crude oil theft and bunkering activities in the creeks of the Niger Delta, particularly members of Operation Polo Shield; four staff of the Gulf of Guinea Commission in Luanda, Angola; two staff of Nigerian National Petroleum Corporation (NNPC); two from Shell Nigeria Plc; three staff of Nigerian Maritime Administration and Safety Agency (NIMASA); and six community leaders across the region.

The sample reflects the range of the actors involved in the energy-maritime industry in the GoG as well as the knowledge of the issues being investigated. It therefore enabled a robust investigation of the research questions, and will further ensure informed feedback and analysis. More so, since the sample covers individuals knowledgeable in the supply-demand chain and the technology behind the criminality, government departments responsible for issuance of permits and licences to vessels involved in maritime activities on Nigerian waters, security mechanism and institutions designed to address the challenge, international

dimension of the criminality among others, there is already a spectrum which enables an alignment of the research methodology with the entrepreneurial nature and value chain (analytical framework) of the criminality, and ultimately to achieving the overall objective of the study.

#### 2.4.2 RESEARCH INTERVIEWS AND FOCUS GROUP DISCUSSION

Interviewing is a major data collection technique in qualitative research. It can be defined as “[a]ny person-to-person interaction between two or more individuals with specific purpose in mind”, Kumar (2005, p. 178). Hence, interview technique in qualitative research is geared towards unearthing the experiences and views of participants.

The interview followed a structured process, with an interview schedule. First, the setting or environment for the interview was carefully chosen, to avoid distraction. Even when interviews were conducted with participants at their places of work, this consideration was never undermined. This was followed by an explanation of the purpose of the interview. The need for further explanation became germane because of the sensitive nature of the theme of the study. The researcher explained in clear terms to the participants, that the goal of the research is strictly academic and not journalistic. Linked to this, the researcher explained the ethical issues of confidentiality and anonymity to the participants and how they would be treated in the study. The format of the interview was also explained, as well as time frame or duration of the interview exercise.

There are three main interview methods used in qualitative research. These are structured, semi-structured and unstructured interviews. Usually, structured interviews are scheduled, orally managed questionnaires which do not accommodate deviation and follow-up questions. As a result, structured interviews are fairly quick and easy to manage. However,

they could be of little use especially where 'depth' is required because responses from research participants are limited.

On the contrary, "unstructured interviews do not reflect any preconceived theories or ideas and are performed with little or no organisation" (Gill, et al, 2008, p. 291). However, administering unstructured interviews is time-consuming and often proves difficult because of the lack of predetermined interview questions which could serve as a guide on the theme of discourse. Hence, unstructured interviews are often deployed where there is little or no knowledge on the subject area.

Semi-structured interviews seek to achieve the same objectives as unstructured and structured interviews, but has the advantage of accommodating several important questions which help to define the issues under consideration. It also enables the researcher to deviate from predetermined questions, accommodate new ideas or pursue an idea in greater detail (Britten, 1996). Relatedly, it has the added advantage of allowing an elaborate discussion of issues which research participants find exciting but may not previously have been considered important in the build-up to the interview.

In this study, the researcher adopted a semi-structured interview type, to tap into participants' views and knowledge of oil theft, petro-piracy and illegal fuel trade in the GoG and present in detail the dynamics of business of the crime tripod and its value chain. The researcher made use of an interview guide, but was flexible to allow for modification of questions while question and answer sessions are on with participants. Semi-structured interview method also enables a modification of the order in which questions are arranged in the original script.

Focus groups are similar in several ways semi-structured interviews, but offers a different type of information. Focus groups create platforms for discussion with participants, which is usually structured, guided and recorded by the researcher who also moderates proceedings. The method is useful in generating data on collective opinions, and their underpinning meaning (Stewart and Shamdasani, 1990) as well as allowing for a robust appreciation of experiences and belief systems of participants (ibid).

In employing focus group for the study, the researcher placed significant emphasis on composition, to have a discussion which generates high quality data. Though there is no best way to compose a group for the purpose of a research discussion (ibid), the researcher was mindful of the impact of group mix in the build-up to group discussion.

A major component of any focus group is interaction. Interactions could be generated through established/pre-existing groups, which are less difficult to recruit, and often leverage on shared experiences and acquaintance which enables free flow of discussion. In this study, focus group members were recruited from the same region and to that extent, shared several similar characteristics. Group composition for the study was therefore akin to a pre-existing group, which enhanced interactions among participants.

The size of a group is a vital issue in any focus group research. Though there is no rule on the size of a focus group, as Stewart and Shamdasani (1990) suggested, it is better to have a large focus group, than under-recruit which may produce undesirable outcomes especially when there are needs for cancelation of sessions. Small group size could also generate limited discussion. That said, large groups, by their nature, could be difficult to manage hence, it is often chaotic. It could also be annoying and frustrating to participants who feel their views

are not being heard (Bloor M., 2001). As noted under sampling, this study had twenty participants for the two focus group discussions, each group having ten participants each.

Having said that, the interviews and focus group discussions progressed steadily. The study's interviews were conducted in three phases. The first started from the third week of February till the end of March, 2015, the second between mid-July and late October, 2015 and the last between September and October, 2016. It needs be said that the second was more elaborate than the first given the time available for the two, and the first was more of a preliminary exercise. The last was embarked upon to further push data quality to a point of saturation.

From the outset, I anticipated some challenges particularly in the coastal communities of the south-south region of Nigeria because of the activities of oil pirates, bunkers, militants and the Nigerian Armed Forces. In the course of the second phase of the interviews, I had a couple of concerns. I felt I could be seen as wealthy given where I hailed from (a research student from the United Kingdom), which could encourage requests for monetary reward for participation in research interviews. Arising from this perception, I felt I could be an easy target for kidnappers. But I maintained a cautious and neutral approach in my dealings with the communities. This quest for neutrality in my dealings with host oil producing communities was informed by the need to ensure my safety, and to achieve the overall objective of the study. Being perceived as taking sides with a community against the other could be counter-productive hence, sufficient care was taken not to be caught in such web of suspicion so as to forestall an unpleasant situation. In more peaceful coastal communities of Benin Republic and Ghana where I visited and also conducted interviews, the situation was different and hence, there was no need for extra carefulness in dealings with communities, though the researcher was yet guided by caution and care.

While visiting some of the oil producing communities, a couple of challenges were encountered. The tense nature of the environment resulting from mutual suspicion among communities almost undermined the field work in these communities. Some gatekeepers at government agencies and departments also caused unnecessary delays, perhaps due to officialdom or overzealousness.

In addressing some of the situations, to achieve the overall goal of the study, I leveraged on the willingness of local youths to become involved with the interview sessions. The use of a third party in such a tense situation was limited to communities where there were difficulties in accessing individuals and conducting interviews. This however was not the case with regard to government institutions as most of them are located in the cities.

However, most of the research participants had a very good knowledge of the focus of the research and therefore responded well. Except where recourse was made to broken English (Pidgin English) in the Niger Delta communities and French in francophone West African countries visited, the interviews were mostly conducted in English Language. The fact of my fluency in Pidgin English enhanced my communication and interactions with the locals and rendered rather unnecessary the use of a third party or an interpreter for the study. It played no less an important role in ensuring my safety as I was warmly received in most places I visited because of my ability to communicate with the people. Since the researcher had to move through communities to get to individuals eventually interviewed, it was important the identity of the researcher remained inconspicuous, to further enhance his safety and protect the integrity of the research. However, those I interviewed had already consented properly, explicitly and transparently to being involved in the research. Therefore, avoiding announcing

my presence to the whole community sought to prevent harm to the researcher and to protect respondents.

A data gathering field exercise can be described as “one of the most challenging of all social science endeavours” (Yin, 2009, p. 1). Nevertheless, it enhances the “knowledge of individual, group, organisational, social, political and related phenomena” (Yin, 2009, p. 4). In most places visited, despite giving prior consent, some of the research participants maintained a cautious approach to my request, until I presented a letter of introduction (See Appendix C) or my student identification card. However, once convinced by my request, they became more welcoming and showed great interest in the purpose of my visit. With their approval, I relied on the use of an audio tape recorder but did not use video recording. The interview proceedings were managed and built on flexibility which allowed respondents room to deviate from the focus of discussion, hence generating further questions or providing answers to questions not already asked.

At the end of the sessions, some of the inputs and suggestions of research participants made my field notes, while I avoided personal biases by using a feedback mechanism. The feedback mechanism allowed for multiple reads of the data and a continuous interaction with the theoretical foundation of the study, thereby providing a self-correcting advantage.

#### 2.4.3 DOCUMENTARY REVIEW

Documentary evidence form an integral part of sources of data for the study, especially the analysis chapters. Documentary evidence for the study comes in different forms. For instance, during the fieldwork exercise, several requests were made for relevant documents such as IEA publications, IMO resolutions, Gulf of Guinea Commission communiques, NIMASA’s

bulletins and reports, NNPC Bulletins, NEITI's press releases, EFCC reports/documents, archival materials among others.

Furthermore, I visited archives in Surrey, United Kingdom and Ibadan, Nigeria, and research institutes, where I sought government white papers, reports, monographs, newspapers clippings, magazines, and unpublished papers on the focus of the research. I also participated in two conferences and seminars on issues of maritime security especially regarding the GoG in the course of data collection where issues of oil theft and petro-piracy were discussed alongside several other topical issues in maritime security studies. Suffice it to say that the discussions at the seminars and materials made available during this phase of the research have been vital to the study, as they provided relevant information which often does not enjoy scholarly consideration in books and journals.

In collecting these documents, the researcher made written application, especially where express permission was a condition to gain access. This should be seen as a mark of officialdom rather than confidentiality. Some of these documents were included in the content of the website of the concerned agencies and departments and were for public consumption rather than being labelled confidential.

As observed by Yin (2003), documentary evidence is crucial to the success of any case study as it allows for the use of as many sources as possible. Piratical activities in Nigeria and the GoG especially have generated significant scholarly attention and a large volume of documentary sources which will prove useful for this study.

In addition to documents, the study draws on the maritime piracy database of the International Maritime Bureau (IMB) of the International Chamber of Commerce. The IMB is the principal global agency in charge of maritime piracy and through its Piracy Reporting

Centre (PRC), it issues updates on piracy and armed robbery to ships by broadcasting through a global satellite communication service (IMB, 1992). In addition to this, the IMB issues comprehensive reports quarterly and annual which also contained reports collected by the PRC. The IMB dataset is predicated on reports from two separate agencies; the IMO and IMB. The IMO reported incidents of piracy between 1991 and 2000, while the IMB started compiling reports from the year 2000 when IMO ceased reporting piracy independently of the IMB. While the two agencies defined piracy differently, they collect and compile similar information on maritime attacks. Both agencies compile their reports based on dates and time of incidents, location of the ship during attack in their reports. This engenders some uniformity in handling, analysis and presentation of data.

Piracy can be counted in different ways. For instance, the IMB distinguishes between attempted and actual attacks. Attempted attacks are cases of maritime attack without boarding. The IMB annual reports divide the narration of the cases between these two categories. However, as the focus of the research is partly petro-piracy in the GoG, the research does not distinguish piracy between attempted and actual attacks, rather it seeks to examine petro-piracy by analysing cases of energy produce laden vessel hijack and attack relative to other forms of maritime criminality in the region. In doing this, the study aligns with IMB's working definition of piratical attack (already discussed in chapter) that does not require boarding as a prerequisite for success; instead it includes "any act of boarding or attempting to board" (IMB, 1992, p.2).

Another issue related to the way that piracy is counted is the way that attacks are reported. The majority of reports describe single piracy incident which usually involve a group of pirates on a single ship. Several other reports focus on a series of multiple attacks on ships or several

attacks on the same vessel by the same pirates group within a few hours. Most of these attacks overlap, and hence treated as a single case of maritime piracy (ibid).

However, the IMB data reporting system suffers significant setbacks on account of its underreporting and over-reporting (ibid). The agency's data has been criticised for over-reporting based on its wide statistical definition of piracy (ibid). As mentioned earlier, the definition is based on capturing piratical attacks regardless of jurisdiction. The challenge of underreporting has almost become synonymous with attacks on fishing vessels which are, in most cases, not even reported at the local level, to local authorities (ibid). Several factors occasion this development ranging from inadequate knowledge of reporting system, mistrust on the part of local authorities, and the notion that maritime piracy is one of several risks associated with the fishing industry (ibid).

#### 2.4.4 FIELD RESEARCH NOTES

Fieldwork requires the researcher to draw out a plan and timetable for the field trip by preparing a research plan and timetable which is expected to serve as a guide for the conduct of the data gathering. Nonetheless, unexpected or unforeseen circumstances in the field could alter such plans which would require that the researcher make amendments to the original plan so the overall goal of the trip is not jeopardised. These changes often come in the form of alteration to places planned to visit, and the processes of data collection, among others. Some of these disruptions I encountered in the course of the study, and I did adjust my original research plan to accommodate them. These disruptions, the measures I took, and my observations all made my field notes. De Laine (2000, p. 146) observes that field notes are pieces of information "organized into categories to have significance in the text". He further notes, "field notes are developed and created by the fieldworker, who is in the unique

position of bringing personal meaning to the created account" (ibid, p. 148). This implies that the field notes are usually reflective of the preferences and views of the researcher having gone through some form of processing. Nevertheless, the field notes proved useful in the analysis chapters, alongside other documents.

## 2.5 ETHICAL CONSIDERATION

This research was guided by Lancaster University's Research Ethics Committee (UEREC) guidelines. The guidelines include an application for ethics review that explains the rationale and aims of the project; sampling procedure and the research methods employed in the study; a list of participant/groups and any risks involved in their participation in the project; a statement from the applicant about how he plans to secure informed consent from the different participant/groups and reasons for not requesting written consent from some of them; an explanation of non-written consent procedures; a detailed information sheet and consent form; a lone worker protocol; a discussion of legal issues, in particular with regards to the possibility of informants sharing information about illegal activities. The researcher presented these requirements to the committee for approval. Suffice it to say that phase one and two of the interviews were conducted before the institutional ethics procedure took place, however, the entire data collection exercise was approved retrospectively by the committee. These ethical guidelines became important to ensure proper observance of "the rules of confidentiality, especially with regards to disclosures, in order to maintain objectivity and accountability" (Porter, 2005. p.3) which are a critical element of a research of this nature. See the appendix for the letter of approval from the ethics committee, the consent form and participants' information sheets (PIS).

Fieldwork requires significant tact and commitment, hence it behoves every researcher in the field to abide by the rules guiding field research and, as much as possible, put to bear personal conviction on issues where possible. This consideration significantly coloured the fieldwork as laid down research rules were applied and followed in some cases, and ignored in several other cases, especially where decisions needed to be taken on the safety of the researcher and the participants. The researcher's concealment of his identity in the host communities was a way of thinking out of the box and operating outside of the rules to forestall an unpleasant situation.

There were instances where some participants especially in the riverine communities of south-south Nigeria requested financial inducement in exchange for participation in the research. It took some explaining and persuading to get across this challenging phase of the research. Mindful of the ethical implications of bribing my way through and coupled with my status as a poor student, I was left with the option of using a third party who understood the essence of the study to help explain to the youths, after which they were willing to entertain questions from me. Nevertheless, I made provisions for refreshments following the focus group discussions. As De Laine (2000, p. 120) observed, "ethical and moral dilemmas are occupational work hazards of fieldwork that the researcher cannot plan for, but nonetheless must be addressed on the spot, by drawing on values, ideals, ethical codes, moral and professional standards, intuition and emotions".

## 2.6. CONFIDENTIALITY

Researching in an area as sensitive as the focus of this study demands a careful consideration of ethical research rules and guidelines. So, the ethical implication of the study was considered as well as necessary measures to mitigate its likely negative consequences for the

research. This involved several meetings with the University Ethics Committees to explain the measures to in the field for phase 1 and 2 of data collection so as to ensure the measures were in tandem with the University set rules as enunciated above, and secure approval for the last phase of the interview.

As noted above, the focus of the research is sensitive as it has significant potential to undermine the safety of both the researcher and participants. Bearing this in mind, there was a deliberate attempt at ensuring that only communities without recorded cases of hostilities resulting from energy-maritime criminalities were visited, so as not to endanger my life and those who have volunteered to partake in the study. Ethical considerations in the research entail prevention of harm to participants in the study as well as communities or social setting within which the study is being carried out.

In addition to avoidance of harm to both the research participants and the researcher, the researcher was guided by considerations around right to privacy, and deception. The issue of confidentiality was also considered, because of the sensitivity of the feedbacks from participants. To ensure participation protection and maintain confidentiality, a research ethics-driven process was followed. An agreement with the participants was established to gain consent. The two forms of consent (written and verbal) were used for the study. Most participants in the interview sessions consented by signing the consent form, while the focus group discussion saw participants consent verbally. Participants were also obliged to read through the PIS to understand their rights and responsibilities in the research. The PIS provides information on the objective of the study; why the participant has been chosen; what he will be asked to do; how the data will be treated among others. See the attached consent forms and PIS for details. The consent and PIS are designed to ensure that

participants in the research do not suffer any harm on account of their involvement in the study. The twin documents also serve as express pronouncements of rights and responsibilities of participants in a research. Much like social science academic works, this research undertaking has lots of "skeletons to handle, too many closets to inspect" (Robben and Sluka, 2012. p. 184). It therefore implies that nothing in the study should give an indication of research participants in order to ensure their protection (Cavendish, 1982).

Nevertheless, there were several concerns around confidentiality. In several instances, there were public officials who showed reluctance in sharing their views on such a sensitive matter as the theme of the study. A couple of them were more concerned about the impact their opinion could have on their jobs. However, most youths that participated in the focus group discussion were less cautious about their views. With this in mind, the study ensures that the real names of participants as well as statements and quotations that could easily reveal their identities are not used, rather generic expressions such as 'one villager', 'one official', or codes for participants are used in most cases. As argued by Porter (2005), "it is vital for researchers to protect the identity of their respondents in order not to expose them to any kind of recrimination from opposing groups- the researcher must not precipitate further crisis" (p. 49).

Conscious efforts are also made to ensure that data is not suppressed or falsified in anyway especially in the analysis chapter. Unclear issues are confirmed through examination and re-examination of data and documents. Deliberate falsification of data or misrepresentation of data is both a scientific misconduct and fraudulent practice which is not acceptable in academic community (Newman, 2000).

## 2.7 GAINING ACCESS AND TIMING OF FIELDWORK

Carrying out field research within the chosen case study, especially the Niger Delta part of Nigeria presented several opportunities and challenges around access to data. The region presents a rich aquatic culture and robust blue economy which could make a research of this nature interesting. Nevertheless, several developments almost marred the entire exercise. For instance, getting the number of coastal communities where cases of illegal energy-maritime activities had become prevalent was difficult. Even government departments whose mandates relate to regulating illicit activities in the region could not give such information. It was made to understand that illegal business activities are not confined to a particular community. The explanation went further that oil theft and bunkering activities cut across several oil producing communities. Hence, as mentioned above, I resorted to adopting a purposive sampling technique in identifying and selecting coastal communities where some of the research interviews were conducted. It must be noted that most of these initial challenges in regard to data collection in coastal communities were mostly in the Niger Delta areas of Nigeria. There were no similar challenges in most other coastal regions I visited in the GoG.

## 2.8 RISK, HEALTH AND SAFETY

Every fieldwork comes with risk, health and safety concerns which must be thoroughly considered prior to embarking on a field trip and during data collection to ensure the safety of both researcher and participants in the study. So, those concerns were considered and assessed before undertaking the fieldwork. Contacts were made with friends in the South-south region of Nigeria where the fieldwork was due to be carried out, and got the assurance everything would be fine before setting out of Lagos. More so, the fact that I could speak

easily communicate with the locals in Pidgin English reinforced the feeling of ease and helped to calm my nerves. Nonetheless, that being my first elaborate field experience, I was guided by the consciousness that things could possibly go wrong but had little or no idea of what it could be. As noted earlier, every research or fieldwork is fraught with risk factors which are often peculiar, and significant potentials for injuries, harm and hazards exist on the way to conducting a successful research (Treweek and Linkogle, 2000). So, it is important for researchers to be aware, take cognizance of such potentials and possibilities of harm, danger and hazards, and think through other possible challenges to carrying out fieldwork in unfamiliar environments (ibid).

A region with a history of hostility and continued violence as the Niger Delta of Nigeria offers much in terms of safety considerations and concerns. Continued violence and hostility in the region constitute a risk, health and safety concern for both researcher and participants. In the course of the fieldwork, there were reported cases of oil pipeline vandalism, kidnappings, and military operations against criminality in the region. So, I carried out the fieldwork in a generally relatively peaceful atmosphere.

Typically, time, cost and logistical requirements for setting up interviews, making trips to and from it, conducting interviews, transcription, preparing and analysing transcripts, among others, were evident constraints of engaging in the process. As interviews mostly held in Nigeria, Ghana, among other countries in and outside the Gulf of Guinea region, researcher visited these countries spending weeks and travelling to participants' locations. These constraints, nonetheless, did not affect the number of participants involved in the study as from the list, key actors and sectors were reasonably covered.

## 2.9 LIMITATIONS OF THE STUDY

The enterprise-value chain perspective takes a largely economic/enterprise view of the issue of criminality in the GoG. Meanwhile, every social phenomenon develops within a multifaceted framework of analysis. Examining the phenomenon of crude oil theft, petro-piracy and illegal fuel trade from the perspective of the business opportunities it creates, and which engender a complex web of interaction, presents a simplistic and mono-causal explanation of a complex phenomenon.

Though the study has considered an enterprise-value chain approach to understanding energy-maritime activities in the Gulf of Guinea, it is limited in scope to the extent of inadequate information on the cost component of the enterprise value chain. This is largely due to the underworld nature of the enterprise which makes it difficult to access significant information on cost. Further research would need to be carried out on the cost element of the enterprise value chain given the importance of the cost variable in any value chain analysis. Understanding the cost dynamics of the enterprise, which this study has not done (though not its primary objective), even though there are instances of cost-benefit analysis in chapter four of the study, is important not only for the purpose of being able to track cost inflow and hence determine the real financial implication of the enterprise, but for the purpose of determining how much impact the illegal enterprise have on other forms of transnational criminal activities, such as arms smuggling, drug trafficking, and its potential impact on terrorism especially in the GoG and Sahel region.

Another notable limitation to the study is researcher's inability to visit the key players (countries) on the region's energy-maritime corridor in the central and Southern tip of Africa, particularly Equatorial Guinea. The outcome of such a visit would have significantly enriched

a comparative analysis weaved into a single case study. The diverse nature of participation in the study, nevertheless, helped to make up for this limitation.

It would be the challenge of future researchers interested in the subject to undertake the study using quantitative methods, or do a comparative analysis or even consider the subject strictly from the Nigerian perspective.

Despite the shortcomings above, the study of crude oil theft, petro-piracy and illegal trade in fuel from the standpoint of enterprise-value chain perspective brings to the fore significant attributes of the phenomenon which have previously not been captured in academic literature. These attributes including the business dynamics of the criminality, its value-chain and a complex web of interactions among the players in the illegal energy-maritime economy help to explain the persistence of the criminality despite several national, regional and international measures to combat it.

## 2.10 DATA ANALYSIS STRATEGY

As noted by Miles and Huberman (1994), qualitative analysis encompasses different stages ranging from data reduction and display to generation of conclusion and corroboration. The data reduction stage requires the selection and transformation of data, while data is displayed using such instruments as graphs and charts for the purpose of organisation. Generating conclusions from data as well as corroboration is dependent on a researcher's ability to speak to the data or analyse by ascribing meanings to it. A researcher could generate conclusions early in the research but should be held with caution and scepticism as they are developing and indefinite at first, but then gradually become clear and convincing (Miles and Huberman, 1994).

In analysing the data, this study employed a thematic approach. A thematic approach requires reading transcripts thoroughly and possibly, severally, to identify and synthesize themes, generate explanations and provide understandings for conclusions. As the research did not aim to quantify phenomena, frequency of responses was neither counted nor was data generated and presented statistically. Data collected from primary and secondary sources were analysed qualitatively and reported in descriptive forms. In doing this, interview data were coded, while those from documentation were triangulated to further an exploration of the research questions. A descriptive presentation of data allows for a juxtaposition, conversation, and interaction between the data sources to provide explanation and understanding for the research questions.

In presentation, relevant maps, tables, figures and photographs are used to further illuminate the narrative, thereby revealing what words alone cannot, and infusing the presentation with some sort of dynamism. In writing up, it is important to “weave a narrative which is interpolated with illustrative quotes... to allow the interviewees to speak for themselves” (Graham, 2000, p. 74). However, given the sensitive nature of the research topic and the quest for utmost confidentiality and anonymity, interviewees will be anonymised, and no information that might provide a clue about participants will be included. Data analysis requires that the researchers create or establish informed positions from the raw data generated by managing, generating, interpreting and presenting the data (Creswell 2009; Yin, 2009).

The data analysis process is embedded within a data management system which seeks to create meaning from the collected data through a process of data inspection, interpretation and providing meaning to it. In analysing and providing meaning to data, further reference

will be made to the field notes and audio tape recording. This stage of analysis was followed up with a thorough review of the data which had already been transcribed with a view to generating recurring themes on the primary focus of the study. I thoroughly read over the data using a combination of line by line and word-by-word mechanisms, shifting back and forth between the two techniques, which is an important part of the instrumentation process of qualitative data analysis, to “analysing meaningful undivided units signifying qualitative differences that make a difference” (Chenail, Ronald, 2012. p. 267) . The researcher used Microsoft Word processing tool (Insert Comment reviewing technique) to highlight units of the transcript. This process ultimately enabled the researcher to label and categorise the data in line with the overarching research question of the study posed in the introduction of the study and several important questions generated therefrom. The analytical framework developed in the previous chapter further served as a building-block for the study. A thorough and continuous evaluation of the transcripts and field notes in the context of the analytical framework of the study helped to ensure that data analysis aligns with the framework and prevents the research drifting from its overall objective.

The next stage in data analysis is interpretation which is an important part of data analysis. At this stage of the research, I needed to draw a comparison between the themes and categories generated from the data and the raw data collected during the fieldwork to ensure that there is no gap between the identified themes and the research. In other words, the interpretation stage helps to ensure that the themes identified are fit for purpose. Hence, it represents an important guide to the researcher in its quest towards providing explanations and responses to the research questions.

## 2.11 CREDIBILITY AND TRANSFERABILITY

With the research processes and procedures for collecting and processing of data done, attention shifts to the question of credibility or quality of the product of the research. How credible or reliable are the results of a research? Or how is quality or credibility ensured in a qualitative research as this study. The issues of credibility and transferability in a qualitative research are not only at the heart of research accuracy but also constitute the parameters for a critical examination of any research.

Whereas instrument construction is the canon for quality control in quantitative research, the researcher is the instrument in qualitative studies. That is, the extent to which a research is adjudged credible depends on the efforts the researcher has put into it. Although Stenbacka (2001) argues against the relevance of reliability or credibility in qualitative research since it focuses more on measurement. Nevertheless, it is useful in designing a study; examining the processes involved, the findings, and quality control for consistency.

Achieving credibility in this study will be done through an "inquiry audit" (Lincoln and Guba, 1985, p. 317) which focuses on both the process and outcome of the study to achieve a high level of consistency. The inquiry audit aligns with Ritchie and Lewis (2003) who identifies the need for a comprehensive account of the various stages and processes employed in the study, from data collection to presentation of results. In a bid to further ensure reliability, the study would ensure that during and after interviews research questions are unambiguous to the research participants, both for the interviews and focus group. This is also a process of and a build-up to validating the research results.

A fundamental concern in a qualitative research inquiry is transferability of research; whether or not the findings of the research can be applicable in settings other than those of the study,

or in a different case to ensure a deepening of the understanding of the theme of the study (Yin, 2009). The issue of transferability revolves around how questions are asked; whether or not the right questions are asked, the details and accuracy of data, and the truthfulness of collected data (Denscombe, 2002). Transferability concerns in this study were addressed by generating questions based on identified gaps especially in maritime security literature on the GoG. This ensures that there is a clear narrative hinged on a connection between the various stages of the research inquiry, especially between the research question, data collection methods and the results of the study. Added to this, the researcher adopted a multi-source approach which seeks to corroborate findings from primary data with secondary sources to achieve the objective of the research. A multi-source approach enabled the researcher to create an analytical convergence, a triangulation process and ultimately a general knowledge. Using a wide range of sources is by no means an important mechanism for cross checking accuracy.

In the final analysis, the goal here is to ensure that findings on oil theft, petro-piracy and illegal fuel trade in the GoG will be robustly presented to allow for more “credible and defensible result” (Johnson, 1997, p. 283) which may result in the production of transferable and dependable findings. This therefore implies that research quality correlates to transferability and ultimately reinforces credibility or trustworthiness of a research.

## 2.12 SUMMARY

The methodology chapter has taken a holistic view of the various data collection and analysis mechanisms adopted for the study. It started with the ontological and epistemological foundation of the study, the qualitative technique adopted for the study and its appropriateness for studying the tripod of crude oil theft, illegal fuel trade and petro-piracy

in the Gulf of Guinea. It further detailed steps taken in producing the research work i.e. the research design, starting from the research question, to how the research protocol was developed; how the sample size was designed, developed and used, as well as the various data collection instruments. The chapter also discussed the most important ethical issues (consent and confidentiality) involved in the study before concluding on reliability and validity viz-a-viz data collection, analysis and findings. How the whole of these issues played out viz-a-viz the overarching objective of the research is the focus of the next two chapters.

## **CHAPTER THREE**

### **THE CRIMINAL ENTERPRISE**

#### **3.1 INTRODUCTION**

It may appear chaotic, but there is structure and strategy to this menace. Some of those involved are working for local markets...Some – far larger in scale, organization and significance – are managing an international export business with tentacles across the globe (Attah, 2012, p. 3).

Several scholars (Odalu, 2015; Attah, 2012; Chatham House, 2012; Perouse De Montclos, 2012; Ibaba and Ikelegbe, 2010; Watts, 2007) have described crude oil theft, petro-piracy and illicit trade in petroleum produce in the GoG as organised business crime. However, little or no empirical study on the 'organised' nature of the phenomenon exist especially as it relates to its unique overlapping and mutually reinforcing relationships. This chapter, therefore, seeks to empirically investigate the business of the criminality with a view to unearthing its dynamics and how it is embedded in the socio-economic, geographical and political realities of the GoG. It starts with a discussion of the threats environment that undergird the criminality in the region and examines the origin and development, nature, actors and modus operandi of the business. It goes further to highlight existing interlocking relationship among the different crimes, considered here as a tripod. It goes further to highlight existing interlocking relationship among the different crimes, considered here as a tripod. It goes further to highlight existing interlocking relationship among the different crimes, considered here as a tripod. The chapter also discusses the tripod market structure, quasi-governmental functions and instruments, network ties and criminal networking setting, and, lastly the international dimension of the business. The

chapter concludes that much like a formal economy, the informal criminal tripod is an enterprise with a complex network of connections, operations and exchanges spanning several nationalities, countries, and regions of the world, and sustained by the doctrine of commercialism.

### 3.2 THE CONTEXTS OF THE CRIMINAL ENTERPRISE: ASSESSING THE THREATS ENVIRONMENT OF THE GOG

Understanding a social phenomenon requires a careful consideration of the political and socio-economic threats environment that underpin it. Such structural analysis strengthens the premise of the study and helps in validating its explanations and conclusions. Suffice it to say that the region speaks to a potent cocktail of bad governance, corruption, and poverty, "a volatile mix of forces" (Watt, 2007, p. 643), which have national, regional, and perhaps global dimensions. Such a combination fuels maritime insecurity and engenders an ominous convergence of a whole range of illegal structures and markets.

#### 3.2.1 POLITICAL ENVIRONMENT

The political climate in the region relates to governance and corruption. Prudential evidence of bad governance and corruption in the GoG exists in the literature and is amply corroborated by the research interviews. Over 90% of the study participants identified bad governance and corruption as the primary structural causes of criminality in the region.

Maladministration manifests in the erosion of institutional governance framework, socio-political and economic stagnation and breakdown of law and order (Annan, 2014), and creates an enabling environment for violent and illicit activities to flourish at sea (ICG, 2012).

In this regard, maritime criminality is a manifestation of much wider land-based problems.

Conflicts and political disputes accentuate the challenge of bad governance. Such is the case with a host of West and Southern African countries like Liberia, Sierra Leone and Angola who have suffered significant dislocations as a consequence of continuous and prolonged conflicts (Afolabi, 2009), which created fertile ground for illicit activities, and undermined drive towards evolving cooperative mechanisms to addressing criminality. Bad governance has found expression in the suppression of dissent and opposition forces with dictatorial leaders and regimes crippling opposition forces in a bid to hang on to power. In this regard, Angola under President Teodoro Obiang of Equatorial Guinea has the worst record of human rights abuse in the world (ibid, P. 14). The government of Cameroon led by Paul Biya has equally responded to the secessionist quest by Southern Cameroon National Council with brutal force, taking advantage of the development to roll out far-reaching anti-terror laws to further clip the wings of dissent (IRIN, 2017). Militancy in the Niger Delta of Nigeria has found expression in pipeline vandalism and oil bunkering, coupled with terrorist activities of Boko Haram in the North and have severely undermined the government and dealt a huge blow to national security. This intra country governance related issues have resulted in attempted coups, and counter-coups in these countries. Nigeria has a rich history of coups and counter-coups as a consequence of bad governance resulting in the 1967-70 civil war. There was a coup attempt in Sao Tome and Principe in 2003 following the official visit of President de Menezes to Nigeria (Afolabi, 2009).

Not only have intra-state conflicts fed into the wider problem of maritime insecurity in the region, so too have inter-state hostilities (Jacobsen & Nordby, 2015), particularly boundary-related. The Nigeria-Cameroon maritime dispute over Bakassi Peninsula is a typical example and resulted in a situation where the disputed territory became an abode for pirates, while the ICJ adjudicated on the dispute (RIND4). Although the pronouncement of the ICJ in October

2002 confirmed Cameroonian sovereignty over Bakassi and subsequently put the matter to rest, the judgment continues to shape maritime security in the region. Those who see the ruling as an affront resort to maritime banditry to express their frustration. A good example is the Bakassi Freedom Fighters (BFF) who have claimed responsibility for piracy attack in the waters of Cameroon (IRIN, 2008). Moreover, the dispute has resulted in mutual distrust between the two countries with attendant consequences for cooperation on maritime security challenges confronting the territory and wider GoG (Jacobsen & Nordby, 2015).

Ghana and Cote d'Ivoire are currently locked in another maritime dispute over ownership of Tweneboa , Enyenra and Ntomme (TEN) fields and despite several attempts at negotiation, the two countries could not reach an agreement until a proclamation of the international court of justice in favour of Ghana (Laary, 2014). Equatorial Guinea and Gabon are also in dispute over Corisco Bay islands of Mbanie, Cocotiers and Congas, endowed in oil. Only time will tell how much of an impact these disputes will have on maritime criminality in the region.

Alongside bad governance and political instability is corruption. Transparency International (2015, p. 1) observes that “corruption and conflicts go hand in hand”, this is also true for maritime insecurity in the GoG. The GoG has some of the world’s most corrupt countries, according to Transparency International (TI). Of 168 countries and territories indexed by TI in 2015, Angola ranked 163<sup>rd</sup>, DRC 147<sup>th</sup>, Nigeria 136<sup>th</sup>, Cameroon 130<sup>th</sup>, Gambia 123<sup>rd</sup>, Gabon 99<sup>th</sup> and Benin 83th. And as the case of Angola and Nigeria has shown, corruption in the region is directly proportional to wealth. The two countries are the richest in the GoG by oil reserves, yet they are the most corrupt as oil proceeds are either stolen through official corruption or allocated most times unfairly. (Ejibunu, 2007). Corruption undermines the political-economy of the region (Ukeje and Mvomo Ela, 2012), as well as the capacity of the states to evolve a

joint attack against energy-maritime illicit activities. As resources, which hitherto would provide infrastructure and enhance the living standard of the people, fizzle away in corruption, a feeling of disenchantment among the people heightens an atmosphere of violence and criminality. The nexus between corruption and crime is highlighted by the research participants. A coastal community youth leader submitted that: "seeing money coming from the Government from the proceeds of the sale of oil, with the ordinary people mostly excluded to create the perfect environment for hostility and conflicts" (RIND4). It has also forced several youths to see organised illegal activities, including the stealing of crude oil, piracy as well as the illicit trade in petroleum as a viable and more financially rewarding option for survival (Ukeje & Ela, 2013).

Corruption is seen as a driver of criminality in the entire region especially, its peculiar nature in Nigeria speaks to a "massive patronage economy that safeguards the dominance of existing Nigerian political elites in and outside of the Delta" (Newsom 2011, p. 5).

Onuoha (2012) emphasizes the relationship between maritime criminality in the GoG and small and light weapons (SALWs) proliferation, sustained by the extremely porous borders between West African states. About eight to ten million illegal guns are in circulation in the region (Edeko, 2011), out of which 77,000 are under the control of insurgents (Ebo and Mazal, 2003; Annan, 2014). SALWs proliferation in the Niger Delta region for instance has created a conflictual environment and heightened energy-maritime criminality under consideration in this study.

Maritime security in the GoG is undermined further by 'sea-blindness' (Jacobsen and Nordby, 2015, p. 14; Osei-Tutu 2013, p. 4), which implies inadequate knowledge of the Navy, its

operational environment, and role in national security among the political class and the wider public. As a result, most states in the region conceive of their national security from a narrow focus with a preference for land-based forces like the army as against sea-going forces such as the Navy (*ibid*). Where some actions had been taken, they have evolved from an understanding of the link between the consequences of maritime inaction on overall national security (Osinowo 2015; Ukeje & Mvomo Ela, 2013, Jacobsen and Nordby, 2015). A lack of sea knowledge prevents most states from mustering the political will needed to address maritime criminality effectively. Such lack of knowledge and narrow conception of security undermines the capacity of the region to address its maritime security problems (Ukeje and Mvomo Ela, 2013) and fetters a coordinated response.

Most GoG states also suffer from weak law enforcement and are further incapacitated to mount and coordinate maritime security surveillance by a clear lack of coastguards and patrol teams (Barrios 2013, pp. 2-3; Luntumbue, 2012b, p. 5). Even Nigeria, “the only country in the region that has significant naval or coastguard capability to tackle maritime crimes” (Ukeje & Ela 2013, p. 10), does leave most of its distress calls unanswered (ICG 2012, p. 8).

### 3.2.2 SOCIO-ECONOMIC ENVIRONMENT

Prevailing socio-economic realities in the GoG further undermine the region's maritime security capability. The area ranks very high in world infant mortality. Guinea-Bissau and Angola with 90.92% and Angola 79.99% respectively have some of the worst records in the world (CIA World Fact book, 2015). Nigeria with 74.09% and Sierra Leone with 73.29% are not better off (*ibid*). One in six children dies before age five in Angola—making it “the deadliest place in the world to be a child” (Transparency International, 2015). These countries also rank

high in the list of Heavily Indebted Poor Countries (HIPC) in Africa South of the Sahara (The World Bank, 2016).

Poverty is a social reality in several GoG states. Almost half of sub-Saharan population live in poverty (UNDP, 2015). In Equatorial Guinea, 76.8% of a population of less than a million live in endemic poverty (World Bank, 2015). Nigeria with a population of over 180 million people has 46% poverty rate (ibid). Social scientists, such as George H. (2017) and Edelman P. (2017) have established a correlation between poverty and criminality. Consequently, hunger and lack of economic and job opportunities are complicit in crime both on land and on the sea in the GoG. Lucia (2015, p. 8) observed that "the extent of piracy is an indicator of the radicalisation and willingness to turn to crime of frustrated populations". The Focus Groups provide prudential evidence in support of the link between piracy and poverty in the region;

You don't expect people to die of hunger and poverty. When their only source of livelihood is taken away from them, what do you expect them to do? They have to survive even it means taking to criminality. We do not have jobs yet; we must survive.

However, the distribution of poverty rate reveals the preponderance of poverty on the coast over the hinterland hence coastal dwellers are more prone to criminality (Lucia, 2015).

That said, the notion of poverty as a driver of criminality in the region has been a subject of controversy. As a community leader puts it, "even if the pirates and oil thieves themselves are poor, those behind them; their sponsors often are not poor. Such illicit operations require an extensive network of people and activities, where do you expect the poor errand boys to get that?" (RIND6). In a similar vein, a youth leader observed that "the sponsors of these illicit activities are not merely wealthy people but those who enjoy cross-border political and economic links to carry out this kind of operations. Poor people cannot muster such." (ibid).

One of the root causes of piracy which amply ran through the research interviews and which is corroborated in the literature is the high-level of unemployment, particularly amongst the youth in GoG countries. "Youth unemployment provides an incentive for criminal activities such as oil theft, petro-piracy and illegal oil activities offshore as they can be the only sources of livelihood" (RIND4, 2015). Oil thieves and pirates are often young unemployed men lured into illicit activities on account of their joblessness by prospects of financial reward and luxury consumer goods and weapons (ibid). Nigeria, for instance, has the highest youth unemployment rate in Sub-Saharan Africa (NSRP, 2014). In the Niger Delta, although the skill-acquisition component of the amnesty program of the Federal government has resulted in a drastic reduction in pipeline vandalism, bunkering, and oil theft by providing skill acquisition training in diverse fields, there has been renewed resurgence of criminality since 2013. This development is attributable partly to difficulties in securing gainful employments following skill acquisition (Osinowo, 2015).

The problem of youth unemployment is compounded further by government's inability to effectively utilize oil wealth to create job opportunities for youths and a conducive environment for them to maximize their potentials. The consequences of limited legitimate opportunities especially in the midst of plenty have created frustrated and disenchanted youths who now see criminal activities like illegal offshore operations as a way of life.

Human rights abuses and violations, particularly environment related are hallmarks of governance in most GoG states and implicate several cases of criminalities offshore. Over 90% of the research participants allude to environmental pollution in the GoG as resulting from upstream and downstream activities of multinational oil companies in the region. The Niger

Delta of Nigeria is an excellent case study. The environmental devastation especially oil spills which the region has experienced since the start of oil exploration is only comparable to yearly Exxon Valdez catastrophe regarding magnitude. (Guilfoyle, 2013). Continuous coastal environmental degradation destroys fishing and aquatic life, hampers agriculture by making land infertile, and thus undermines traditional means of livelihood of local populations (Lucia, 2015). This painful condition revealed in the FGD: "drinking wells are polluted"; "we lost our nets, huts and fishing pots"; we have lost our forest". Hence, "local communities are increasingly tempted to engage in illegal activities to survive" (RIND3). "The situation has forced some fishermen to sell their boats to pirates or join piracy themselves, drawing on their knowledge of coastal waters" (RIND5).

### 3.2.3 GEOGRAPHICAL ENVIRONMENT

The geography of the GoG is a perfect mix of "hunting grounds, reasonable risk levels and nearby hideaways" (Tepp, 2012, p. 189). In particular, the Niger Delta is a water-logged topography with "a maze of creeks and swamps" (Kemedi, 2006, p. 3). The region's hinterlands are characterised by a tricky terrain which makes easy access challenging, and its waters are some of the most difficult (Kashi, 2008), which therefore encourages criminality especially in the creeks, severely undermining interdiction (Ukeje, 2009). The region's complex geography and vulnerability thus make it one of the most difficult places to navigate and mount surveillance, Ugor (2013). Such difficulties are compounded further by the marginalization of the region from public transportation and communication infrastructure (Kemedi, 2006). These geographical attributes offer significant opportunities for the inflow of different varieties of SALWs which armed gangs including oil thieves and pirates could use to perpetrate criminality.

These threats combine to create an atmosphere of continuous conflicts and primitive wealth accumulation through violent and illicit energy-maritime activities in the GoG. Though Angola and Equatorial Guinea have recorded cases of illegal energy-maritime activities in their territorial waters, the Nigeria-Cameroon axis records a significant amount of the threats in the region along Nigeria-Côte d'Ivoire axis (Lucia, 2015). Most criminal groups involved in oil theft, piracy and illicit trade in petroleum emanate from the delta region or have close relations with actors from there (*ibid*). Regardless of the location, the criminal tripod exploits the threats through a network in pursuit of illicit gains. Analysing such a network or relationship throws further insights into the business dynamics of the criminality. Although they each seemingly follow their distinct logics and rules, there is significant interaction or connection among the tripod, which determine how they complement or conflict with one another. Though not a study in social networks, the analysis of the tripod as three of a kind speaks to the kind of insights revealed in social networks theory. In the section that follows, an attempt is made to examine the origin and development of the enterprise, followed by a discussion of the convergence that often takes place among this tripod within the threats environment of the GoG and what impact this has on the business approach to criminality adopted in this study.

### **3.3 ORIGIN AND DEVELOPMENT OF THE ENTERPRISE**

#### **3.3.1 PETRO-PIRACY IN THE GULF OF GUINEA**

Though petro-piracy, crude oil theft and illegal fuel trade on the Atlantic coast of West Africa are contemporary realities, their historical background can be traced to the wider context of globalization of commerce and criminality. This wave of globalization is inextricably linked to overseas trade relations between the West African coast and the rest of the world, spanning

six centuries. The period transcends three historical epochs: the transatlantic slave trade, the trade in palm produce (legitimate trade) which lasted up to the 20th century, and (now) the trade in crude oil (covering 1958 to date) and its illegal trade variant. Indeed from the era of the slave trade through the palm oil trade to the age of crude oil, pirates, privateers, and commerce raiders have laid siege to the Gulf of Guinea to take advantage of existing business opportunities, or even as merchants themselves, with the lure of profits too high to resist. Such a retrospection, therefore, brings an understanding of how the region has shaped the global development of maritime piracy. It reinforces the narrative of the business of piracy by presenting the changing dynamics of international trade on that marine corridor and how pirates evolved a parallel business enterprise with changing global and regional economic conditions. It would seem that through these epochs, wherever business opportunities existed, piracy has emerged, often as a parallel business or industry. The business model of piracy is therefore almost as old as the act itself, and it is such an understanding that forms the hallmark and significance of the retrospection. So rather than being considered as an entirely new phenomenon, petro-piracy, crude oil theft, and illegal fuel trade are only the latest phase in a long history of a complex web of the globalisation of commerce and criminality, which has made the region the epicentre of the global supply of oil, and energy-maritime crime. Like their predecessors, the petro-pirates, oil thieves, and illegal dealers in petroleum of today are criminal entrepreneurs who continue to feed on the GoG's energy-maritime industry.

### 3.3.1.1 THE SLAVE TRADE AND THE GOLDEN AGE OF PIRACY

As early as 1434 English pirates had raided the West African coast and waylaid Portuguese and Spanish merchants (Ahmed, 2001). In some cases, these acts were financed by wealthy

merchants in London and Liverpool, in conjunction with their monarchs (ibid) suggesting the presence and activities of privateers and commerce raiders alongside pirates.

By early 1719, with increased vessel traffic on the West African coast, there was a surge in piratic acts which affected about 30% of the vessels lucking on the coast (Bialuschewski, 2008), in what is described as “the peak year of pirate depredations” (ibid, p. 1). This surge was a consequence of the expulsion of the remnants of freebooters from the Caribbean, who had pillaged the Spaniards for almost three years and had been forced out by the colonial government following renewed onslaught (ibid). Consequently, the freebooters drifted and sailed to wherever business opportunities existed, crossing the Atlantic and arrived the West African coast where they subjected slave-carrying ships to constant pirate attacks (ibid). Rev. John Leighton Wilson, an American missionary, based in Gabon at the time said, in a letter, he wrote to a mercantile friend in Bristol, England:

During the prevalence of this trade, the African seas were almost wholly given up to piracy. No vessel could carry on lawful trade without the constant liability of being plundered. If these vessels were armed for self-defence, as was attempted in some few cases, the expense was so great that it consumed all the profits of the voyage (British Library, 2014).

Opinion is divided among historians as to whether or not these groups were pirates or slaves. What is certain is that the trade in slaves, slave merchants, and plantation owners in the New World were all victims of their illicit activities. By the 18th century, both the plantation owners of the New World and slave merchants especially sought greater naval protection from the British colonial government, a request the government acceded to by supplying warships and naval squadrons to patrol the trade route between the New World and West Africa (Beckles,

2002). This development significantly reduced maritime piracy along that corridor and ultimately ended an era popularly known as the Golden Age of piracy (ibid).

Was that the end of piracy in West Africa? The gunboat diplomacy of the eighteenth century may well have decimated piracy during this period, but the gains were temporary. As it turned out, there was increasing pressure to abolish the slave trade, and by 1807 the Abolition Act was passed, formally bringing an end to almost four centuries of what turned to be a "triangular trade". The slave trade was eventually abolished several decades after 1807. In the aftermath of the abolition, the legitimate business emerged in the Bight of Benin, Bight of Biafra, and the Gold Coast. The nineteenth century was to be the era of so-called legitimate commerce in West Africa, in opposition to the Slave trade. From different parts of the coast of West Africa timber, ivory, gold-dust, groundnuts, rubber, beeswax, gums, and dyewoods were to become major items of export during the nineteenth century. Perhaps the most important of these was to be the African oil palm (Lynn, 1997, p. 12), which became a major lubricant in the emerging British industries and railways (Okwu, 2010), with as much demand for local palm oil as industrial machines. The growing demand for palm oil derivatives such soaps especially among European middle class contributed to the surge in demand for palm oil (SDN, 2016).

### 3.3.1.2 PALM OIL TRADE, PREDATION AND PIRACY

The era of legitimate trade (palm oil trade) brought to the fore different piracy dynamics, yet the Pirates did not lose the appetite for exploiting the emerging business opportunities. The Industrial Revolution in England had created increased demand for West African palm produce, which engendered competition among the various ethnic groups, who sought to take advantage of the new trade and commerce routes leading to the coast. In their

competition for access to the benefits of the new business- oil-palm produce, and slave trade which had become illegal at this point, some states were better placed to tap the trade than others. As Okorobia (2013, p. 433) observed, some of the communities suffered economic dislocation as a consequence of the transition from trade in slaves to palm oil, and some others were victims of marginalization in the emerging economic order. This bred inter-state hostilities, and sometimes, wars, with predation and piracy one of many means of expressing the frustration of the excluded communities. The Ijaw, in the 19<sup>th</sup> century, were prohibited from developing trade between other tribes and Europeans, with their violent response labelled piracy (Guilfoyle, 2013. p. 68-69). Ijaw 'pirates,' who were known for selling their captives into slavery, raided the Urhobos, as they sought access to the burgeoning trade with the Europeans at the coast (Okorobia, 2013). Such predatory acts of the Ijaw continued until 1870 before their defeat in the hands of the Itsekiri (Guilfoyle, 2013). By the 1890s the Itsekiri were using a force of 20,000 'war boys' deployed on 100 war canoes to defend their market dominance (*ibid*).

While piratic activities may have declined in the aftermath of the Ijaw defeat in 1870, it did not disappear from the Nigerian waters from that period till the 1970s, contrary to Guilfoyle (2013) and Murphy (2013). In fact, piratic acts endured colonial rule and existed alongside the new trade in palm produce, as new business opportunities arose. Indeed, much like the previous era of illegal slave trade, pirates of this period took advantage of the prevailing economic order to project their business acumen, make profits and enhance economic survival. Several participants in the research alluded to the continued existence of piracy throughout the colonial years, and Perouse de Montclos (2012, p. 532-533), in agreement with the field data, described the reality of the phenomenon at the time:

Pirates used to ambush passing vessels in places like the Cawthorne Channel near Bonny, in between the sea and the river proper. A legacy of the slave trade, war canoes levied “traditional duties” called comey during the colonial times. Such “security fees” resorted to a kind of protection racket in order to keep a monopoly on foreign trade and to tax Europeans that tried to reach markets in the hinterland.

Perouse de Montclos (2012, p. 534) further noted that:

In the 1990s...coastal communities of the delta regularly attacked passing boats on an ad hoc basis, following opportunities. These pirates were akin to sea robbers and were not very organized, unlike the smugglers who operated from Oron to run all sorts of trafficking (including arms and refined oil) toward Cameroon. Armed fishermen would stay close to the shore, steal any valuables available, and share the booty with their relatives in the villages nearby. But the stolen vessels were not seized, and their crew were not kidnapped for a ransom. In other words, it was petty theft, a bit like the sea robbers.

### 3.3.1.3 ADVENT OF CRUDE OIL BUSINESS AND SHIFTS IN PIRACY

The age of crude oil exploration and production changed the piracy narrative in West Africa, especially Nigeria. As we shall see, crude oil production created new business opportunities which pirates took advantage of, and set in motion a double shift in piracy from the Niger Delta region to Lagos port and back to the Delta region. Following the discovery of oil in Oloibiri, in present day Bayelsa state in the early 1970s by Shell Petroleum and its attendant jump in national revenue, the Nigerian government embarked on capital intensive industrialization, prestige projects, and wasteful social expenditure. What followed, there was a boom in the country's foreign trade, especially the number of foreign vessels arriving the nation's major ports in Lagos and Port Harcourt. These ports, which had not seen commensurate capacity expansion, were not able to handle increasing maritime activities hence delays in berthing at harbours which consequently provided opportunities for armed robbery and theft of which foreign vessels were mostly victims. Such cases of robbery and

theft had significantly risen which prompted the International Association of Port Authorities (IAPA) to issue a prohibition on Nigerian waters in the 1980s (Perouse de Montclos, 2012). The 'cement armada' which followed the nation's economic boom of the 1980s resulted in increased cement importation, and created a shortage of berthing space in the few operational ports, resulting inevitably in long queues and made the waiting vessels easy prey for robbers (Ellen, 1989).

Captain Roger Villar, the author of '*Piracy Today*', agreed that West African piracy had

been encouraged in recent years by an enormous expansion of trade, primarily founded on Nigerian oil production, which began in the mid-1970s... (I) n Nigeria up to 40 ships were queuing at any one time to enter Lagos, which was then incapable of handling such numbers. These vessels were obvious and easy targets. Pirates were for cargo... and there was a ready market ashore for everything (Villar, 1985, p. 20).

What started as small opportunistic attacks (Uadiale, 2012) rapidly became organised (Murphy, 2013) as pirates exchanged small boats for ones that could carry 20 to 30 men driven by outboard motors (Guilfoyle, 2013). In 1979 the master of the *Lindinga Ivory* was killed and all 14 crew injured, and by the early 80s attacks in Lagos had risen to twelve at most in a day (Guilfoyle, 2013; Murphy, 2013). The rate of attacks had gone up by 1983, with the trend suggestive of the level of protection the ships were exposed to and local officials' complicity. But by 1984, there was a downward trend in the spate of piratic attacks, ostensibly a reaction to the declining oil prices of that decade (Murphy, 2013).

### 3.3.1.4 THE ERA OF PETRO-PIRACY

By mid-1980s, the second shift in piracy (Lagos- Niger Delta) was well underway. During this period, the non-violent struggle led by Ken Saro-Wiwa against the degradation of the

environment of the Niger Delta had become violent, and criminal in some instances, with several ethnic militia groups evolving under self-imposed mandates of advancing the interest and agenda of the region for resource control. The resulting volatility and criminality in the area found expression in the context of the enduring contest between grievance and greed, or politics and economics schools of conflicts, as robustly articulated in the literature review. Even though it has not been a subject of empirical study, the reality of an entrenched criminal business existing alongside greed soon became manifest, taking the underpinning causal explanations for the instability in the region beyond grievance and greed. The concern, here, is not to join the debate, but to examine the shift in piracy from Lagos to the Niger Delta region and the Atlantic coast. This transition came in the aftermath of "the militarization of the protest for a local control of oil resources" (Perouse de Montclos, 2012, p. 534), and "politicization and the sophistication of gangs" (ibid). Illicit Maritime activities after that became a common feature, reaching new grounds in the GoG. As it turns out, piracy in the wider GoG has evolved into a well-organised parallel business around the region's oil industry, operating in a criminal collaboration with oil theft, oil bunkering, and unlawful sale of oil. Petro-piracy, in the light of the above historical analysis, therefore, is no less an enterprise which feeds on the crude endowment of the GoG especially the Niger Delta much akin to the Pirates of the previous centuries of the slave trade and legitimate trade who exploited business opportunities in slaves and palm produce, respectively.

### 3.3.2 ORIGIN AND DEVELOPMENT OF CRUDE OIL THEFT AND ILLEGAL TRADE IN FUEL

Though they do not follow the same historical trend as piracy, oil theft and illicit trade in petroleum produce are also not new in the GoG especially Nigeria; only in recent years have they begun grabbing international headlines due to its consistent rise and its effect on the

Nigerian economy. The practices originated in the late 1970s, with theft of refined petroleum produce being the dominant criminality at the time. A decade on, crude oil theft had become a growing practice, with the arrest of the *Shanghai Express* in 1983, which was later released following a diplomatic row (Naanen and Tolani, 2014). The Buhari Idiagbon military regime (December 1983-1985) sought to curb the wave of the criminality hence, responded by proclaiming theft of oil as an economic crime under Decree No 20 of 1984 (Adekunle, O. 1989; Nanien and Tolani, 2014). This measure, however, did not deter the criminality as the practice further gained momentum especially during the administration of Ibrahim Babangida that followed. By this time, the nation was already losing between 10-17 million in annual revenue to oil thieves (ibid), with senior military personnel in connivance with Oil Company employees deeply entrenched in the illegal act of crude theft and petroleum racketeering (Human Rights Watch 2003).

By the dawn of the century in particular between 2010 and 2013, theft of crude oil had become large scale and evolved into an informal economy, laying a solid foundation for what now earns revenue more than GDP of 15 African countries combined (Ralby, 2017). The illegal act and its dynamics are aptly captured by Ikelegbe (2005, p. 221). According to him:

There is a large scale illegal local and international trading on crude oil. This has grown from a few amateurs in the 1980s who utilized crude methods to extract crude from pipelines to a very sophisticated industry which uses advanced technologies to tap crude and sophisticated communications equipment to navigate through the maze of hundreds of creeks, rivers and rivulets. The oil theft syndicates have also graduated from boats and barges to ships and large oil tankers in the high seas. The stealing and smuggling of crude has become very extensive and large scale since the late 1990s.

The current circumstance speaks to organised criminality which survives on an assemblage of diverse groups with different interests, bonded by the presence of a lootable resource, “many of which mix ideological aims with criminal enterprises such as drug dealing, the kidnapping of oil workers, and oil bunkering” (Asuni, 2009. p. 4; Achankeng, 2015, p. 193).

### 3.4 THE ENTERPRISE: NATURE AND MODUS OPERANDI

Though shadowy and often chaotic, the business is not lacking in organization, sophistication, strategy, finance, and as a research participant observed, “there is order in the seemingly chaotic act” (RIND4). It constitutes a significant informal economy whose real value has not been accurately (or not even) captured in official statistics because of its illegal nature. The key components of the economy or value-creation processes are discussed as part of the enterprise value chain in chapter four. However, the point should be made here that the business tripod involves different complex and sometimes overlapping roles and activities, including pipeline tapping, refining, vessels hijack, loading and ship-to-ship operations, and sales which offer yet another value addition.

There are several figures on the enterprise tripod which often prove difficult to access and analyze, and where available there is hardly a consensus on the volume of oil and petroleum lost to theft, piracy and illegal trade. Added to this, “the Nigerian government does not keep statistics that distinguish between stolen crude and shut-in production” (Asuni, 2009, p. 4). Figures on the illicit trade in petroleum produce are also subject to controversies, while, despite the IMO being a repository for cases of piracy, piratic acts are never accurately recorded. An estimated 150,000 barrels of crude oil was stolen daily by oil thieves in 2009 (Attah, 2012), and by 2012 the federal government noted that roughly 400,000 barrels were

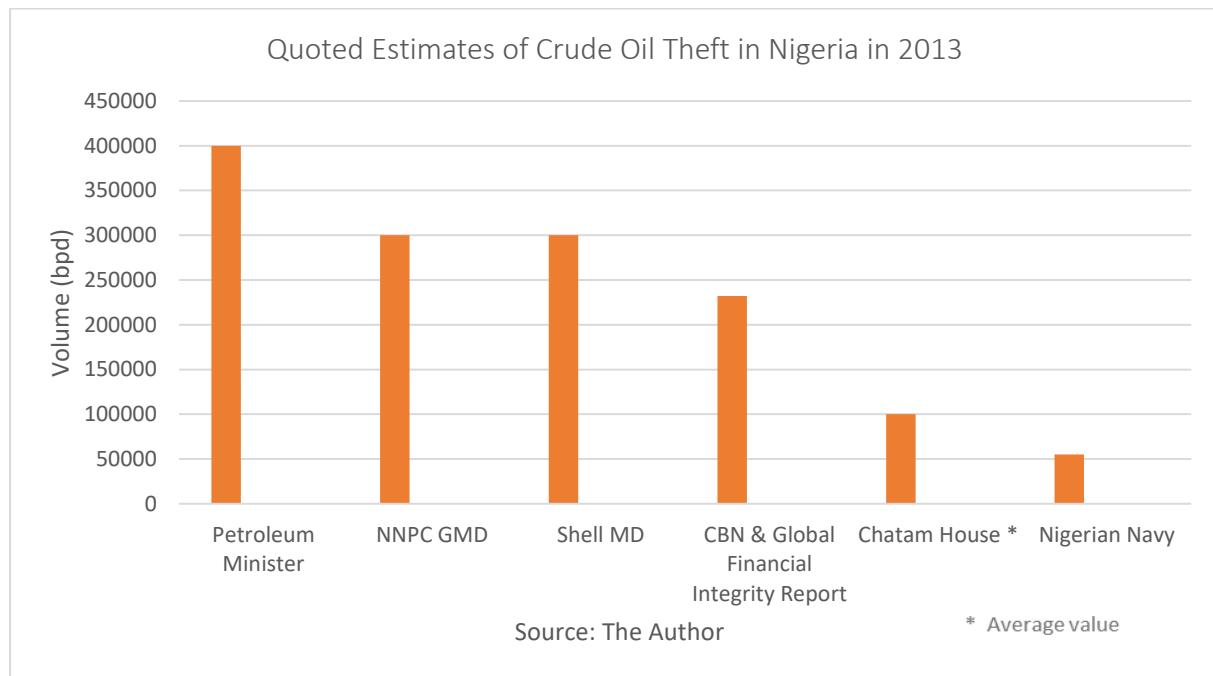
stolen daily, in national revenue loss to the tune of one billion dollars monthly (Obenade and Amangabara, 2014. P. 26). As shown in the figure below, the average quoted estimates of crude oil stolen per day in Nigeria stood at 400,000 barrels, according to the Petroleum Minister. Other agencies of government and research institutes gave different figures of stolen crude oil, for the year 2013. The differences in quoted estimates of stolen crude, as the figure below further reveals, is suggestive of the difficulty in keeping accurate records of stolen crude oil.

Oil theft is carried out in all of Nigeria's six major territorial water zones located in Delta, Rivers and Bayelsa states (RIND4). Whereas the Sombreiro-Bonny-BOT/AndoniOpobo region in Rivers state boasts of the most sophisticated regarding the operations, the Escravos-Forcados-Ramos-Dodo region in Delta state is the most dangerous by the number of armed and criminal groups involved and their constant violent clashes (Obasi, 2011). Illicit bunkering also goes on in the country's 24 export terminals (Katsouris and Sayne, 2013; Amuwo, 2013). However, across these states, as revealed in the research field work, the business is characterized by significant mutations and nuances. Hence, no general pattern devoid of multiple variants and specific peculiarities can be established. Where attention is paid to the multiple variants of oil theft, such attention only highlights some dominant trends while glossing over several other peculiar details and dynamics. Nevertheless, for the purpose of clarity and coherence, this study, in its categorization of the oil theft business, emphasizes features which cut across the region viz-a-viz oil theft and weaves a coherent analysis around it.

The research data speak to three layers of oil theft viz; small-scale, medium-scale and large-scale operations, across which the "boys" and "barons" (Amuwo, 2013. p. 168) interact to

transact illegal business in oil and its derivatives. The small-scale is conducted by local people who specialize in tapping into pipelines, stealing, diverting and smuggling of oil (Amuwo, 2013; Katsouris and Sayne, 2013; Asuni, 2009; Obasi, 2011), with a sound knowledge of the swamps, creeks, and mangroves of the Delta.

**Figure 3.1: Quoted Estimates of Crude Oil theft in Nigeria in 2013**



The small-scale involves a four-layered process which is comparable to the processes underpinning legitimate oil business: oil production (the actual stealing), transportation, refining, and sales. After stealing, the local gangs transport the crude oil to the Bush refineries in the creeks where it undergoes a refining process, though inefficiently, to produce low-grade diesel fuel or petrol sold at local black-markets, or where it is exported abroad directly. These methods of stealing and refining crude oil and the underpinning technology are discussed in the next chapter.

A higher and more organized scale of oil theft involves hacking into an oil pipeline. It also takes the form of tapping oil from the wellhead through a hose. The 'Christmas tree' is removed, and the oil transported to the coast on small barges. BBC News sums up the process involved: "you have smaller vessels that get these things to bigger vessels that can go on the high seas. That is very sophisticated and can only happen when you have high-powered individuals who can afford a crew and have the connection to a buyer" (BBC Africa, 2015).

The stolen oil is initially stored in barges and then transported to the coast where it is loaded onto waiting tankers or vessels for international shipment. Most illegal bunkering of this nature occurs in Bayelsa, Rivers and Delta states (RIND5). There are reported cases of ship-to-ship transfers on the sea to mask the source of the crude (ibid). This dimension of theft inflicts greater damage to the economy, compared to the first layer, and it is also more important because of the volume of stolen oil involved and its proceeds, which are usually money and weapons.

The third layer of oil theft known as "topping up" (McHugh, 2012. P.2) is considered "the exclusive domain of the barons" (Amuwo, 2013, p. 168). This act involves lifting crude oil at the export terminals in excess of licensed volume by altering the bills of lading, which specifies the volume on board and delivery terms. This is a more intricate operation which involves a blend of 'official' and 'unofficial' oil (McHugh, 2012, p. 2). Non-availability of meters at the nation's export terminals has helped to sustain this form of crime (Katsouris and Sanye, 2013). This method of oil theft has far-reaching, devastating consequences for the economy because of the stolen volume, sophistication with which it is carried out, and the network of operations that underpin the act.

Despite apparently marked differences in the tactics and operational modes of the players at the different layers of the criminality, significant overlap exists especially regarding actors and markets for the produce, which often bring about cooperation. A tapping point could supply both local and international markets, and perhaps coordinated by a network of global and local forces.

Like oil theft, petro-piracy in the GoG involves illegal taking of oil after vessel hijacks, which are “sometimes coordinated from motherships or using other forms of structured off-shore organization” (Barrios, 2013, p. 1). Oil laden vessels are largely the objects of piratic attacks because the cargo could be sold at exorbitant prices especially in Nigeria and there is a ready regional black market for oil (Starr, 2014). In 2011 alone, the coast of Benin recorded 22 pirate attacks, and by 2012, Togo had registered a tanker attack (UNODC, 2013). However, these figures may not be an accurate reflection of the extent of petro-piracy in the region because of the problem of underreporting as noted earlier in the methodology chapter. Many attacked vessels may choose not to report because the cargo they are carrying itself may be illicit, which further compounds the problem of inaccurate figures. Proceeds of piracy are valued at US\$10,000 to US\$15,000 per attack, but not all have gone to pirates themselves (*ibid*).

The operational mode of petro-piracy in the GoG is distinct from typical piracy attacks off the East Coast of Africa. Although vessels are objects of attacks on both opposing sides of Africa, the intentions differ. Somalian pirates intend to hijack ships and hold hostage the crew for ransom, while GoG pirates are more disposed to stealing the oil cargo (Kimani, 2009). Such hijacks are sometimes carried out with the use of speedboats (Asuni, 2009) in the harbor or on the sea, and the cargo siphoned and then sold on the black market. However, “as regional

navies become more effective in dealing with the threats of maritime piracy (Osinowo, 2015) coupled with increasing plunging in the global price of crude oil (Saul, 2016), pirates in the GoG have changed their tactics and operational modes to include kidnapping for ransom. Continuous modification of tactics by pirates have seen the use of fishing vessels, especially in Nigeria to execute piratic operations in the waters of Benin and Cameroun. Hence, such evolving tactical changes of piracy have not only affected the targets of pirates but also their methods of operation. And one of these methods is violence. GoG pirates have access to weapons, machine guns, etc. and attacks have become deadly (Rinkel, 2015).

Unlike a legitimate business, the planning is often shrouded in secrecy as are other post-attack activities. However, interview data suggest that the business of petro-piracy in the GoG follows a well-organized and sophisticated process which commences with how targets are selected to the disposal of the proceeds of attacks. Onuoha (2013) also aligns with this position and goes further to identify an eight-stage process of piracy which traverses planning and disposal of loot. In this regard, this research will follow Onuoha's categorization, but focuses more on the value chain as opposed to the operational chain, which is the focus of the next chapter. But suffice it to say, here, that the layered-process highlights the organized nature of the enterprise, occupational differentiation, and vast networks of people and operations involved in the illicit business. There is a clear-cut division of labour which is reflected in the categorization of job functions along gender lines. Most females on the network had the primary responsibility of cooking for their male counterparts in the creeks and also supply firewood at camps. It is, therefore, suggestive of a horizontal role segregation (where the different sexes perform various types of occupation). Meanwhile, proceeds from successful piracy operations are determined and shared based on the nature of assigned roles

in the piracy operation (Onuoha, 2013; RIND4). Usually, pirates collect their full or partial payment before embarking on operations, with a promise of payment of any outstanding following successful operations (Onuoha, 2013). This arrangement suggest the existence of a structure and instrument by which trust and ties, such as those in legal businesses, are strengthened; a system that ensures order in 'disorderliness.'

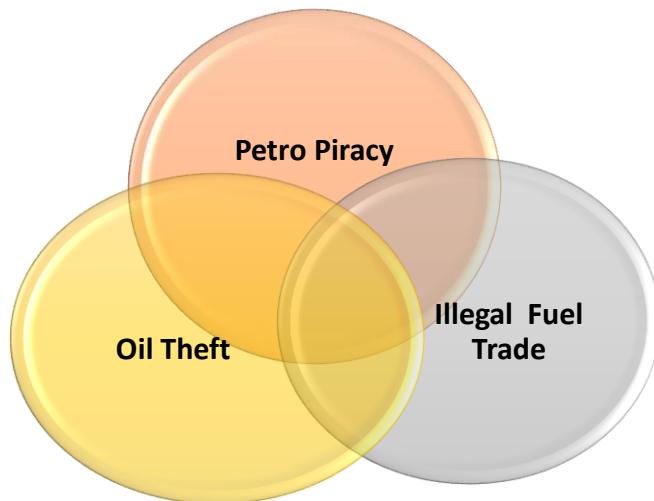
Illegal trade in fuel is the third leg of the tripod enterprise. Like crude oil theft, its nature and dynamics are inextricably linked to the quality of oil as presented by Watts (2009). Variations in domestic oil prices and the impact of both subsidies and tariffs on prices of petroleum in several countries result in simultaneous buying and selling across the region's black markets to take advantage of the price differential (*ibid*). Nigeria, for instance, lacks domestic refining capacity which results in the export of crude oil for refining elsewhere, and importation of petroleum produce which is sold at subsidized rates because of the government subsidy program. This export-import business creates significant opportunities, especially for Nigerian criminal syndicates, which include adulteration and dilution of fuel, transit fuel diversion, etc. In the wake of this, an illegal but profitable trade in fuel developed, and further blossomed with global oil price increase of the last decade. For instance, in Nigeria, there was a sudden jump in the number of registered oil/petroleum export-import companies, ostensibly to take advantage of the profitable arbitrage, suggesting that there are huge profits to be made from the trade (Reuters, 2013). And indeed, at 2012, mean price of \$93.75, unrecorded oil sales of over 183 million barrels yearly, produces an annual black market value of over \$17 billion (McHugh, 2012, p. 2-4). The impact of such sharp practices on particularly the Nigerian government has been devastating resulting in massive cuts in public expenditure.

The other dimension of illegal fuel trade is known as round-tripping. Petroleum round-tripping or arbitrage describes a process by which petroleum obtained from official energy market (at subsidized rates) is diverted to other markets and sold at a higher rate by importers, with the support of several government departments and agencies. Such diversions are usually done on the high seas, with forged bills of lading. In some cases, subsidy payment claims are made of the Nigerian government despite the diversion of the product.

### 3.5 INTERLOCKING RELATIONSHIP: UNDERSTANDING THE BASIS OF THE TRIPOD

Maritime-energy insecurity like the one under consideration in this study is multidimensional, multifaceted and complex in nature. Though, as noted in the introduction to the study, UNCLOS provides a distinction between two acts of maritime violence- piracy and armed robbery at sea, the reality, however, is that the distinction is only imaginary. The legal distinction, for instance, between an act of piracy and maritime robbery is only limited to WHERE the actions take place, the underlying intention or motivation and onshore support structures are rarely considered under the UNCLOS framework. Piracy is therefore seen strictly as an 'isolated' act of maritime crime with no recourse to the coastal environment, which serves as its roots, and destination for loot, with significant impact for policy intervention. The focus, here, is not to examine the drawbacks of UNCLOS' framework, but to argue that the distinction and its attendant policy and legal implications notwithstanding, the crime tripod operates in a chained relationship, where the overriding goal is to make profit. A business perspective analysis reinforces the nature of the criminality as three of a kind, in a criminal convergence (as shown in the figure below) which, above all other considerations, seeks to take advantage of the import-export industry emerging around the region's energy-maritime industry.

**Figure 3.2: Dynamics of Criminal Collaboration in the Gulf of Guinea**



Source: The Author

In the illegal business operation, therefore, significant overlap exist in membership and modes of operation, and they often produce the same consequences. What then are the pull factors, and why are there significant overlaps in membership and operational modes across the different crimes? What factors engender such chained relationship? Any clear understanding of the nature and basis of the tripod depends on the answers to these questions.

### 3.5.1 OIL: A MAGNETIC RESOURCE COMMODITY

Oil is a tradable commodity which brings different crimes in the GoG into a kind of 'homogenes.' It has magnetic features which attract various motives, actors, and institutions. Watts (2009) could not be more apt in his description of oil both as a global production network and a complex. His illustration, which I follow in this section, examines the overall significance of oil in the context of two features. First, oil as a "global production network (GPN)" with a network of actors- individual and institutional, activities, and how they shape its global value chain and governance on the chain spectrum (p. 4), and second, oil as a complex. The first relates to the value and nature of oil. Oil as a global tradable commodity commands a tremendous value. Watts (2009, p. 4) sums it up:

The value of the recoverable oil and gas is perhaps \$160 trillion (more than the value of all equity markets and equal to the total value of all tradeable financial assets; the value of the oil and gas market alone is over US\$3 trillion. The assets of the entire industry now totals over US\$40 trillion. Not unusually, 200 million barrels of oil can be traded in a day on the New York Mercantile Exchange.

By its nature, oil is a commodity that derives its value from a network of operations spanning exploration and consumption. Hence, it is a product which enjoys substantial infrastructure (global value chain) between production and consumption, regardless of the motives of the actors and its use. This means that oil draws on a diverse spectrum of people, institutions, and infrastructure, in value addition.

The 'oil as a complex' notion flows from the nature of oil, as it emphasizes the interaction of several actors, agents, and processes in a large assemblage and complex intersections of accumulation (ibid). In this category are the IOCs, the NOCs, petrostates, and other actors in the network, including oil companies, illicit economies and its agents etc. This network whose

activities are shrouded in secrecy, creates a platform for projecting socio-economic and political gains, rent and resource predation (ibid).

The huge value of oil and the massive assemblage which it embodies, therefore, provide sufficient ground for an interlocking relationship especially among criminals in the GoG, not least oil thieves, pirates and illegal traders in fuel.

However, the GoG oil industry has its peculiar attributes, which further lubricate illicit interconnectedness. Rich in oil, but deficient in refining capacity, the GoG has hence evolved an import-export energy industry attracting diverse actors (national, regional and international) with varied interest- licit and illicit, to create illegal business operations, particularly in Nigeria. This development has created opportunities for criminal actors, who steal oil and refine it in "bush" refineries for both domestic and international markets, with the Atlantic Coast creating a haven for operations and passage. Hence, crude oil thieves, petro-pirates and illegal traders in fuel are all actors in the "illicitised" oil business and ancillary maritime operations. These players, as well as layers of processes and markets undergirding their activities, are merely a part of a complex chained structure embedded in a reciprocal and sometimes conflictual interlocked relationship.

It is, therefore, difficult to draw a line of distinction between oil thieves, petro-pirates and illegal traders in fuel, as each group strives to take advantage of emerging crude oil business.

As a community leader put it:

The lure of profit in a less risky environment is a motivation for the coming together of these guys. When you see criminals collaborate something precious is there to be exploited. Criminals rarely collaborate; their ideological positions often are a source of conflicts. And when they do, such collaborations are

usually interest-driven; once the interest is no longer there, they all retreat into their individuality and enclaves. But, because these boys draw on the region's natural resource (oil), they are bound to interact. It is a clear case of criminal network lubricated by oil (RIND 4).

Nevertheless, the fact of a common binding denominator in oil should not blur the distinction between these crime forms, particularly oil theft and petro-piracy. As shall be discussed later in the chapter, the primary goal of oil thieves is to steal crude, while petro-pirates usually carry out hijack operations of crude oil/ petroleum laden-vessel on the high sea. The *modus operandi* is also different. Regardless, the underlying philosophy of both forms of crime is business, usually violently executed. As discrete as the trio of oil theft, petro-piracy and illegal trade in fuel seem, therefore, emerging reality in the GoG maritime space is that of a criminal convergence, with oil serving as a magnetic binding force.

### 3.5.2 ILLICIT SPACE OF COLLABORATION

Spaces do not just provide a context; they provide a medium and a means and a momentum, as well as a measure. — (Ugor, 2013, p. 3)

Space is significant, especially in the maritime parlance. A maritime space could be put to use to achieve legal ends by providing the context, medium, and means of transportation. However, illicit actors also exploit such supposedly formal infrastructure and endowment, in pursuit of illegal goals. It is in this context that space is illicitised, just like a commodity. Therefore, far from being a driver of criminality by serving as safe havens for criminals thereby deterring arrest and prosecution, space could itself be illicitised; it could be as much a victim as a driver of criminality.

The geographical space of the GoG embodies the region's land, wetland, creeks, sea, its oil resources, and the contestations among 'glo-local' forces- formal and informal- to assert

control over that resource and its derivatives. At the very heart of the illicit business in the region, then, is space, which offers a basis for an assemblage of actors in an embeddedness, incentivises illicitness and its 'marketness,' and propels a continuous contest between security architecture and underworld.

In the process of space-actors interaction in the region, therefore, criminal actors explore and exploit spaces regardless of territorial delineation inasmuch business and market opportunities exist, and arrest and prosecution can be deterred. The maritime space of the GoG as discussed above not merely serves as an enabler of criminality, in its illicitness, it helps criminal convergence by serving as an illicit corridor, as well as a melting pot for thieves, pirates and illegal dealers of petroleum. For instance, illegal oil refining operations are usually carried out in the creeks, which also serve as a "geostrategic operation" (Watt, 2009, p. 11) base from where piratic operations are carried out, and negotiations for ransom following successful hijack made (RIND2). The creeks of the Niger Delta are therefore transformed into a strategic counter-geography in which criminals not only coalesce to form "new resistive identities" (Ugor, 2013, p. 5) but also new ways of "collective action" (*ibid*). The GoG maritime space is, therefore, a melting pot of criminality- where different crime groups become increasingly homogeneous, nourishing an overlap of illicit activities, structures, and markets. A community leader summarized how the geographical space of the region enables criminal convergence. In his words:

Those guys you see are doing their business, and this oil bunkering business is such that you can't do alone because it is complex. What they then do is to come together (not all of them, though) as long as a profit can be made, but a conducive environment could engender diffusion of operations, structures, and markets, especially when they deal in a similar or same object. The moment crude oil gets to the sea, it 's hard

to know who a thief is, or who the pirates are. I tell you, they are birds of a feather- doing the same thing in different ways, in an area where they have become lords unto themselves (RIND11).

### 3.5.3 SOCIAL NETWORK OF OPERATIONS

As social entities, the criminal tripod in the GoG, with people at the core of its membership, is predisposed to interactions in the forms of "friendship networks, communication networks, or collaborative networks" (Lampe, 2016, p. 140). Such networks "are centred on a specific economic activity, connect autonomous parties, with a lower level of integration and coordination" (ibid, p. 128). This much social network theory has justified on several grounds. According to Katz et al. (2004), the following reasons foster relationships. First, self-interest. The desire for personal gains often fosters collaboration among people and institutions. Second, is the desire for social exchange and dependency. Inter or intra-group and people relations hinge on the ease with which valuable resources are traded. The third relates to shared benefits and the possibility of advantages from a coordinated action, which often outweigh individual self-interests. Fourth, group interactions are facilitated by acquaintance, which further enhances communication, reciprocity in actions and trust.

Following the above framework, Jimoh (2015) observes that "the social aspect of piracy is the ability of sea robbers to network with other organized criminal groups both within and without the maritime domain" (p.18). Maritime piracy involves cults, mafias and student fraternities whose philosophies and inspirations evolve from the marine world and onshore organised criminal groups (Jimoh, 2015; Perouse de Montclos, 2014). Memberships and roles overlap because some people and groups criss-cross militancy, piracy, and cultism (Ali, 2015). Hence, for instance, "insurgents, rather than achieving a symbiotic relationship with pirates, have fully transformed into pirates themselves" (Ali, 2015, p. 134) as "piracy is the tree that

hides the forest" (Rinkel, 2015, p. 10). Through these social networks criminals have access to ammunitions, markets for stolen crude and petroleum, information on the routines of vessels and anti-piracy patrol teams (Jimoh, 2015). An interesting dimension of social embeddedness or networking among criminals in the region is its complexity and wider reach, which very often straddles the licit-illicit divide. As noted by Jimoh (2015), pirates often enter into alliances with formal institutions of the state and corrupt security agents to identify their targets, carry out hostage and hijack operations, negotiate ransoms and hence execute successful operations without been apprehended. However, building networks forms a substantial part of piracy syndicates' adaptation to challenges (Hastings, 2012) though there are differences in strategies adopted by syndicates in this regard. How such illegal entrepreneurial networks develop around energy-maritime security concerns in the GoG will be discussed in some detail in the course of the chapter.

### 3.5.4 ETHNICITY AND COMMUNITY TIES

Ethnicity is a driver of criminal collaboration. As Richardson (2015, p. 4) observed in his analysis of GoG piracy, though pirates are creating "subsidiaries" outside their home country, criminal collaboration is facilitated by transnational ethnic communities, such as those that straddle the Nigeria-Benin border. A UNODC report notes that many of those involved in piracy acts in Benin were from along the Nigeria-Benin border which, according to their victims, spoke both English and French (UNODC, 2005). Nigerian nationals have been mostly involved in maritime criminalities and attacks on vessels in the region (Osinowo, 2015), and oil communities, particularly in the south-south region of Nigeria are complicit in the theft of oil (Vidal, 2013). Indeed, "most of those involved in crude oil theft are our (Niger Delta) boys. We know them, the communities know them, and they know themselves as well. Some of

them operate on the sea" (RIND2). "So it is easy for them to do all they do, usually in brotherhood" (RIND1). In Somalia, Murphy (2010) observed how at least some of the ship/cargo seizure syndicates are connected with, and run by ethnicity-based organized crime groups (p. 169).

Relatedly, community ties often provide a basis for the tripod. In some cases, as noted by most focus group participants, originating from the same village or community plays a role in the collaboration of oil thieves, pirates and illegal dealers in petroleum. As they observed further, ethnicity and community ties also influence trust in criminal collaboration. This position, however, is not suggestive that the tripod is an ethnically cohesive criminal group. A detailed discussion of trust regarding the tripod is presented later in the chapter.

The preceding sections underscore the strong linkage between oil thieves, petro-pirates, and illegal dealers in petroleum in the GoG. They operate within a fluid boundary, a result of which inter-group network and interaction are fostered (Ibaba and Ikelegbe, 2010). In several instances, a single operation could be executed by criminals who straddle different crime groups (Jimoh, 2015), or several criminals participating in related activities. For instance, some pirates are waterways robbers, bunkers, security personnel or guard to boats and barge operators (Ibaba and Ikelegbe, 2010). Hence, piracy, for instance, is just one of the activities of a group and indeed, it is the tree that hides the forest (Riskel, 2015). Oil thieves have become pirates, just as oil thieves engage in piracy for business gains and to mobilize resources to sustain insurgency in the Niger Delta, a goal which is seen in some quarters as a subterfuge for criminality (*ibid*, p. 228). However, in most cases, such criminal interlocking relationships and illicitness "are deeply embedded within legal trade systems" (Bichler and

Malm, 2013, p. 143), or constitute "a common thread of enterprise" (Smith, 1980, p. 1), which justifies the use of a single, unifying analytical framework as being done in this study.

The link between oil thieves, petro-pirates and illegal dealers in petroleum in the GoG is critical to understanding both the nature of the business and its sustaining value chain. Though each leg of the tripod has evolved a distinct value chain as shall be discussed in chapter four, such illicit infrastructure operates within a wider complex framework of interconnectedness, and despite the distinction, significant overlap exists. It is, therefore, literally, a case of, as Jean-Baptiste Alphonse Karr (1894) puts it, "the more things change, the more they stay the same". Karr's postulation also speaks to actors who 'cross-crime' in collaboration. So how has the tripod evolved? What is the nature of the business?

### 3.6 ACTORS IN THE ENTERPRISE

So, who is behind the illegal industry? At the different layers of the enterprise, within individual criminality or across the tripod, a diverse group of people and institutions play key roles, which is an attestation of the inherently complex nature of the enterprise. For the purpose of clarity, these actors will be grouped into three viz; local, regional and international.

**Table 3.0: Classification and role differentiation of actors in the illegal enterprise**

Actors		
Local	Regional	International
Armed groups and criminal gangs	Nationals of Gulf of Guinea Countries	Shipping companies, Vessels crew/seafarers
Local communities	Regional institutions e.g., refineries	International criminal networks and entrepreneurs

Government agencies and officials	Government agencies and officials	Government agencies and officials
Local artisans and entrepreneurs	Regional entrepreneurs	

Source: The Author

**Local actors:** This group will be subdivided into four, subject to the roles played in the enterprise value chain. These groups are listed and discussed below.

1 Criminal groups/gangs: Criminal groups and bands, especially in the oil-rich delta, are major actors in the illicit enterprise in the GoG. Despite the amnesty program, Niger Delta armed groups, mostly unemployed youths, engage in the illegal operation either as foot soldiers, errand boys, or active players themselves, and derive considerable revenue from the business by charging levies of different kinds- security clearances fees or passage fees- to ensure successful operations. Some are known to diffuse into regional criminality such as piracy, operating farther afield the Atlantic and wider Gulf of Guinea.

2 Local communities: Local communities are said to be complicit in the illegal enterprise, especially crude oil theft because they often fail to report such acts, or work as 'passage communities,' and even provide cover for criminals in the event of a manhunt in exchange for some form of 'corporate social responsibility.' Several of my interviewees noted that community engagement in the business should also be seen as a direct way of having their share of the national cake (proceeds from oil) which the government and the oil companies have long denied them despite years of oil production activities in their backyard. Local communities with desperate energy needs also serve as markets for fuel either stolen or/and hijacked by pirates.

3 Government Agencies and Officials: Some agencies especially Nigerian National Petroleum Corporations (NNPC) and security personnel posted to the Niger Delta region, on Joint Task Force Mission against illicit energy-maritime activities, have been known to connive with oil thieves especially in furtherance of the criminality. Government officials are known to falsify bills of lading and provide cover for cargo theft. Some oil company employees were arrested for stealing crude oil from pipelines by security operatives in Rivers State in 2012 (Izeze, 2013). Similar reports of connivance of government officials in petro-piracy operations exist. Vanguard Dec 12, 2012, reported a case of two members of a piracy syndicate arrested by a NIMASA Task Force. During interrogation by security officials, the suspects stated that:

We do not work in isolation. We have a network of ministries' workers. What they do is to give us information on the location and content of the vessels to be hijacked. After furnishing us with the information, they would make part payment, and after the hijack, they would pay us the balance (Vanguard, 2012; USNI News, 2014).

Several reports have documented the complicity of the state security apparatus and its officials in crude oil criminality. A report on illicit oil and petroleum activities presented to former President Obasanjo in 2003 found a couple of officers and men of the Nigerian Navy complicit in the crude business (Human Rights Watch, 2005). The complicity of the state security service in illicit activities comes in different ways. While some Joint Task Force (JTF) officers on anti- oil theft and bunkering operations provide security cover or armed escort to criminals, others facilitate piratic operations or ensure that suspects arrested evade prosecution. The height of involvement of security officials in the illicit business is evident in the disappearance of MT African Pride, a Russian Ship which resulted in the dismissal of two senior naval officers of the Nigerian Navy (RIND12).

4. Local Entrepreneurs and Craftsmen: This category of actors, mostly youths in the illicit business offers diverse services ranging from organising and planning the different stages in the enterprise value chain. A section of this group provide the much needed labour for the illicit economy, as they have the artisanship which is of great value across the enterprise value chain.

**Regional actors:** These are intermediate groups whose sphere of operations is limited to the region. They mostly operate cross-boundary illicit activities and sell off products at regional markets and refineries such as in Ghana and Ivory Coast. Some of these groups are Nigerians, Togolese, Cameroonian, and Ghanaians, with some others known to be bi-lingual, making it possible to overcome communication barriers pre- and post-operations (Onuoha, 2013). Victims of piracy attacks in the region have reported that some of the pirates are multi-lingual. Katsouris and Sayne (2013, p. 50), reports that, William Locky, a pirate suspect arrested in Cotonou, had a good understanding of both English and French.

**Foreign actors:** In this category are some are individuals and institutions whose roles are more intricate and sophisticated, and enjoy a global reach in terms of their involvement in the business. These players and their activities are discussed later in the chapter, under the international dimension of the business.

A research participant summed up the complex network of actors involved in the illegal business:

There is so much money to be made from the crude oil business, thus all the layers of the society are involved- starting with top government officials; top military personnel, including the Army and Navy, some of who lobby to be posted to the oil-producing area; oil company personnel, especially engineers; the local communities, including community leaders, and especially

those pipeline-communities; the international oil traders and merchants, militants, the shipping industry, because the vessels don't fall from air; bankers who handle the finances, both locally and internationally; refiners; and a lot more from within and outside Nigeria. They are all in it! (RIND2)

This categorisation is suggestive of a role and occupational differentiation in the enterprise, within individual crimes and across the tripod. However, significant overlap exists both in actors and their activities as one group could easily diffuse into another, within a common boundary, and also operate beyond its traditional sphere of influence. Hence, some oil thieves are members of local armed gangs, agents, and guides of oil bunkering operators, pirates, contact persons and sales agents for the sale of hijacked refined petroleum produce, according to several of my research participants. The emerging picture is, therefore, that of "a constantly shifting panorama of criminality...with overlapping roles and relationships in a continually changing census of crime enterprises" (Southerland and Potter, 1993, p. 262). Such overlap functions and relationships engender conflict and cooperation, and how these actors straddle between conflict and cooperation, within and across the tripod, is the focus of the next sections.

### 3.7 THE ENTERPRISE STRUCTURE

Following a consideration of the interlocking relationship that exist among the distinct forms of energy-maritime crimes, the question then is- how is the enterprise organised? How do the actors interact and coordinate? And by these questions, I seek to identify patterns and features of relationships among various actors in the enterprise. Such a structural analysis should help in advancing an understanding of the mechanisms and dynamics of interaction and coordination among the players in the black market as well as the essential features of

the market/industry. Such variations, mechanisms, and features are woven together in the discussions that follow.

### 3.7.1 HIERARCHY VS. NETWORK

Understanding the entrepreneurial structure and functions, especially crude oil theft and petro-piracy requires a consideration of the pre- and post- 2009 amnesty order. In May 2009, President Yar'Adua, as part of a two-pronged approach to addressing the Niger Delta crisis, launched the Presidential Amnesty Program (PAP) by which militants were to be disarmed, demobilized, rehabilitated, and reintegrated. Originally planned to last for five years, the program made provision for an initial 60-day window during which militants exchanged their weapons for vocations, education and monthly income (Burchard, 2015).

In the pre-amnesty era, entrepreneurial functions of oil thieves primarily were carried out within a system of hierarchy or an 'organization' akin to the "Capone Syndicate" with a formalised structure. The character of oil theft in the region was structured along hierarchical and operational arrangement, with militants emerging and organizing in camps under more powerful militants often referred to as 'Generals.' These Generals with an army of youths, gangs, and fraternities such as Icelanders and Greenlanders had succeeded in carving out areas of influence or camps for oil bunkering and operated a camp-like structure, particularly in Bayelsa, Rivers and Delta States (Ibaba and Ikelegbe, 2010; Osaghae, et al, 2008). The hierarchies had defined boundaries, centralised command and control system, and internal divisions (Osaghae et al, 2008). Members subjected themselves to a central authority, and roles and tasks were assigned to members individually and jointly through a command and control process (ibid). This structured hierarchy should, however, not mask oil theft

operations which took place outside of this order. Small-scale operations yet existed alongside more coordinated activities. A major feature of this period were instances of internal wrangling within the ranks of the different camps and between camps as seen in the case of Ateke Tom and Asari Dokubo-two commanding Creek Generals, what is known as 'war of the creeks.' Such wars were fuelled mostly by the struggle for control of areas of bunkering and illegal oil operations.

The period from 2009, when the amnesty deal was struck, transformed the operations of, and interrelationship among actors in the oil theft business in particular. Following the amnesty, there was a shift in the structure of the enterprise from a centralized image under a camp 'General' to a more decentralized arrangement, which further liberalized the market and enhanced the scope of oil bunkering operations. This shift resulted from a host of factors. Most important, the government, through the amnesty, succeeded in 'buying the peace' but failed in her bid to put an end to energy-maritime criminality in the region as the weapon-for-money initiative further incentivised acquisition of SALW and crime. Relatedly, some of the militants rejected the amnesty on account of what they considered meagre monthly stipends the Federal government had promised, and returned to the creeks to continue illegal oil theft and bunkering (RIND8). "Some of these guys became lords and masters onto themselves in the creeks as they further widen the spectrum of oil bunkering" (ibid). Some of the 'boys' who hitherto were apprenticed to the 'Generals' or worked as foot soldiers for the barons had mastered the ropes and become ardent at the business. So, they would go on to carve out areas of influence for oil theft and bunkering activities, enlarging the scope of the enterprise in the process.

It is, however, important to note that both the command and control mechanism and decentralized and network systems straddle the two periods. Despite the amnesty, oil theft business continued unabated, and by the Nigerian government's account had reached 400,000 bpd a day by 2012 (Obenada and Amangabara, 2014, p. 26). Such an unusual volume could not have been stolen without hierarchy or a command and control structure coordinating activities. More so, storage facilities, security, and intelligence require significant funds and layers of operations, and could not be possible without a coordinated mechanism. What this means is that, many formerly small-scale merchants have coalesced under more powerful entrepreneurs and financiers who have the financial requirements and political contacts for the protection of their business as discussed below.

### 3.7.2 COMPLEX WEB OF INTERCONNECTIONS

The multi-layered enterprise produces structural variations and complex dynamics of interconnections between actors and institutions. Small-scale theft of oil and piracy operations, for instance, is sustained by a less complex web of interaction, reflect and perform illegal enterprise functions of hierarchy, network, and market, which are not mutually exclusive. The operational mechanism is also devoid of a hierarchy of any sort but does not lack in orderliness, with jobs collectively assigned and executed across the value chain (RIND5), affirming the existence of a system of division of labour and functional differentiation. It, therefore, means that a network and market- both in form and function could mutually co-exist.

The relationship between buyers and suppliers of illegally refined petroleum produce at this stage is not only continuous but sustained by pre-existing conditions, which are usually in the

form of ethnic affiliations, communal, friendship and associational ties. These conditions ensure that the buyers and suppliers are known to each other, and guarantee a steady market for illegally refined produce. The existence of such communal and ethnic ties reinforce the fact of community involvement either as a facilitator for oil theft operations or passage communities because the oil thieves are known in the community, as are the buyers. The communities provide the context and operational field. Community engagement in the enterprise, passively or actively, therefore, further complicates an already complex web of interaction.

As the illegal business becomes more complex so too the web of interaction among actors and institutions sustaining it does, and take on an international dimension at the export end of the enterprise spectrum. The medium and large scale layers of crude theft and large scale piracy operation such as involving Greek-owned *MT Kerala* provide more sophisticated, robust and often global mechanisms for interactions. These levels of operations combine both elements of hierarchy and network, in pursuit of market goals.

Though there is no uniformity in the patterns of interaction among actors in the enterprise, across the region, significant features cut across all the zones of operations vis-a-vis the chain of activities and its impact. In almost all the communities I visited, and where oil theft and bunkering operations take place, there is a clear segregation of membership along the 'downstream' end of oil 'production', which determine the extent of involvement in the enterprise and by extension assigned roles and responsibilities. Across this 'downstream', for instance, there are specialists in pipeline hacking and scooping of oil; engineers whose duty it is to execute the technical aspect of the operation; canoeists who take charge of the badges; those who build and operate the make-shift refineries, and several others within the

'downstream' sector. This downstream is a layer of actors, and within each component of the value chain, the forms and functions of membership are determined by a combination of hierarchy and network in some cases, or/and one of the two in some others. Operations at this level, mainly because it involves the 'boys,' are jointly executed, with orders emanating from a command and control mechanism, which provide security or pay security toll for protection and ensures the execution of the business. Such a command and control structure underscores not the existence of a hierarchy or an organization even though there are different illegal oil operation camps across the Niger Delta headed by 'Generals,' from whom all instructions and plans about the enterprise often emanate, but a network of shifting alliances.

The internationalisation of the enterprise, which is discussed later in the chapter, further broadens the scope of interaction and creates an additional layer of duties and responsibilities beyond the internal/domestic component of the enterprise. The external component of the medium-large scale oil theft business ensures that stolen crude is loaded onto the vessels docking at the coast, and is then transported across the Atlantic Sea, for outright sale or to refineries, for refining, after which the by-products are sold. "The international dimension of the illicit enterprise is the exclusive preserve of the barons" (RIND5). The form and functions of actors that converge on this segment are complex and sophisticated with detailed and clear-cut rules of engagement or codes of conduct as the business transaction is shrouded in secrecy, because of its nature. However, it is not usually the case that membership of the enterprise at this level is based on ethnic or communal consideration. The complex nature of operations underpinning the enterprise value chain, at this stage, inevitably brings a diverse group of individuals and institutions with a common goal together, which is the lure of profit

making. Even where communal and ethnic ties are seen to sustain and reinforce partnerships and relationships in crime as in the case of small-scale theft of crude oil, it is to the extent that group members are not in doubt about the profits to be made from the illegal enterprise. Hence, communal and ethnic ties are secondary elements in understanding the form and dynamics of an illegal business.

### 3.7.3 OPERATIONAL MOBILITY AND FLEXIBILITY

Moreover, apart from the big time actors in the business, not much of the different categories of players know or relate with one another outside the immediate operational environment where oil is stolen and illegally bunkered (RIND8). Nevertheless, there are cases of intra- and inter-state mobility of labour in the business especially regarding local crude refining. While the intra-state movement practice is mainly pressured by the quest for higher earnings and better security away from JTF, the inter-state mobility of labour is driven by the widening scope of the business. For instance, some youths informed me in Akwa Ibom State that they had operated in Bayelsa State earlier. It is also standard practice to see pirates criss-cross the creeks of the region for logistics and operation needs (RIND6), especially in Bayelsa and Delta states, which, according to research participants, seem to be the operational headquarters of oil thieves and petro-pirates in Nigeria. Inter and intra-regional mobility are also noticeable in piracy operations for knowledge sharing, planning, and coordination of logistics as well as execution. In a move which represents expansion in their area of transactions to the southernmost part of West Africa, Nigerian pirates were said to be involved in the hijack of MT Kerala off the coast of Angola. Reacting to piracy incident, Ian Millen, Direction of intelligence, Dryad Maritime, observed that:

We have been watching Nigerian based pirates launch an increasing number of attacks on vessels in areas not normally associated with piracy of late. If substantiated, this latest incident demonstrates a significant extension of the reach of criminal groups and represents a threat to shipping in areas that were thought to be safe (DefenceWeb, 2014).

An exciting dimension is a mobility across the enterprise spectrum in particular between oil theft and petro-piracy. Several of my research participants observed that some oil thieves partake in piracy and vice versa. Such mobility (inter and intra) enables experience sharing and cross-learning among players in the business. GoG pirates are particularly flexible in their mode of operations (RIND8), which makes a prediction of possible areas of attack difficult.

#### 3.7.4 OPERATIONAL NON-UNIFORMITY

It is also interesting to know that there is no uniformity in the operational mode of the business. Though post-amnesty era had seen a more decentralized structural mechanism underpinning theft of crude oil, as against its earlier centralized image under a camp 'Commandant' or 'General,' there are parallels in how the business is conducted. For instance, in Bayelsa, some areas operate the small-scale buying and refining of crude oil for sale; some engage in direct stealing from pipelines and refining in their camps for sale. Some others only concentrate on crude stealing and selling to both local and foreign buyers without bothering themselves with 'downstream' bush refining (RIND8). Such stratifications are not disposed to mapping according to communities, and in any case, the different observable practices exist across the region, especially Bayelsa and Delta.

There is also a lack of operational uniformity regarding petro-piracy. Though West Africa pirates are violent and have engaged security patrol teams in gun-battle, with reported cases of deaths as seen in the cases of Malta-flagged Greek MT KALAMOS and German-owned SP

*Brussels*, some pirates would rather kidnap for ransom instead of, or alongside hijack of vessels. Though a recent phenomenon, ostensibly in response to falling prices of crude, which have made crude harder to sell and less profitable, ransom payouts could be as high as \$400,000 in one incident (Reuters, 2016). However, it should be said that the region has a rich history kidnap-for-ransom as ransoms were known to have been paid to secure the release of kidnapped oil company workers in Nigeria (ABC News, 2013). "Kidnapping sailors appears to be faster and less risky for the pirates, and the likelihood of success is higher." (VOA, 2016). Nevertheless, regardless of the underpinning objective, pirates in West Africa follow similar tactical procedures (Starr, 2014).

### 3.7.5 ENTRY BARRIERS, AND FREE EXIT

The enterprise is not open to all comers. Except for small scale oil theft operations and illegal trade in fuel (smuggling) characterized by low entry barriers such as basic material requirement, there are roadblocks which hinder free access to the criminality, and thus make the market less competitive. For instance, to gain access to vessels on the high sea or stolen oil, the starting point is usually by providing such ancillary services as security or work as a 'boy' to the already established group (Katsouris and Sayne, 2013; Ngwu, 2014). Also, the enterprise especially oil theft is reportedly regulated by a 'union,' made up of some high-level and corrupt security officers operating under JTF, who administer a tolling system or 'tax regime' on oil bunkering; tap operation, refining and other components of the business. While 'taxes' are paid based on a number of trips, weekly, or even monthly, and the amount paid is a function of the volume of stolen oil and the number of barges and vessels involved (ibid). There are consequences for default, however, which could result in the business being shut down, arrest and prosecution. Such a closed and regulated system makes entry difficult.

Entry into the business, in some cases, is characterised by the use of force, depending on the scale of operation, which further attests to difficulties in joining the enterprise. Some ex-militants had joined the illegal business through the threat of pipeline vandalism to frustrate legitimate business or actual use of force. Similar instruments were used in securing pipeline protection contracts from the government. Because it often involves serious penalties when apprehended, either through prosecution and prison sentence, or death, in the case of petro-pirates on the high sea, very few people especially those who are not risk averse would venture into the enterprise. It is for this reason that such operations are underpinned by oath-taking as obtained in fraternities, to ensure the sacrosanctity of the business in the event of arrest and prosecution.

The business does, however, enjoy free exit. Once a transaction is completed, and proceeds shared, a member may choose to discontinue his participation in the racket. Membership is also not permanent. Exit could quickly be effected as the influence of actors wanes. Such inherent flexibility in membership may also be as a result of an arrest by security operatives, and the illegal nature of the business.

### 3.7.6 INNOVATIONS IN TECHNOLOGY

The enterprise is also characterized by innovations and advancement in technology. Well paid specialists using advanced know-how handle the tapping operations to steal crude, as discussed in the next chapter. Artisanal refining of stolen crude is also underpinned by local refining technology and distillation processes discussed in the next chapter. Some pirates have communications know-how which enables them to operate a vessel or manipulate and disable its central control system.

### 3.7.7 DEMAND DRIVEN

Another feature of the enterprise which is complicit in its dynamism and sustainability is that it is demand-push. As noted earlier, the illegal enterprise in the region is sustained by a thriving crude black market, without which there may not be thieves and pirates. The internationalisation of the business adds another layer of need and demand for crude oil and refined petroleum. Understanding the demand side of the enterprise is, therefore, key in evolving the right intervention framework towards addressing the phenomenon adequately.

### 3.7.8 CONFLICT AND COOPERATION

Inter and intra-actors interactions in the enterprise are characterized by conflicts and cooperation ostensibly to secure and protect areas of oil bunkering operations against encroachment and sustain market share (Asuni, 2009). The Icelandos and Bermuda Boys (armed gangs), for instance, had fought in Okrika over who controls lucrative oil trade routes (Asuni, 2009). Most armed gangs are members of rival fraternities and insurgent groups who from the outset, as part of often informal initiation processes, had an awareness of the doctrine of "us against them" (RIND5). By collapsing into more powerful structures, expanded the frontier of conflicts, and worsened the already inherently complex conflictual environment. Ultimately, existing rivalries and acrimonies find new outlets in competing for illegal oil bunkering and vessel hijacking operations, creating a volatile mix of insurgent violence and oil criminality.

But beyond this, a different layer of conflict involves the oil thieves, pirates and security agents. Failure to pay toll fees or 'union' charges have pitched conniving security officials against oil thieves in particular. Such officers would swiftly destroy illegal oil camps and

refineries, and in some cases constitute roadblocks in the way of movement of stolen crude to barges and vessels lurking on the coast. Little information exists on how piracy and illegal trade in fuel are influenced by a relationship of conflict with security personnel. Available evidence, however, indicates that some unsuccessful high-level armed banditry operations and other forms of illegal oil-related activities especially within Nigerian waters are sometimes a result of "not doing the needful to the uniformed guys" (RIND5), who may choose to frustrate operations.

The preceding has shown that the underbelly of the conflictual relationship of actors and layers of activities in the illegal enterprise is the lure of wealth accumulation and profit-making. That, however, should not mask the influence of divide-and-rule tactics of government which pitched camps, groups and several networks against one another especially in Rivers State in 2003; elite patronage and manipulation of criminal elements (Asuni, 2009).

Conversely, cooperation, much like conflict, is embedded in the interaction among actors in the illicit business, with several layers existing in cooperative activities across the enterprise spectrum. Collaborative activities are pervasive especially among players involved in oil bunkering and refining operations. Such collaboration is not unexpected given the nature of the business which hinges on functional differentiation. Therefore, pragmatic alliances are formed for operational purposes and sometimes in the event of inter-actors conflicts. And because of what it is- an illegal enterprise- the underlying partnerships or networks become fluid as constant intra-regional mobility to avoid arrest by security agents or establish new camps for oil bunkering operations, is intensified.

There are reported cases of cooperation between rival bunkering camps and entrepreneurs, in an attempt to outwit perceived common business enemy. Tompolo's support for Asari Dokubo against Ateke Tom should not be seen only as a case of clash of militants, with the former duo bent on undermining the influence of the latter, but a conflict of illegal oil merchants and entrepreneurs locked in a contest over oil bunkering fields. If anything, this speaks to the inherent economics of cooperation and conflicts characteristic of a complex web of the interaction of actors in an illegal enterprise.

Some of the security personnel posted to the Niger Delta to protect pipelines and other oil infrastructures are said to be complicit in the illegal oil business, suggesting that the relationship between state apparatus and the underworld runs through both conflict and cooperation. The same can also be said of multinational oil companies whose expertise have also been found culpable in the illegal enterprise, and the companies themselves have been accused of stealing crude oil from the government and failing to remit into government purse proceeds from such illegality. By facilitating and serving as passages for illegal oil activities, some communities, and their leaders cooperate in crime, with other actors. Perhaps for fear of being attacked by the criminal elements involved in oil bunkering and theft activities, or a mark of appreciation of 'corporate social responsibility' (CSR), local community engagement and participation in the illicit business of crude oil theft, in whatever form, strengthens the complexity of criminal cooperation.

In several cases, such collaborations result in contractual relations between oil thieves and legal petroleum retail outlets. The effect in many cases is that such legitimate businesses can cut costs and maximize profits since they get the produce at much lower prices. Such activities

of petroleum retail outlets amount to using legitimate business in furtherance of crime. The logistical infrastructure of a legitimate business is used for legal and criminal purposes.

### 3.8 QUASI-GOVERNMENTAL ROLES AND INSTRUMENTS

When conflicts do occur among the actors in the enterprise, how are they resolved? Every underworld business has a system of government (quasi-government) which manages its affairs, including conflicts among criminals (von Lampe, 2016; Gambetta, 1993; Gardiner, 1970). Such an "underworld government" (von Lampe, p. 103), in addition to conflict management, serves other functions, including protective and regulatory functions similar to functions performed by a legitimate government, within a society (*ibid*). The enterprise tripod has a mechanism which performs quasi-governmental functions, which can be categorized into three viz:

- 1) Regulation
- 2) Conflict Resolution
- 3) Protection against External Threats

#### 3.8.1 REGULATION

The regulatory role of the enterprise' governance structure relates to the control of the business and which operates in a given territory or oil bunkering camp. Since the medium and large scale component of the enterprise, for instance, is not an all-comer affair, the barons and camp generals regulate the business by protecting against 'unlawful' oil bunkering activities in their areas of bunkering influence. This form of regulation is geared toward

controlling entry into a territory. The regulatory function could also serve the need to protect a market share.

### 3.8.2 RESOLUTION OF CONFLICT

As noted above, inter and intra-enterprise conflicts occur between the entrepreneurs, which may be a result of personal altercations or from business transactions. The latter may involve contractual agreements. There have been reported cases of conflicts over the sharing of proceeds, and between suppliers and customers over such issues like late payment. Compared to a legitimate environment, conflicts are more likely to arise under conditions of illegality because agreements between criminals are rarely documented (Reuter, 1984). Likewise, criminals have no recourse to the legal system. Hence, Peter Reuter argues, there are incentives for criminals to "seek nonviolent third-party dispute resolution" (Reuter, 1984, p. 34) by a quasi-governmental structure.

### 3.8.3 PROTECTION AGAINST EXTERNAL THREATS

Apart from conflicts across the enterprise spectrum, especially within the criminal network, the actors in the business face a significant threat in that of possible arrest by law enforcement. As it is usually the case, 'union' fees are a form of protection payment, which is sometimes paid by pooling resources. Such pooling payment system neutralizes law enforcement more effectively than individual illegal enterprises or individual criminals.

Effective governance of the enterprise depends on many instruments. Ability to enforce decisions and the authority of an individual, based on charisma and high esteem, are important considerations (RIND4). Several other of the research participants observed that

the ability and the reputation for efficient use of violence as well as an intelligence capability for collecting information (*ibid*) are essential instruments by which 'order' is maintained in the business.

### 3.9 INTERNATIONAL DIMENSION OF THE ENTERPRISE

Two pirate attacks on 11 April affected seven countries. The cargoes came from Nigeria, Turkey, and Greece; the ships were flying Maltese and Liberian flags; and the 8 missing crewmen were from the Egypt, the Philippines and Turkey (Slav, 2016).

Slav (2016) notion merely indicates how international the illicit enterprise has become. As noted earlier, most of the stolen crude oil as well as crude/refined content of hijacked vessels are exported, either for refining or/and sale. How the product is sold at the global market has, however, not received significant scholarly attention. The criminal enterprise tripod feeds into local, regional and global energy markets, through a global-local nexus of processes, mechanisms, individuals, industries and institutions to create an intersection between the 'White market' and the Black market for crude oil and its derivatives. The black market, as the legal market, lubricates a convergence of global actors and institutional mechanisms and processes behind the enterprise, that is, the value-chain. This section has, therefore, been carefully crafted to ensure minimal overlap with the focus of the next chapter, which is the enterprise value chain.

There are varying estimates on export volume of stolen crude from Nigeria. Katsouris and Sayne (2013) estimated that roughly 80 percent of stolen oil find their way out of Nigeria, while the rest is illegally refined locally, for local consumption. Dele Cole, a major stakeholder in the anti-theft campaign and a special adviser to former President Obasanjo, put the figure for exported volume at 90 percent of total crude stolen. Though estimates, the figures suggest

that massive amount of stolen crude oil worth billions of dollars is exported illegally from Nigeria. However, some of the hijacked crude get sold within the region because of "a booming black market for fuel in West Africa" (UNODC, 2013, p. 45), which incentivise vessels hijack by pirates and lubricates energy-related criminalities. For instance, 12,270 tons out of 75,000 tons of diesel on board MT KERALA, the Greek-owned ship, attacked by pirates in January 2014 in Angola, were sold in Republic of Congo and southwest coast of Nigeria (USNI News, 2014).

Since 2009, when the amnesty program was announced, there has been a steady increase in illegal export of Nigerian crude oil (Katsouris and Sayne, 2013). Several factors contribute to the spike, including diesel subsidy removal during the administration of President Obasanjo, growing domestic energy demand, and the opaque system of oil trade in Nigeria creates "a confusing, high-risk marketplace" (Reuters, 2013) and further blurs the legal and illegal oil supplies divide. The NNPC crude oil and petroleum lifting contracts and procedures are the least transparent and flawed in several ways, which results in racketeering, attract briefcase sellers and intermediaries, and compromises the integrity of the market. A common legitimate practice involves allocation of lifts by NNPC to contractors to meet the country's OPEC quota, but such a practice has been criticized for lack of objective criteria. Sharp practices which ensure lifts beyond OPEC quota are prevalent, and it is doubtful whether its proceeds make the books of government own Oil Company.

It is not clear how much capital goes into financing the illicit tripod, but the nature of the enterprise and the vast network of processes and mechanisms sustaining it suggest that it is capital intensive which requires international financing. Like legal oil trading financing, the enterprise is funded in numerous ways, including profit from the illegal operation often

ploughed into the business, proceeds from corrupt and shady deals, embezzled public funds or loans from Nigerian banks (RIND6). The enterprise also exploits funding for legal shipment of crude oil through letters of credit issued by local and foreign banks (Katsouris and Sayne, 2013). Any loading of a vessel over and above licensed volume, which usually occur at export terminals and constitute a component of stolen crude also feeds into such funding arrangement, but return as illicit proceeds (ibid). Pirates also use earnings from past hijacks to finance future operations (Onuoha, 2013). Hence, given that the illegal business is very much embedded in existing legal business framework, a legal funding arrangement may well be serving a dual purpose; bolstering both licit and illicit market. However it is sourced; locally or internationally, funding for the enterprise tripod goes into various operations, including buying barges and small tankers for transportation; paying off security apparatus; workforce procurement; and even start-up.

### 3.9.1 HOW STOLEN CRUDE OIL AND PETROLEUM ACCESS GLOBAL MARKET

Stolen and hijacked crude oil and fuel access the global black market in an unwarily inherently logically complex operation through different ways much like transportation of legitimate energy products. These may take the forms of co-loading, split shipment and ship-to-ship transfer on the sea while vessels are underway or stationary (RIND5). Through 'co-loading' a cargo tanker could be loaded with crude from different sources and countries. Split shipment is a full tanker-load containing multiple 'parcels' of oil owned by various groups, with each parcel having its bill of lading (Katsouris and Sayne, 2013). Though legitimate modes of transport, co-loaded and split cargoes could be used by thieves and pirates to hide oil stolen as a legal co-load (ibid). Forged bills of lading are often used to provide transport cover for the stolen volumes of oil in a split cargo. A legitimate cargo load could, therefore, have several

bills of lading attached some of which serve illegal purposes. This illicit process is complicated by complex international delivery routes which also provide cover for stolen parcels (*ibid*). This layered process is further discussed in the next chapter.

### 3.9.1.1 NATIONALS AND MARKETS

The movement and sale of stolen and hijacked crude oil to the global oil market involved a network of individuals, institutions, and countries who deal in specific aspects or segments of the illicit enterprise value chain, in and out of the GoG. The nationals involved can be grouped into two: 1) Those from within the region and 2) Nationals of countries outside of the Gulf of Guinea. Both categories were earlier discussed in the chapter, suffice it to say, here, movement of such crude and accompanying diverse activities involve mostly Romanians, Ukrainians, Lebanese, Chinese, Pilipino, Indians, and Thai nationals (RIND5). The composition of nationals involved should not be taken as indicative of the destinations of stolen crude however in particular against the backdrop of nature of the movement of crude; it does nevertheless suggest the global character of the business and complex network involved.

Several of my research participants observed that illegally acquired crude finds its way to refineries in countries in and out of the region, including United States, Brazil, Ghana and Ivory Coast. The United States, Brazil, China, India, Thailand, and Indonesia were variously mentioned by research participants perhaps because these countries are some of the largest buyers of Nigerian crude oil. Others point in the direction of Ukraine, Bulgaria, and Romania, all in Eastern Europe.

Some government officials informed the researcher that stolen crude find their way to refineries in West Africa, including Société Ivoirienne de Raffinage in Côte d'Ivoire; Sonara in

Cameroon; and Saltpond in Ghana. Sonara refinery in Cameroon is known to refine Nigeria's light crude. This development has not gone unnoticed by the Nigerian government. In a swift response, the Nigerian government under President Obasanjo struck a deal with Cote d'Ivoire government which would see the former supply 30,000 barrels of her crude daily to the latter so as to enlist Cameroon's commitment to the fight against illegal oil activities in Nigeria (Vanguard, 2003).

Ghana is alleged to be a refining destination and transit for stolen crude from Nigeria. The country's Saltpond refinery, where stolen Nigerian crude is allegedly mixed with Ghana oil to obliterate its source, is said to be involved in the global distribution of stolen crude (Faucon and Hinshaw (2014).

### 3.9.1.2 MONEY-LAUNDERING

Illicit energy-maritime operations yield significant proceeds which are often laundered across the globe through several mechanisms to mask its source. Illegal flow of cash operates by exploiting vulnerabilities in legal banking systems especially in jurisdictions known to have a weak anti-money-laundering mechanism, which ensures that such flows go undetected usually with the connivance of top banking officials. Such proceeds are also invested in tax havens and kept in offshore accounts used to launder proceeds of stolen and hijacked crude oil from the GoG especially Nigeria. Several of the research participants named a host of Middle Eastern and European countries as safe havens for illicit proceeds from stolen crude. Their accounts suggest that most of the proceeds go into properties and real estate in these countries. However, much of the financial proceeds return into the region especially Nigeria where they are invested in luxuries, shares in companies and properties, or even set-up

businesses, bypassing the financial system with the active connivance of top government and banking officials (RIND6).

### 3.10 CONCLUSION

The focus of this chapter was the nature of the illegal energy-maritime economy in the GoG and the interconnections existing among oil thieves, petro-pirates and illegal fuel traders in the region. The criminal tripod, no doubt, is an enterprise which operates an extensive network of people, institutions, and processes, and conducts its business very much like the legal energy-maritime economy. It exploits the socio-political and economic challenges of the GoG, and shares the basic attributes of an underworld with distinct characteristics. For instance, it demonstrates how a market or industry can operate as a hierarchy, network and markets combined. Inter and intra-actor relations inevitably produce conflicts, just as expedient alliances are formed for operational purposes and in the event of conflicts. There is, therefore, significant scope for cross-transformations or shifts within and between groups and alliances. The illicit energy-maritime enterprise is very much a facet and integral part of the legal economy. How it is linked to the legal economy can also be construed as the contact between two separate spheres: underworld and upper world. This form of interconnection means that a legitimate business thus provides camouflage, which allows offenders to be unnoticeable. In the next chapter, the value chain of the enterprise and the processes and structures that sustain the illegal economy will be discussed.

## CHAPTER FOUR

### ILLEGAL ENERGY-MARITIME ENTERPRISE VALUE CHAIN

#### 4.1 INTRODUCTION

The survival of any business depends on close-knit interactions among activities which create goods, services and market, deliver the same, and provide support services (Normann and Ramirez, 1993). These activities and the forms of interactions they generate can be illustrated through a value creation process which shows how value is added or new values created (Dekker, 2003). Nevertheless, the notion of a value chain, as stated in the theoretical framework of this study, transcends value-creating activities, which is largely the focus of Porter (1985). Value chain involves two other key components- total value, that is, the sum of expenditures incurred and the procurement cost and margin, the difference between cost of production and selling price (Kaplinsky, 2000). It is not surprising therefore to see value chain conceived in some cases using each of these key components. Management-related literature, for instance, conceives of value as the production cost of a product or service which the buyer obliges to pay, and the total revenue which is a reflection of the per unit cost of production in the market (Kaplinsky & Morris, 2002; Gereffi, 1994). Where a business commands a value that is more than the cost of running it such a company is considered profitable (Kaplinsky, 2000; Gereffi, 1994; Porter, 1985). This conception of value forms a core principle of Porter's Value Chain, but those activities which underpin value creation and which are in themselves added value are seen to be of greater importance. Hence, as Jacoby (2005) puts it, any activity that enhances the marketability or usefulness of a product or service delivery constitutes value. Put together, as Walters and Lancaster (2000) observed, a value chain is, therefore, any business arrangement that generates satisfaction for both consumer

and other stakeholders in the venture through a connected series of distinct activities of a firm, including resources, and ‘knowledge streams’. However, both the dimensions overlap and play complimentary roles in a value chain.

Porter (1985) identifies two major types of value-creation activities; primary activities and support activities. The production activities and processes that result in the creation of goods and services, delivery to customers and post-sale services constitute the primary activities, while production inputs, technology, labour, etc. complement the core production processes and hence are referred to as secondary, support or complementary activities. However, both activities provide the foundation for value creation in any organisation. So, any meaningful understanding of input-output relationships regarding product/service production, sale and delivery would require an analysis of the value chain. The value chain provides the full lifecycle of a product or process (WBCSD, 2011). It is a “tree” of input-output relationships (Kaplinsky and Morris, 2010).

In applying Porter’s conception of a value chain to an illegal economy as done in this chapter, the focus is on the interplay of the core operations and mechanisms that come to play in stealing and hijacking of crude oil and its derivatives, as well as illegal trade in petroleum in the GoG. In other words, emphasis is placed on the entire gamut of activities and actors involved in energy-maritime criminality in the GoG, and the environment within which such activities operate. The goal of this chapter is therefore to examine critically the value-creation activities, processes and institutions within the criminal enterprise tripod, in the context of an explanation of the growth and development of the enterprise in the region. This helps to further strengthen the enterprise perspective by articulating the dynamics of the illegal enterprise, and provides an understanding of a sequence of events and activities at the

intersection of the demand and supply ends of the illegal market. In essence, the chapter provides a structural analysis of the illegal energy-maritime economy in the GoG using a value chain approach.

In achieving these objectives, the chapter will examine, first, distinct value creation mechanisms for each form of criminality, and, second, identify and discuss variables which enhance inter-chain cooperation and conflicts. The value chain could potentially address several essential components and issues in the production processes, but the focus is limited to the structural issues above which evolved from the overall research question and framework, and which will be discussed in a coherent analysis. However, the players in the value chain will be considered as part of the core value creation activities, because they define whatever activities that take place on the chain and the extent of value formation in the illegal oil economy.

This chapter concludes that a value chain approach offers a structural analysis of the criminal tripod in the GoG which is required to understanding the nature of the illegal economy, its persistence, the forces driving its expansion, its production dynamics and conditions for successful market transactions. On the strength of a structural evaluation, the GoG member states, buoyed by a robust understanding of the dynamics of the region's energy-maritime security, can therefore apply a different security approach in their quest towards addressing maritime security in the region.

## 4. 2 STRUCTURE AND CONTEXT OF VALUE CHAIN

### 4.2.1 MAPPING A VALUE CHAIN STRUCTURE

The essence of a value chain map is to create and present a diagrammatical illustration or image of the links between activities in value chains so as to have a compact visual graph of data collected for the various value chain components, which help to reinforce a narrative analysis of the chain. Hence, maps are tools for providing a plausible and simple explanation of the complex interactions of sectors on a business value chain spectrum, which may include the transformation of finished products from raw materials, sale and delivery, as well as the operational mode of the industry (McCormick and Schmitz, 2001). Value chain maps also give an indication of the context within which such transformative value-creation stages take place, and how it is shaped by external policies and forces which may be local, national, regional and international (Gereffi, 2011). Hence, a value chain map is a means to achieving an end, not an end in itself; the end being an understanding of the core components of the chain and the nature of interactions that bind them on a value chain spectrum.

An over-arching value chain map does not exist (DFID, 2008), neither is there a one-size-fits-all template for value chain maps (Schneemann and Vredeveld, 2015). Hence, value chain mapping can be done in different ways, and as said earlier, to reveal different potential dimensions of the value chain including cost-benefits and its sharing formula, and net value added (Webber and Labaste, 2010). Value chain maps can also reveal governance structure (Kaplinsky & Morris, 2002; Gereffi, 1994); relationships within a chain, especially collaboration and trust (Porter, 2008; Webber & Labaste, 2010; Kaplinsky & Morris, 2010). It may also indicate the flow of products, actors, costs and margins at different levels (Porter, 1985) of a value chain. Indeed the value chain has the potential to consider diverse issues. However, the nature of any value chain map would depend on some variables particularly

resource availability, its scope and the goals of both the value chain analysis and the body conducting it (UNIDO, 2009; DFID, 2008). Since the objective here is to analyse demand-supply intersection by focusing on production dynamics and the value creation activities of the illegal enterprise tripod, the value chain mapping carried out in the chapter has a simple linear value chain at the base, focusing on the production and value creation processes for each discrete form of criminality, but a more complex value creation activities is imposed on the base, as the production processes become complex and interactions among the distinct value systems intensified. That said, data availability is a challenge for any research on underworld activities hence the value chain mapping below reflects the extent of the researcher's access to data.

The illustrations below (**Figures 4.1 and 4.2**) indicate the various activities and actors on oil theft value chain, based on the collected data. The rectangles indicate the different activities performed, in the oil theft value chain, from stealing of crude oil to transportation, refining, transportation of the refined product, retailing and to final consumption. These activities are discussed below in details.

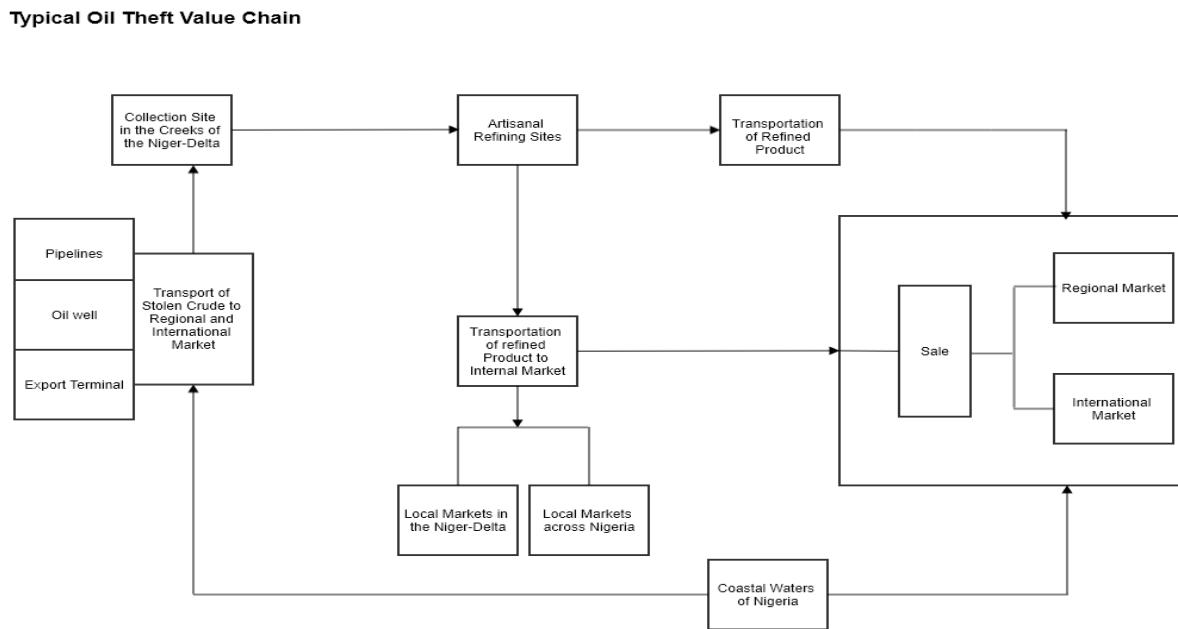
#### 4.3 OIL THEFT VALUE CHAIN

##### 4.3.1 THEFT OF OIL

What the last chapter has shown is that oil is stolen particularly in Nigeria across the entire transportation value chain. The value chain of crude oil theft enterprise begins with the actual theft of oil, which is carried out in several ways with the active participation of several layers of actors and support structures. There are three primary sources of stolen oil: pipeline, oil well-heads and export terminals. Oil is stolen from Nigeria's crude oil pipeline. The country is

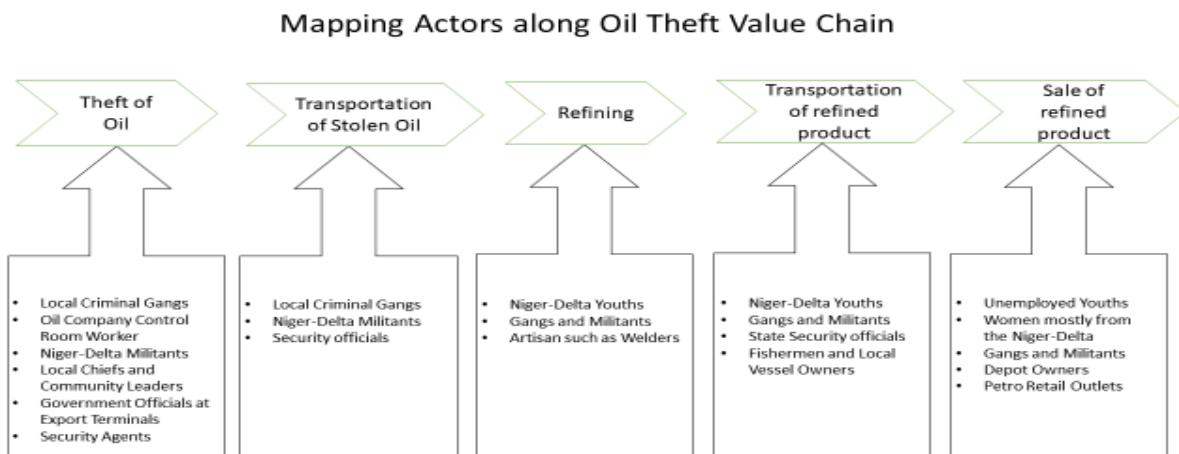
said to have the largest pipeline networks in Africa, with 4315 kilometres of multiproduct pipelines and 666 kilometres of oil pipelines (Onuoha, 2007; Alawode and Ogunleye, 2011).

**Figure 4.1: Value chain activities of oil theft**



Source: Author

**Figure 4.2: Actors along oil theft value chain**



Source: Author

The majority of the pipes are exposed, and ageing thus making it easy targets of pipeline vandals, who steal oil. Crude oil is also stolen at several of the country's oil well-heads numbering close to 1, 500 and her twenty-seven export terminals (DRP, 2013). The act of crude oil theft, therefore, cuts across the entire downstream transportation chain of the formal oil economy. And it is in this light that the shadow oil theft economy exists within the framework of formality or legal economy, and affirms a lack of good governance for the proper and effective monitoring of oil transportation infrastructure especially in Nigeria. Hence, while the overall business objective remains sacrosanct, the continued survival of the shadow oil theft economy or the informality is essentially a governance issue.

Again, as said in chapter three, oil theft activities can be categorised into three: small scale, medium scale and large scale. Each level reflects both the source of the oil and manner or sophistication of the operation, already noted in the last chapter. The market for stolen oil also reflects the scale of theft. Small scale theft of oil usually meets local energy needs as the product is destined for the 'bush refineries' for processing. Medium scale, either through "cold" or "hot" (as we shall describe later) tapping of the pipeline and actual hacking into wellheads to steal crude by attaching a hole through which the crude is transferred into waiting barges and then sent to sea, serves an export market. Such operation allows criminals access to a high-pressure pipeline and divert a small portion of its oil (see figure 4.2 below). If the redirected amount is maintained at a reasonably low level, the normal functioning of the pipeline is not interrupted, which makes detection of an illegal act of theft difficult. A further aggravation of the tapping operation could force oil companies to shut down the pipeline which may be to the advantage of the thieves as it provides a temporary window for illegal installation of taps and an uninterrupted supply of oil to barges or other transport

means (Davis, 2008). Such illegal tapping operations involve a mix of local and international criminal networks who provide logistics and funding, secure tapping sites and activities, organise the markets for stolen oil, and partake in the laundering the crime proceeds (Asuni, 2009; Katsouris and Sayne, 2013; Odalonu and Eronmphonsele, 2015).

**Figure 4.3: An illegal tap put in a pipeline**

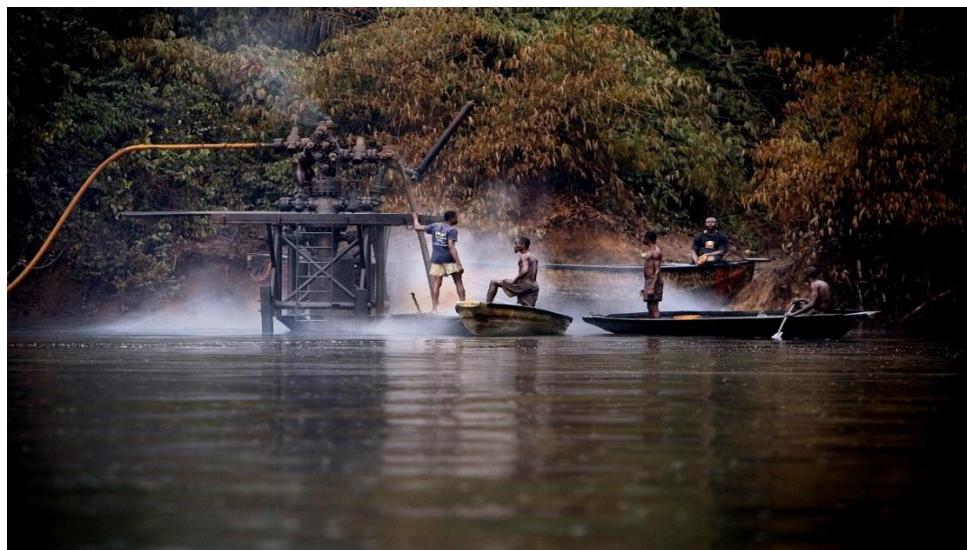


Source: BBC News Africa, 2008

A more sophisticated model of tapping operation is known as hot tapping which is often carried out by individuals with the significant technical know-how of pipeline operations. A significant alteration in the flow of stolen oil results in changes in pressure which are usually noticeable by the oil companies, except where oil company workers in charge of pipeline control rooms are complicit. There are several cases of oil workers being complicit in this regard which allows the illegal operation to go on for a couple of days before reports are made, which would have resulted in the loss of significant volume of crude oil to thieves. Some local community leaders and chiefs are said to connive with oil thieves, in what many scholars describe as a way of shielding the criminals because of the enormous benefits accruable to them. At this level of theft, the oil wellheads also come under attacks (Figure 4.3)

and oil is scooped, diverted into to canoes or barges and shipped to the storage facilities, the refineries or directly to the coast.

**Figure 4.4: Oil theft operation at a wellhead**



Source: Pius Utomi Ekpei/AFP/Getty Images

A much larger scale of theft, what is known as cargo theft, involves official complicity usually done by forging the receipt of freight services, bill of lading (BOL) so as to lift crude oil over licensed amount (RIND8). The possibility of this form of theft is enhanced by the nation's unmetered oil terminals, which makes it difficult to take stock of oil inflow and outflow, and whether each transfer is legal or not.

As noted above, crude oil theft by hacking into pipelines could be done either by cold or hot tapping, or a combination of the two. However, most tapping operations require techniques and tools which cut across different types of pipeline breaching. Imam and Edozie (2015) identified three methods of breaching pipelines, as discussed below. These three techniques or methods include hot-tapping; hand-drilling; and acidic fracture of the pipeline. A hot

tapping system involves the use of tapping machines to create a diversion on in-use under pressure pipe and then install connections, which can be done whether or not the pipeline is under pressure, or has significant product flow. A TAP (a tool) is then inserted into a hole drilled to a particular diameter. Such operation does not result in an explosion and interruption of flow, which is why it is preferable as it provides significant value addition for the criminals. The second method is hand- drilling by which the oil thieves drill, hack saw and connect valves and manifolds to oil pipelines through welding. This process is usually carried out when pumping is stopped, with the knowledge and support of oil company workers, especially those at the pumping stations. The third is a deliberate fracture of the pipeline through acid, which softens the breaching point, and enhances a spiking process. This process of acid fracture of pipelines often results in an explosion.

Acts of breaching pipelines are usually carried out in the creeks, at night, where security is almost non-existent. This results in oil flow shut down to further reduce its impact especially on the environment, which is the routine measure for the oil companies. However, it plays into the hands of oil thieves who seize the opportunity to attach hoses on the hacked portion of the pipeline to siphon crude. With active service restored, the thieves have access to oil flows through the installed hoses or taps created to siphon and then load the product onto boats and barges. This hot tapping process not only require oil company staff connivance its success depends on their know-how too (RIND8). A research participant noted that "nobody does this kind of operation without first reaching out to those that matter in the industry. You need to carry them along otherwise you can't achieve much success. Not all of them though" (RIND10). Alternatively, the pipeline is blown up, in the process of "cold tapping", followed by tap installation usually beneath the pipeline so that oil company personnel on security

patrol are oblivious of the illegal operation, while direct supplies to waiting barges, boats and illegal storage facilities are made (see figure 4.2). This situation does not affect or interrupt constant flow of oil, and on the resumption of service, the concerned oil companies will most likely be oblivious of the hot tap (Ralby, 2017).

A similarly structured process is found in oil theft from wellheads, as shown in figure 4.3. The wellhead is tapped and manned by a group of 5-6 men while the operation lasts (RIND9). No information exists on how bills of lading are forged, but available evidence suggests that such illicit act is done with great dexterity, and carried out by those who are knowledgeable in the workings of oil vessels registration and transportation, with the active participation of petroleum sale regulatory agencies.

Several individual and institutional actors partake in crude oil theft across the various scale and levels of operations, as shown in figure 4.2 above. However, the degree of involvement of these categories of individuals and institutions vary, so also the nature of services rendered. And as the intensity of the crime increases, roles of some actors overlapped and transformed, a development which further reinforces the complex and interlocking relationships existing among the discrete forms of crime.

What constitutes value on oil theft value chain? And how is value generated? The intersection of actors, interest and structures on the oil theft value chain generates value in varying degrees, and forms to the satisfaction of the different players in the business and in a manner that sustain the enterprise. Value is generated through the transformation of crude oil to refined petroleum, and by the processes of monetary transactions that come with such transformation. The first value addition comes with access to crude oil, which requires that oil thieves adopt a rational cost benefit-benefits analysis in resource allocation for labour,

security and transportation of the commodity. As the commodity goes through transformation (a form of value addition. i.e. form value) and product flow is sustained through the various stages of oil theft and service delivery, so too value addition which is represented by the amount the refined produce is worth in the market.

A cost-benefit analysis of oil theft value chain reveals that significant costs and revenues are generated in the oil theft stage of the enterprise. On the cost side, a core tapping operation involves the cost of joining the business, actual operations and logistics, as well as security. At the level of operations, costs include the purchase of items such as hacksaws; the cost of illegal tap installations; manning taps and loading. There are also security-related costs which involve the cost of securing the tap point to prevent intrusion by rival gangs; intelligence gathering on oil vessels and movement of JTF officials. On the other hand, the revenue side, annually, of the informal economy generates between USD 1.5 billion and USD 4 billion in revenue (Ugor, 2014). This estimate may, however, be an inaccurate representation of the value of this segment of the value chain because quoted figures relate to overall cost and revenue which run through the entire value chain rather than a particular activity. The problem of accurate valuation of cost and benefits also result from the overlap in activities and actors on the value chain spectrum.

The discussion above not only highlights the inherent entrepreneurial and profit-driven intent behind the theft of oil, it underscores the existence of parallel energy economies which exist to meet the needs of several underserved customers. The huge infrastructure, investment and operational network of both individual and institutions involved in this stage of the enterprise feed into a business philosophy which seeks to make profit off an illegal economy, and offers an explanation of the mechanisms by which the enterprise is carried out. It is an

important stage in the understanding of 'how' of the illegal enterprise in crude oil theft, which is a primary objective of the value chain principle.

#### 4.3.2 TRANSPORTATION OF STOLEN CRUDE OIL

The next stage in the value chain of illicit oil enterprise is the transportation of stolen crude. Once a tap point is secured with a steady flow of oil, depending on volume and scale of operation, the stolen crude is then moved to either the bush refineries in the creeks or to regional and international markets for sale. The mode of movement of stolen crude is usually reflective of the scale and source of oil. However, regardless of its size and source, stolen crude would have to be moved from source, protected and sustained by an entrenched system of bribes, which ensure that security officials and community leaders are complicit in the illicit flow of stolen crude (Asuni, 2009).

The transport segment of the illegal enterprise's value chain feeds into a formal transportation economy and boat making industry, as well as knowledge of canoeing among the people in the region. Since most individuals in the riverine areas of the Niger Delta and Cotonou, Benin Republic are traditionally fishermen, it is reasonable to expect that knowledge of water transport system and boat making industry would be deployed in facilitating movement of stolen crude by those who make a living of crude oil theft and bunkering. For instance, boats used in the illegal enterprise are constructed in the boat yards (Attah, 2012; RIND6). Having said that, several transportation means, of differing sizes, are deployed in the illegal movement of stolen crude. For instance, wooden canoes, once used for fishing, have become transport vehicles for stolen oil. Boats, especially Cotonou boats which derives their name from a similar design of boat constructed in nearby Benin, are also used in transporting

stolen crude oil as well as small tankers that transport crude oil to bigger vessels which are capable of journeying on the high seas. Hence, the transport means can be categorised into three as highlighted and discussed below; Cotonou boats; barges and tankers/vessels.

Boats are a daily means of transportation of good and services in the coastal region of the GoG especially the Niger Delta in Nigeria and Cotonou in the Benin Republic. They are a principal means of transporting stolen crude, with different sizes and dimension. Speed boats are used in moving a smaller quantity of product. Large wooden boats are deployed in transporting a significant volume of crude from the tap points to the illegal refineries and badges destined for the coast.

**Figure 4.5: A wooden boat filled with stolen crude oil**



Source: WSJ, 2014

Barges are a form of boat characterised by flat bottom used in moving particularly bulky items such as crude oil within coastal waterways. They do not have the force to move on their own hence they are towed with the aid of another boat type, tugboats (towboats). The larger barges can carry roughly 5,000 barrels of oil (De Monctlos, 2012) and usually completes the

complex stolen oil transport network before the crude is shipped out of Nigeria. So all of the stolen oil for sale outside Nigeria is initially in barges, which then sail down towards the coast, propelled by small tugboats, and the oil is transferred into tankers and larger ships destined for regional and international markets and refineries.

**Figure 4.6: Barges used in transporting stolen crude oil**



Source: SweetCrude Report, 2012

As noted in the last chapter, the large tankers or ships have the capacity to carry up to two million barrels and are usually destined for Rotterdam spot markets and regional and international refineries (Asuni, 2009). Typically, the stolen crude is stored in small tankers before transferred onto larger tankers which then move the cargo from the coast to both regional and global oil markets (Katsouris and Sayne, 2013; Brock, 2013).

#### 4.3.3 STORAGE AND REFINING STAGE

The quantity of stolen crude not supplied to regional and international market (put at 20%) (Boris, 2015) services the bush refineries at the creek. The point should be made that refining sites and operators are usually not tap-owners who supply the crude. Those whose

investments do not cut across the entire value chain, or whose business is limited to refining and sale, resort to buying of crude from tap operators, which is then transferred to the refineries through hose and pump, for storage. Actual refining process starts with storage, and stolen oil storage facilities come in different forms and usually located on the refinery site or easily accessible nearby location. The GEEPEE tanks are the most common storage facilities (see Figure4.6 below) which comes in different sizes and colours. A 500 litres GEEPEE tank costs about N 10,500 while 5000 and 10,000 litres cost about N 61,000 and N 180,000 respectively (RIND7). The stolen crude is pumped into the tanks through a connected hole using a pumping machine.

**Figure 4.7: Tanks used in storing stolen crude oil**



Source: The Author

The second category of storage facilities is created-for-purpose open pits, embedded with tarpaulin to prevent oil leakage (see figure 4.8). Usually, it takes 3-4 persons to dig the hole, with each labourer paid an average of N 30,000 as labour cost for a job that could last a whole day, according to several of the research participants. The holes come in different sizes depending on the capacity of refining facility and level of investment in the business, and the oil is pumped into the pit which has a protective tarpaulin to prevent oil dripping into the

ground, or from water making its way into the facility because of the swampy nature of the terrain (RIND7).

**Figure 4.8: An open-air pit storage facility**



Source: NAN, 2016

Also, locally fabricated storage facilities as shown in the following illustration, are preferred in some oil bunkering sites. These locally made facilities are rectangular wooden which house a tarpaulin filled with stolen crude. Aside from tarpaulin, wooden planks and nails, labour and expertise are required in making such a facility. The cost of making this storage facility varies with sizes, which could be small, medium or large (RIND8).

**Figure 4.9: A locally made storage facility**



Source: Pius Utomi Ekpei/AFP/Getty Images

As noted earlier, the small quantity of crude oil not exported is refined, in a cooking method, at the artisanal or bush refineries or what is known as “Kpor fire” (FGD), in local parlance. The origin of this refining technology is a subject of controversy. Several scholars, publications and oil industry practitioners (Attah, 2012; Amadi and Alapiki, 2014; National Conference on oil theft and artisanal refineries in Nigeria, 2017) argue that the artisanal refineries first emerged as cottage industries during the Nigerian civil war (1967-70) but were brought to life and upgraded in the wake of the 2005-2009 Niger Delta militancy to refine stolen crude oil which exchanged for money and arms used to prosecute the armed struggle for resource control. Another school submits that the “kpor fire” were modifications of a local gin and palm wine fermentation process which generates distillates known as ‘ogogoro or ‘kaikai’ from palm sap fermentation. The controversy notwithstanding, the refining technology lend credence to the entrepreneurial drive of the criminals involved in illegal energy-maritime activities in the Gulf of Guinea.

Though a considerable capital layout is required to construct a refining camp, easy access to materials needed to set up refining camps makes artisanal refining less difficult. As shown in Figures 4.10 and 4.11 below, refining materials include wooden oven which houses the crude during the cooking process; drums, which come in both rubber and metal forms; metal buckets used in fetching water to regulate heating temperature (also used to pack crude from storage facility to the oven), etc. These materials could be readily sourced from local markets or improvised if the need for such arises (RIND 9). The most important of these materials is land with easy access to a river, which the creeks readily offer.

**Figure 4.10: Camp operators setting up a refining facility**



Source: The Author

The refining process follows a fractional distillation mechanism which seeks to convert oil to other allied products such as kerosene and diesel sold locally and in a few regional markets. The oil is cooked in an oven, and allowed to evaporate the fuel, which is then moved by a pipe, with water serving as a coolant in the process, and the product then drips into a container positioned at the opposing end of the refinery. Petrol is produced first, then comes kerosene and diesel, in that order (RIND8).

**Figure 4.11: An Illegal Refining Activity**



Source: The Journal of Freight and Energy, 2015

Several research participants attest to a structured refining process, which starts with the supply of crude into the oven, through heating and then extraction and storage of the end-products. Describing the mechanism, Asawo (2016, p. 238), citing Ofehe (2009), observed that "the refinery has drums fitted to water container storages that act as coolants with pipes protruding from behind the makeshift furnaces. They make fire from locally collected woods which subject the drums (furnace) to extreme heat. The crude oil is heated to varying temperatures to get fuel, kerosene, diesel and associated gas".

As noted earlier, the illegal refining procedure much like the legal process, generates various end-products, such as diesel, petrol, and kerosene produced at different heating temperatures. Bitumen is also generated and often sold to road construction companies in the hinterland and provides an additional layer of income to the criminals. The heating process does not follow any established or proven scientific procedure, but the refiners are skilled at the job and can determine with the slightest touch when a particular product gets its turn.

The refineries are constructed in various sizes, which is indicative of the level of investment in the enterprise, the calibre of entrepreneurs that run the operations, as well as the market reach of the products. Entrepreneurs with a small capital layout, women and local boys who see the enterprise as a way of eking out a living operation at the small scale level. Those who own significantly higher financial muscle which can sustain a more robust operation with technology operate medium-size refining sites. Large scale sites are owned and managed by illegal merchants who invest heavily in the business and can control operations across entire value chain spectrum. On the average, roughly thirty thousand barrels of diesel are produced daily at refining sites (Roll and Sperling, 2011).

That said, it is hard to disaggregate the cost components of each discrete activity on the value chain as the various activities overlap. Interestingly, most research participants gave different and conflicting figures viz-a-viz the cost elements of the core processes involved in the illicit enterprise value chain. Nevertheless, depending on the level of investment and expected volume of production, setting up a refinery could cost as high as millions of naira. The exact cost often depends on the size of the camp, its location and source of construction materials (RIND7). According to several research participants, an average of 10 people work in a large-scale camp and are well paid for the services. Labourers or camp workers are paid based on the volume of production, camp location and season of the year the product is sold, and such payments are made daily, weekly or monthly. During the peak period, some camps, especially in Bayelsa State, pay 2,000 naira on every 250-litre drum of diesel and petrol, while same quantity attracts around 1,500 during the off-peak period. Those who push drums of same products earn between 2,500 and 3,000 naira every day. Boats are hired in most cases, and security, bunkering union and even communities must be all paid, so they form part of the cost (RIND7). Where metal objects are used for storage and refining operations, welding services are provided, adding yet another layer of cost. Operational materials such as a generator, water pumping machine, tarpaulin, feet of pipe (iron and copper), etc. all incur a cost.

As noted above, the various activities on the value chain generate costs, but computing the cost component of each activity is fraught with difficulties. Some of the activities overlap, making cost disaggregation difficult, while information on cost for several other activities are simply not available because of the underworld nature of the enterprise. So, an important input variable for a value chain analysis is not available, which gives room for further research

to be carried out on the cost element of the illegal energy-maritime enterprise in the GoG. Nevertheless, the refining stage of the illegal enterprise sees significant value addition, as a consequence of changes in value form of oil. With refining, additional layers of participation and support services are added to the activity stages of the enterprise and provide a basis for cost-revenue interaction which influences the market worth of refined petroleum and income accruable to the refiners, wholesalers and distributors on the activity chain. Changes in value form of crude oil incentives a network of wholesalers and retailers who determine the market cost of the refined commodity on the basis of the cost of the product at the refining facilities, level of investment in the business, security fees and transportation cost. Calculation of expected income and expenditure at this stage is a significant value determining variable. In view of this, the refining stage represents the most significant value chain of the illegal enterprise, because it serves as a bridge between the oil thieves and regional retail markets for refined petroleum produce; a status which could influence how the illegal economy is addressed from the standpoint of policy intervention.

#### 4.3.4 DISTRIBUTION AND SALE

Distribution and sale of refined products such as kerosene and diesel offer significant returns, and it is carried out in several ways, through different transport mechanisms. This segment of oil theft value chain is second only to tap point ownership regarding income, but its risks are also higher, which may result in the arrest of players in the segment by patrolling security operatives and armed bandits attacks (SDN Report, 2013). The distribution network and means usually reflect the level of investment and quantity being bought. Hence, while small-scale buyers rely on canoes to move drums of refined produce as shown in figure 4.11 below, large-scale distributors, who purchase a significantly high quantity of petrol and diesel, use

barges (see figure 4.12 below) to transport drums of the produce. However, distributors and sellers do not usually own the means of transportation. Those who do not have the financial resources to construct the means of transport rent and pay for such services (RIND16). So local transport operators, who themselves are not directly involved in the illicit business, often feed on the act as facilitators by renting out large canoes and badges. And the illegal economy has also positively affected the local economy and industry, especially boat making (RIND16).

As the interviews have revealed, while stolen crude is distributed and sold at regional markets in the GoG and other parts of the world, locally refined petroleum, kerosene and diesel as well as other by-products like bitumen are mostly sold in most Nigerian villages, towns and even cities outside of the Niger Delta. A host of communities get their supplies of kerosene at no cost and thus eases the burden of inadequate of, or lack of access to energy supplies, which partly explains community-based involvement towards the perpetuity of the illegal business; the rest of the product is sold to buyers from further down the hinterland and markets beyond the Niger Delta, and a litre of such product especially kerosene could go for N120 (RIND7). But the prices are not fixed as they are subject to negotiating power of buyers, so income to distributors vary as well.

Some of the products especially diesel also serve transportation and energy needs, and it is mostly sold to local filling stations and truck transport companies involved in interstate transport activities of heavy goods (RIND7).

An important dimension of transportation and sale value chain is the participation of the major local markets such as Lagos, Onitsha and Port Harcourt, where black market economies thrive (Naanen and Tolani, 2014).

**Figure 4.12: A canoe (loaded with drums) used to transport refined product**



Source: Premium Times-SDN

As said earlier, prices of these commodities are not fixed, so different figures exist on the value of illegally refined diesel. But it could be sold for up to N, 6000 in the creek, N10,000 in towns and between N14, 000 and N20,000 in cities (RIND7). The prices increase as the product traverses the country.

**Figure 4.13: A typical Cotonou boat loaded with drums of refined produce**



Source: The Nation Newspaper, 2015

While illegally refined petrol enjoys significant patronage among the people in the communities, towns and cities, it is often mixed with legally refined products to shield its source, encourage market access and enhance profit (Naanen and Tolani, 2014; SDN Report, 2013). Hence illegal transport of illegally refined produce exploits legal distribution systems for survival.

The foregoing discourse further underscores the business nature of the illegal oil enterprise and affirms a mutually reinforcing relationship, an inextricably connected and interdependent world within which a constellation of economic activities (legal and illegal) take place between the illegal oil value chain and the legal energy-maritime economy of the GoG and beyond. Hence, as Smith (1975) observed in the enterprise theory of crime, the marketplace has an indeterminable boundary; its boundary is in a state of continuous alteration as demand exists, and commercial activities take place within a shifting legal boundary. Beyond the mutually beneficial relationship, the illegal oil value chain, as discussed above, highlights the crime-development nexus especially in the context of the region's local economy. It also highlights the dynamics of interactions across a value chain, particularly the global-local intersections. These three features of the illegal oil value chain in the GoG are further discussed below.

#### 4.3.5 IN THE SHADOW OF LEGALITY: OIL THEFT VALUE CHAIN AND THE FORMAL ENERGY-MARITIME ECONOMY IN THE GULF OF GUINEA

The oil theft value chain is very much a facet of the formal energy-maritime market spectrum, and underscores the existence of a link between two economic worlds: legal and illegal. It is the understanding of this relationship that informed the theoretical conceptualization of this study from the standpoint of Smith's enterprise theory and the business-oriented Porter's value chain approach. The illegal value chain shows significant variations in the extent to, and

manner by, which the illegitimate economic activities influence the legal economy. Such variations in the degree of involvement of the shadow economy in the legitimate economy can be grouped into four: (1) provision of illegal goods and services to legitimate businesses (2) provision of legal goods and services to criminals (3) use of crime in furtherance of legitimate businesses (4) use of legitimate businesses in furtherance of crime.

The oil theft value chain sustains and ensures production and distribution of stolen crude oil which is sought even by legitimate businesses through contractual relations. The effect usually is that legitimate businesses are able to cut their running cost and maximize profits. A host of legitimate businesses in the Niger Delta communities, for instance, depend on illegally refined diesel to run their operations. Some quantity of this produce, especially kerosene and diesel, as shown above, make their way to legitimate businesses, such as fueling stations and transportation companies where they are either sold to the end-users or used for transportation purposes. A number of construction companies in the region sustain their operations with wastes from bush refineries which they use as bitumen. Illegally refined petroleum products, therefore, provide an alternative means for running legitimate businesses especially in Niger Delta communities and regions where there is acute shortage of petroleum amidst significant oil wealth. The means by which legitimate businesses move from production to profit is thus largely shaped by the presence of illegal economic activities, which provide in some cases the necessary lubricants for legal operations, "denoting the absence of rigid lines demarcating the two economies as they necessarily overlap and interact with one another" (Hastings and Phillips, 2015, p. 556).

On the other hand, the oil theft value chain has shown that illegal economic activities could also be sustained by legitimate businesses and legal goods and services. For instance, the

transportation end of the theft of oil sub-value chain, where vessels are deliberately loaded with crude oil beyond the licensed quantity with the connivance of corrupt government officials at Nigeria's export terminals, underscores this dimension of legal-illegal business-value chain relationships. The co-loading and split- cargo shipments (ordinarily legitimate activities), disguise and facilitate shipment of stolen crude oil to overseas markets and explicitly underscore the provision of legitimate services to achieve criminal ends. In another instances, the proceeds of oil theft are laundered through legitimate financial institutions, helping criminals achieve their objectives in the process. Such funds can have, in the opinion of Radly (2017, p. 4):

a wide range of effects—funding other illicit or even violent activities, intentionally destabilizing states, creating shortages that breed conflict, or any number of other dangerous consequences. Legitimate funds can also blur the line between the legitimate market and the illicit one, and the money can be comingled and even laundered through legitimate channels.

Both dimensions of legal-illegal relationships are usually facilitated by corruption or what Transparency International (2013) refer to as "alternative tax" especially within legitimate state economic institutions and commercial infrastructure - the state being its own enemy- which allows the criminals to access legitimate infrastructure for illegal downstream oil operations and help further expand "the social milieu for illegal businesses" (Dean et al., 2010. p. 93).

Again, the preceding discussion is indicative of the extent to which the value chain analysis of illicit energy-maritime enterprise in the GoG draws on an overlap between legal and illegal economies. The economic divide provides not only the context for value creation activities but also set the rules, boundaries and operational limits. Though, theoretically, the illegal

enterprise and its value creation activities operate at the opposing end of a business enterprise spectrum, value creation activities of the illegal enterprise operate in the shadow of the legal economy, practically, which is why there is a mutually reinforcing relationship between the formal and informal energy-maritime economies of the region. The value chain model therefore blurs the divide between the legal and illegal energy-maritime economies of the GoG and, by so doing, affirms the interconnectivity of different business structures and systems on an enterprise spectrum, which in some ways broadens the argument of the enterprise spectrum of Dwight Smith.

#### 4.3.6 OIL THEFT VALUE CHAIN AND THE LOCAL ECONOMY IN THE NIGER DELTA

The oil theft value chain contributes to the GDP of the local economy, particularly in the Niger Delta region, by stimulating local economic activities, creation of jobs, and provision of essential social services especially in communities where formal political-economic institutions have been largely dysfunctional. The illegal enterprise serves a public good by ensuring that the poor have access to cheap energy. This has, however, come at a great cost to the environment. Some research participants observed that the various activities on the oil theft value chain contribute more to the local GDP in some communities than farming and fishing. The local economy also gets a boost from payment of community fees and levies by artisanal refining sites operators. Buying and selling activities at refining camps not only provide means of livelihood to some people, it boosts local economy. Camp workers are reported to buy and consume cannabis; a development which is unsurprising given the interconnection between drug and crime (RIND16). Illegal oil refining activities have created and enhanced social activities in several communities, with brothels, joints/ clubs springing up as a direct consequence of the booming activities of oil illegal oil entrepreneurs. Despite

its negative consequences, illegal oil enterprise and its sustaining value chain have become the key to the development of the economy of local communities in the GoG, especially in the Niger Delta. Therefore, an illegal act may be morally economically desirable and acceptable, and crime proceeds could ultimately engender positive development. However, crime-development nexus is never a clear-cut relationship, and has remained contentious (UN Information Centre, Colombo, 2015).

#### 4.3.7 THE GLOBAL AND LOCAL DYNAMICS OF OIL THEFT VALUE CHAIN

The discourse on oil theft value chain reveals its sophistication, complexity, and integration into a global criminal capitalist economic system sustained by an intersection of 'glocal' criminal entrepreneurs (actors), institutions and markets. The process of globalization of the criminal value chain has been catalysed by the deregulation of the global market and integration of Third World economies into the liberalised global economy, eroding several sovereign states in the process, and heralding a transnational borderless world. This idea of a "global village", popularized by Marshall McLuhan (1962), presents a platform for criminals to evolve mechanisms to adapt and expand the scope of their operations beyond originally state-centred spheres of influence. Such expanded scope of operation gives further impetus to criminal collaboration on the value chain. Nevertheless, significant dynamics of the value chain have remained localized, creating a value chain that ensures an intersection of 'glocal' entrepreneurs, institutions and markets- a 'glocal' value chain.

As shown in table 1, chapter one, there are three groups of individual entrepreneurs and markets on the chain; the local players (and local market), intermediate players (regional market) and international actors (and global market). However, the operational turf of the local players has become widened by those who seek to trade in energy commodities at the

regional level. Added to these are national, regional and global institutions/industries, such as the global maritime industry, national oil companies and maritime departments, regional refineries, etc. The magnetic nature of crude oil and resulting social networks (Watts, 2009), therefore, have created a robust global market for stolen crude with active participation of these layers of actors in a global illegal oil value chain, though, it yet retains its local dynamics. So “the contemporary illegal economy is grounded in a subtle interplay between activities at different scales” (Hudson, 2016, p. 780).

Against this backdrop, crude oil thieves are not merely rational political and social actors constrained and enabled by the economic milieu within which they operate; they are criminal entrepreneurs or businessmen, who operate in the shadow of the legal energy-maritime economy of the GoG. In that process, they have succeeded in developing a reciprocal causal and mutually beneficial relationship with entrepreneurs, institutions and markets in the formal economy, at the local, regional and global levels. However, as Dean et al. (2010) observed, such mutually beneficial relationships remain ambiguous. Nevertheless, “the connecting channels and shared spaces of exchange in which legal and illegal markets...intersect are critical” (Hudson, 2016, p. 780) especially to understanding the dynamics of illegal enterprise and its sustaining value chain. Therefore, in its transformative process across a value chain, illegally acquired resources may be made to go through a myriad of legal-illegal activities, evolve across several legitimate and illegitimate channels, and ultimately connect several formal and informal ‘glocal’ markets.

In the context of the research objective and its framework, the ‘glocal’ dimension of the value chain further reinforces the global dimension of the enterprise and its sustaining infrastructure. Illicit energy-maritime activities in the GoG operate a robust international

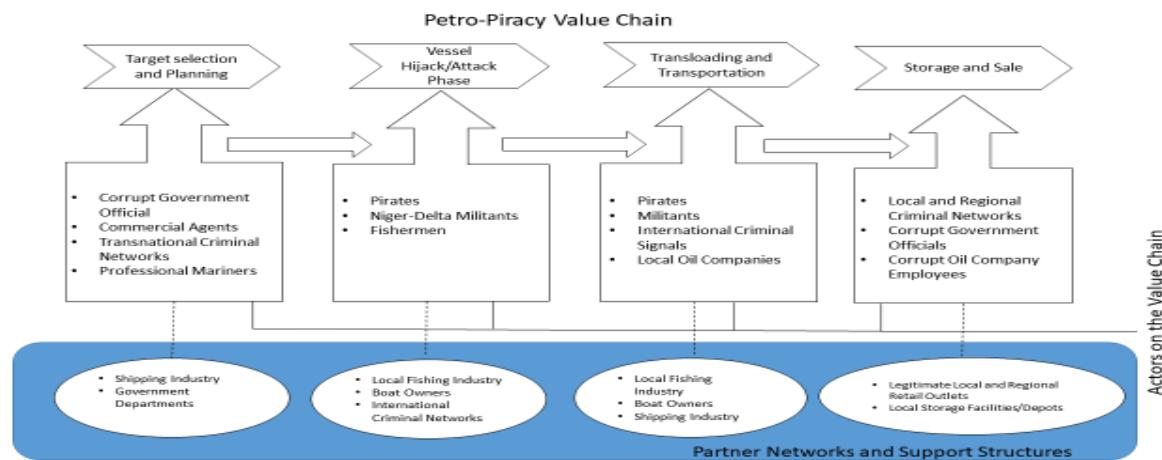
network, facilitated by innovations in technology and transportation, resulting in the internationalisation of value chain mechanisms, especially at the supply end. Notwithstanding its local and regional dynamics, the illegal energy-maritime enterprise in the GoG, has evolved into a global enterprise with a global value chain.

#### 4.4 PETRO-PIRACY VALUE CHAIN

Like oil theft, petro-piracy operates a networked and layered mechanism through which pre and post attack activities are determined and orchestrated. Such a layered, networked process constitutes the piracy infrastructure or value chain, but, like oil theft, functions within the constraints and opportunities set by the formal energy maritime economy of the region. It thus means that, as Hastings and Phillips (2015) observed, the pirates of West Africa rely on informal networks to carry out the various activities on the enterprise value chain, but such networks evolve through, and are sustained by formal political and economic infrastructure, especially the infrastructure of the oil industry. However, the shadowy nature of piratic activities makes its sustaining infrastructure less discernible. That said, this study, based on interviews with some ex-pirates, officials, fieldwork notes as well as literature and official documents, identifies four main stages in the petro-piracy value chain. These are the target selection and planning stage, attack stage, transloading and transportation, storage, distribution and sale of cargo (**see figure 4.14 below**). These interlinked stages provide a medium of interaction for several local and international criminal syndicates, who operate within the complexity of an illegal enterprise, and creates a link between global formal and informal energy-maritime economy. Hence, petro-piracy is a task of “considerable logistic complexity, indicating group cohesion, planning, financing...” (UNODC, 2013, p. 50), and

complicity of the formal economy through corruption. What follows is a discussion of each of the value chain activities, starting with the target selection stage.

**Figure 4.14: A typical petro-piracy value chain**



Source: Author

#### 4.4.1 TARGET SELECTION AND PLANNING PHASE

Target selection and planning is the first stage in any piracy business, including petro-piracy. Central to this stage are intelligence gathering, identification of targets, recruitment of pirates, weapons acquisition and financing of operations. Target selection is dependent on availability of information about possible targets (RIND17), including "details of all ships arriving and the cargo they are carrying to any terminal in the Gulf of Guinea" (Davis, 2014) is a condition for successful piratic attacks. Such information usually come from commercial agents, corrupt government officials, and transnational criminal networks who have insider knowledge of the schedule of vessels. Hence, petro-piracy relies on a network of informants and spies- who work together to plan and organize both land-based and marine-based support services, to ensure the success of the attacks. The piracy enterprise also requires considerable knowledge of maritime operations and expertise, with professional mariners

said to be culpable in vessel hijack by providing support services to pirates through their know-how in the navigation and communication control systems of vessels, tracking obstruction, illegal ship-to-ship transfer etc. (Dryad maritime, 2013).

Operating in cells, which are well inter-connected (RIND16) and armed with accurate and up-to-date information on the environment, the GoG piracy syndicates plan their operations with carefulness and meticulousness (RIND14). They hardly indulge in random attacks, rather following a structured process of collecting information about vessels, the kind of security mechanism on board and carry out a risk analysis before embarking on operations (ibid). So, none of the cargo hijacks is speculative. Their chances of success are determined by the volume and accuracy of the information gathered (ibid). The case of MT Kerala further buttresses the structured nature of piracy attack. The vessel was singled out for attack out of more than 30 vessels in Angolan waters at the time of the attack in January 2014. And following a successful hijack, it made a northwest sail covering about 1,300 nautical miles, during which time 12, 270 tonnes of the oil cargo were stolen, before being abandoned off the Ghanaian coast (Bridger, 2014a). This intricate operation underscores the level of intelligence gathering, organization and sophistication that undergird piratic attacks in the GoG.

The pirate groups also need to buy supplies, such as weapons, fast boats needed to stage attacks, boarding equipment, such as ropes, etc. This brings to question piracy financing in the region. Piratic operations are significantly funded in view of the several cases of successful hijackings in the region. The funding structure typically reflects three business ownership structures viz: the sole proprietorship, partnership, and cooperative, akin to ownership structures in legal entrepreneurship. In the sole proprietorship structure in which the whole

operation is solely funded, the financier may or may not be part of the pirate group, but he controls the largest share of the criminal proceeds. Individual pirates may also pool resources together by way of ploughing back into the business proceeds from earlier operations, in a partnership. But the proceeds sharing-formula is determined by the financial commitment of each member to the enterprise. The majority of hijackings are however financed by international syndicates, in an international cooperative structure with links to Niger Delta militants, who equip several pirate groups, draw up terms of contract, including proceeds sharing formula (Nordby, 2015).

Piracy planning operations often cut across the entire spectrum of the value chain, covering land-based and marine-based support activities, with different layers of role specialization and skill requirements, and involves “tasks of considerable logistic complexity” (UNODC 2013, p. 50; Nordby, 2015). It is not surprising therefore that Davis (2014) observed that:

These criminal organisations are well armed and resourced, with speedboats to approach a target, people capable of operating an attacked vessel and engineers to pump out the product into a bunker barge, which can take between 3000 and 6000 tonnes. Each operation is meticulously planned.

Such complex planning operations very much depend on the diverse nature of piracy groups, which could range from a small and loosely-organized group of ten people to more structured and elaborate groups of over 30 people (RIND16). Nevertheless, and regardless of group composition, as noted by a research participant, the leader of the piracy gang in the GoG plans and organizes the operation, including provision of operational logistics, and financial inducement of state officials to look the other way. The leader’s financial involvement also covers down payment for the pirates, and cost of weapons procurement and transport

facilities. He therefore benefits the most from piracy proceeds (The World Bank Regional Vice-Presidency for Africa, 2013).

Planning, however, only worked if it was shrouded in secrecy such that the details were made known to those with primary responsibilities on the enterprise value chain. The success of any petro-piracy business, therefore, depends on careful planning and identification of targets, facilitated by transnational socioeconomic networks within the formal energy-maritime economy to gather intelligence, acquire weapons, and determine storage facilities and markets for stolen crude. This underscores the significance of coordination and proper integration of activities and roles which are key ingredients in any value chain. Suffice it to say that the different functions and activities should operate in a network or chain-like manner in order to achieve desired objectives (Onuoha, 2013).

#### 4.4.2 ATTACK PHASE

Intelligence gathering and plan formulation informs the actual attack, with pirates equipped with the necessary tools, such as mobile phones, global positioning devices etc. to embark on illicit operations. This deployment stage is immediately followed by actual attacks where the plan is finally executed. For this purpose, pirates enter into contractual agreements by which a down-payment is made with the assurance of payment of outstanding balance once the operation is completed, or are themselves investors/financiers of the enterprise (RIND16). Wherever the attack is launched, surprise, speed and mobility are all important for successful operations, which is why pirates prefer fast easy-to-manoeuvre and shallow drafts ships. Most pirates are between the ages of 25 and 35 and operate in groups of 10 to 20 members (RIND17), who mostly get involved in the illegal enterprise through existing social and ethnic ties.

Once the pirates get hold of a ship, the officers of the watch (OOW) and crew are attacked, and the vessels' bridge consequently hijacked. Using a wide range of weapons, such as AK-47s (Kalashnikov) and rocket launchers, pirates attack the vessels and consequently divert the cargo for siphoning. Depending on the organization of the syndicate, pirates either operate with their weapons or are provided with weapons by the ring leader, or their sponsors (RIND17). There are reported cases of arms supply by a network of traffickers with links to groups in the Niger Delta, but also by accomplices within the state security apparatus (Igbeke, 2018).

How pirates locate their targets is certainly not at the realm of conjecture. As noted earlier, piratic attacks follow a carefully orchestrated planned procedure, which means that pirates act based on information and knowledge of the shipping industry especially targeted vessel, its cargo and movement schedule (RIND16). However, there are instances where pirate attacks are less coordinated and planned and the pirates would simply launch attacks from their hideouts on any unsuspecting vessels (ibid). Regardless of the level of coordination put into the operation, knowledge of the region's maritime corridor is a critical element in the success or otherwise of piracy (ibid). Such knowledge of the shipping industry, the region's geography, and ability of pirates to navigate through difficult terrains for operations, embodied in the ability of the pirates to successfully carry out hijacks, and produce economic value, underscore the significance of human capital approach<sup>2</sup> in criminal networks and its sustaining value creation processes.

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<sup>2</sup> **Human capital approach** is an economic concept which emphasises the significance of competencies, knowledge, social and personality attributes required of a labour force to produce economic value. See further discussion on human capital approach to criminal networks in Dujin et al. (2014); Sparrow, M. (1991); Klerks, P.P.HM. (2001); Spapens, T. (2011).

The attack stage of the enterprise value chain follows a unique mode of operation. Unlike the pirates of the East Coast of Africa, pirates in the West African coast focus more on vessels hijack and robbing the crew of their valuables, rather than hostage taking and ransoming (Reuters, 2011). The GoG pirates are driven by entrepreneurial considerations, which informs their mode of operation and targets. So, the prime targets of the pirates are refined imported petroleum products laden vessels, chemical tankers, and crude –carrying vessels, whose products are easily siphoned into smaller tankers and then sold for profit on the black market, both within and outside the region. The West African model of piracy is therefore a more efficient and lucrative illegal enterprise compared to the Somali model (Reuters, 2013). Stolen cargo could easily be sold off within a week in the region if a pre-arranged buyer is found hence financial returns come easier for pirates in the GoG than Somalia, where “ransom payments regularly take over a year to negotiate” (Fiorelli, 2014, p. 9).

What the foregoing implies is that the GoG pirates find stealing of crude oil more appealing than ransoming, because of a higher investment return which the former offers. To this extent, the crew of hijacked vessels are subjected to violent attack with the intent of eliminating them since they are capable of undermining the success of any operations, hence the violent nature of GoG’s piracy. Nevertheless, GoG pirates yet ransom, which represents additional income source, albeit illegal. Seven crew members were held hostage following successful hijack of Liberty 249 in October 2011 (Hirsch, 2012). This is suggestive of the fact that payments of ransom, though not in the scale of Somalian piracy, is a feature of piracy enterprise in the GoG.

Having said that, the criminal enterprise deploys several measures to execute their operations. In some instances, the piracy syndicates used the mother-ship concept similar to

what is used by Somalian pirates, ostensibly a deceptive ploy to get close to oil vessels before carrying out the attacks. In this sense, Breuer and Kaufmann (2013, p. 2), quoting Pottengal Mukundan, director of IMB, observed that the pirates make their journeys "far out onto the sea with fishing boats, switch to smaller boats so they can approach the ship they target, hijack the ship and take it to an unknown destination". Other modes of operation involve piratic attacks during trans-shipment operations with another vessel. Either way, the pirates usually board the vessels using extending ladder, and once hijacked, the vessels' communication and automatic identification systems are disconnected, while the tankers are directed towards a secure offshore location, usually in the Niger Delta region, before an illegal ship-to-ship loading is made and the cargo then sold off (ISS, 2014). Such operations have, in some cases, resulted in violence, robbery of crew members, maiming or killing (Akinola, 2012).

In most cases, true to its nature, such criminal operations often operate within the ambit of a transnational network with hijacked vessels being made to transverse several countries before the cargo is finally discharged. For instance, the Greek-operated tanker *Orfeas* hijacked off the coast of Abidjan, Ivory Coast, was led through the maritime boundaries of Ghana, Togo, Benin and finally Nigeria (Maritime security review, 2012), where 3,000 tons out of 32,000 tonnes of gasoline was reportedly stolen from the vessel (*ibid*). The operation, which traverses five different countries, further corroborates the extensive planning network which undergirds the criminal enterprise with actors involved working to achieve a pre-determined perverse economic objective and to a precise strategy. Using superior intelligence, gang-members have been remarkably efficient in carrying out the attacks, mostly late at night on anchored cargo ships and oil tankers.

Though this study focuses on petro-piracy, it is imperative to add that the activities of the GoG petro-pirates are not limited strictly to oil vessels hijack especially because of the interconnectedness in membership and underlying motivation between diverse criminal networks in the region. Therefore, as mentioned above, some petro-pirates are involved in kidnappings and ransoms (Onuoha, 2013; Murphy, 2012). Kidnappers, mostly from the Niger Delta of Nigeria, typically target petroleum industry vessels whose most valuable crew members are whisked away, often identifying them with information provided by insiders, with negotiation for ransom coming afterwards. The Africa Defense Forum (ADF) reports that ransom negotiations typically take less than a month, with companies paying between \$50,000 and \$100,000 per person (ADF, 2015). The Numbers Blessing gang, for instance, were promised a cash reward of US\$101,000 for one operation (Hastings and Phillips, 2015) but, in some instances, the figures have been higher. A sum of \$2 million was said to have been paid to secure the release of two Americans in 2013, in what is referred as the largest known ransom in the GoG (ibid). Kidnapping of crew members thus represents an alternative yet lucrative income source for these criminal entrepreneurs in the region.

#### 4.4.3 TRANSLOADING AND TRANSPORTATION

The activity stage following attack, is transloading and transportation of hijacked and stolen oil/petroleum. Once the hijack is completed, the contents (petroleum produce or crude oil) of the vessels are emptied or pumped into pirates' vessels, in a process of transloading. "The transfer is done while the hijacked vessel is sailing slowly at sea" (Onuoha, 2012, p. 32), or being taken to an isolated spot and is usually completed within 12 to 24 hours (RIND18).

Transloading is a complex activity requiring sophisticated equipment, and navigational and engineering knowledge to manoeuvre a merchant vessel, and to understand where to open

and close various pipes, how to start pumps etc. respectively, because of a complicated pipe system of an oil vessel. Upon successful transfer of stolen crude to the receiving tanker, the pirates are provided further information by the broker about onshore storage facilities where the oil is transferred while security is provided (Onuoha, 2012). Following the hijack of *MT Anuket Emerald* in 2012, its cargo was first transferred to a chartered vessel, *MT Grace* before moved to onshore oil tank farms allegedly owned by some local oil companies and members of the ruling elite in Nigeria (Hastings and Phillips, 2015).

#### 4.4.4 STORAGE AND SALE

Successful hijack operations are followed by cargo offloading into storage facilities, for sale and distribution. Storage and sale is usually the last stage on the piracy value chain. The products are then sold off to local and international black markets, whose presence incentivize the illegal business enterprise in the Gulf of Guinea. Some of these products are conveyed to local markets in Nigeria, where they are sold through fuel tankers to fuel retail outlets or even exported (RIND18) while the rest is sold at regional black market, off Western Nigeria- ‘Togo Triangle’- where oil is transferred between vessels and then sold (TheNiche, 2014). Although controversy still rages as to the exact location of this spot market. The proceeds of the crime are then shared, in line with predetermined ratio (RIND8).

The value creation activities and processes in a petro-piracy value chain is summarily captured in the confession of Blessing Numbers, who led the pirate syndicate that hijacked *MT Energy Centurion*. In his words, as reported by Vanguard Newspaper, October 20, 2012, Blessing submitted that:

Once there is a ship to be hijacked, our sponsors get across to us through their points-men. We then move to get the details about the vessel from the Ministry of Petroleum Resources, Nigerian National Petroleum Corporation and then seek support from relevant security agencies. We operate on an agreed fee and between 70 and 80 percent of the fee is paid before we embark on the operation and the balance is paid immediately after the operation. Once we complete the assignment, we inform the points-men, who immediately get in touch with another group also working for the sponsors to take charge of the hijacked vessel, get the oil off-loaded into another vessel to deposit it in various oil storage facilities for distribution and sale to oil marketers and merchants. We do not engage in the sale of oil products. However, we assist at times to monitor it through arms support.

Blessing's revelation corroborates the network of actors and interaction on the illegal enterprise value chain, the organised nature of the criminality and division of labour underpinning the criminal business. Most importantly, Blessing's confession attests to the fact of existence and operation of both legal and illegal economies on an enterprise spectrum, with sometimes mutually beneficial relationships which are facilitated by social contacts straddling the formal-informal economic divide.

The organised nature of the enterprise and the social network undergirding its operations are critical elements in determining how the challenge is addressed from the standpoint of policy. More importantly, the way and manner proceeds of the illegal enterprise are laundered and investments into which they are injected should be of utmost interest to the governments of the region, especially state security mechanisms given the destabilising impact of illicit wealth on governance, security and economic development in the region. Meanwhile, after a successful operation, individual pirates may physically be paid off or have their share of the proceeds deposited into a bank account. Pirates are either fully paid off or given part payment

before embarking on criminal operation, with any remaining balance paid afterward (Onuoha, 2013).

#### 4.4.5 COST-BENEFIT VALUE-CHAIN ANALYSIS OF PETRO-PIRACY

Cost is a major component of the piracy value chain. It is at the heart of the criminal enterprise, and covers the entire gamut of vessel hijack and its support services from planning and target selection to sale. Cost-benefits data on petro-piracy in the GoG is difficult to come by largely because of the opaqueness that characterise illegal enterprises. This adds to the problem of a lack of reliable database on the actual cost and benefits of piracy enterprise in the region, as noted in the chapter two of the study. More so, several agencies collect piracy data, yet there is a clear lack of an aggregation of data sources into a singular reference work. Consequently, there is a lack of an authentication procedure and confidence in existing cost estimates. This however should not excuse a preliminary investigation of a cost-benefit analysis of piracy as carried out here, even if it is at best an indicative exercise. Hence, this study has attempted a cost-benefit analysis of piracy in the GoG, focusing on the distribution of costs and benefits on the enterprise value chain, but not actual figures as would be the primary interest of statistician or economists. What is presented here is basically to provide further analysis of the dynamics of a value chain especially regarding 'who gets what' and 'why', and 'what resources are distributed' and 'how'. In this regard, a cost-benefit analysis as carried out here, should be seen more as a way of shedding light on how resources are allocated, social network or interactions engendered, and power and influence exercised on the illegal enterprise value chain. It thus, as shown below, aligns with a social network formation, organizational management, and exercise of power and influence, which are critical elements in illegal enterprises.

The cost of petro- piracy in the region, much like Bowden's (2011) analysis of Somalia, comes in various shades, but can be grouped into two. The first is the external cost of petro-piracy, that is, global costs of the illegal maritime enterprise. This cost variable include ransom payments, deterrent costs, cost of naval presence and prosecution among others, are borne by shippers, insurers, military entities, etc. The second is the sunk cost (investment) or internal cost, which is the operational costs of the illegal enterprise both on land and sea.

An important cost element on the piracy value chain is fatalities, injuries and trauma, and loss of valuable properties in some cases in the aftermath of petro-piracy attack. Added to this are trade and investment challenges resulting from doing businesses along a maritime corridor prone to risk and uncertainties. Unsurprisingly therefore, the waters of the region are considered high risk due to rising cases of piracy, with attendant rising cost of goods being shipped to the region (Onuoha, 2012b). The economic impact of petro-piracy in the GoG is analysed later in the chapter. However, the point can be made here that insurance premiums have skyrocketed in the region with rising risks associated with transportation of goods across the region, increasing operating costs of maritime commercial activities.

Petro-piracy in the GoG has resulted in the dislocation of means of livelihood of several thousand coastal communities, with attendant shortages in food supply. There was a temporary stoppage of work by over 200,000 shipping industry workers in Nigeria, in 2008, and consequent withdrawal of offshore services of about 200 vessels by the Nigerian Trawler Owners Association due to an increasing wave of piracy, resulting in sharp increases in the price of seafood (Onuoha, 2009).

The GoG states and petroleum industry have suffered significant financial losses due to hijacks of oil vessels by pirates. The case of Benin Republic is striking. The country's Port Authorities

reported a sharp drop in maritime activities off her coast following increased piratic operations between 2010 and 2011 (Bridger, 2014b).

On the pirate side, petro-piracy represents a significant income source. According to a UNODC report, pirates often make profit around US\$10,000 to US\$15,000 per attack (UNODC, 2013).

“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” (ibid, P. 51). However, refined petroleum offered greater income to pirates and represents a lucrative criminal enterprise, (ibid) despite the fact that, in the case of Nigeria, government subsidy program pushes down the price of petroleum. Kidnap of crew following successful hijack also yield significant returns to piracy networks. The abducted crew of the Malta-flagged MT Kalamos were released following the payment of \$400,000 as ransom (BBC News Africa, May 3<sup>rd</sup>, 2016).

#### 4.4.6 PETRO-PIRACY VALUE CHAIN, NETWORKED OPERATIONS AND THE FORMAL ECONOMY

The discussion above clearly points to the reality of the petro-piracy value chain as a networked mechanism which relies significantly on the formal legitimate economy and its infrastructure. The enterprise value chain requires the ships and storage facilities of the formal economy as well the states institutions, such as shipping companies, local financiers, legitimate domestics and international markets to exist. This relationship with the legitimate business also extends to informal ties with corrupt government officials and ruling elite aimed usually at mitigating threats and evading arrest. What this implies is that petro-pirates of the GoG operate within the limits set by the formal energy-maritime economy, and are constrained by its guidelines and rules. Hence, cross-border networks are a major requirement for successful piratic operations. In another dimension, petro-piracy value chain

often set off from within the formal economy and is facilitated by corruption before the attack is executed at sea. Organizational and operational requirements would ensure that pirates interface with the formal economy and its institutions to ensure successful operations (Hastings and Phillips, 2015).

In addition to the formal economic infrastructure and institutions as well as legitimate oil and maritime activities which piracy syndicates and value chain exploit to their advantage, petro-pirates require resources that are external to them, such as a less hostile security environment. The issues of security environment has never ceased to be a concern for illegal entrepreneurs involved in energy-maritime crime. Efforts are thus geared towards ensuring that state security apparatus are evaded to have successful operations. There is also the requirement of external markets to buy much needed operational materials and dispose of the stolen and hijacked crude and petroleum produce after operations. The illegal enterprise thus depends on the legitimate businesses and markets for the entire gamut of its operations (Hastings, 2012).

Piracy value chain is a network of operations which straddle both the formal and informal economy. The enterprise is defined by a long and complex supply chain, involving several onshore support staff and large and sophisticated offshore operations. A value chain analysis sheds more light on the structure and functions of the illegal enterprise networks. It also reveals the entire gamut of the supply-demand chain, including the patrons and financiers of the criminality as well as the shares of the pirates in the proceeds of the crime (Geopolicity, 2011), and the diverse nature of actors on the chain. For instance, the pirates who attacked and hijacked MT Anuket Emerald in 2012 were said to be Ghanaian, Nigerian and Togolese nationals, but were fluent in French. The extensive operation which resulted in the cargo

being siphoned into another vessel and moved to storage facilities located in some parts of Lagos, for onward sale, (Vanguard Newspaper, September, 2012) bear the signs of a criminal network with far-reaching influence. As reported in the Vanguard Newspaper of September 30<sup>th</sup>, 2012:

the ship's communication equipment were all damaged, all the cables were cut, the hand-held radios were stolen and the speed and rescue boats were damaged. Also, the engines were destroyed, the craft was vandalized, the ship funnel was repainted, the vessel name was changed, and the IMO Number was removed, the loading computer and hull were damaged, the printers and scanners, the anti-piracy equipment-flashlights, bullet proof vests, night vision binos, batons, safety equipment-lifebuoys & lifebuoy lights, ropes, all crew clothing, safety helmets, shoes and boiler suits were stolen.

The confessions of Wazobia, one of the pirates arrested following the MT Anuket Emerald attack, as reported by Vanguard Newspaper, further sheds light on the network dimension of the piracy value chain. According to the Newspaper, Wazobia was said to have indicted some top political and ruling elite, senior officials of the National oil Company, oil marketers and community leaders, some of whom were fingered as patrons and beneficiaries of the criminal enterprise (ibid). What this implies is that piracy networked operational mechanism extends beyond the value chain. For instance, in executing their operations, pirates require weapons, which necessitate that they enter into relationships with Niger Delta militant groups who are themselves complicit in both oil theft and piracy, in exchange for stolen goods, thereby profiting from the region's conflict environment, but also heighten the state of lawlessness in the region and undermine energy-maritime activities on the Atlantic corridor. This mutually beneficial relationship is indicative of how criminal offshore activities in the GoG influence decisions onshore.

A more complex network involves multiple actors, who belong to regional and global criminal networks, including money launderers who facilitate ransom transfers. Some of these players are “multiple gangs working within one cartel” (Bunker, 2017), enjoy regional connections, and access transnational business networks. These networks facilitate the supply of arms to the pirates, coordinate the movement of stolen oil to storage facilities or depots within the region, control the sale and distribution networks, and coordinate the sharing and laundering of crime proceeds (ibid). What the foregoing therefore implies is that the piracy value chain in the GoG witnesses a convergence of several players and interests- those who bear the cost and those who benefit from the proceeds of crime across the value-chain- who operate a network-like structure to further the course of the illegal energy-maritime enterprise.

The piracy value chain strengthens the notion of pirates as rational profit maximising entrepreneurs who “engaged in a perverse form of rent-seeking economic activity” (Hastings and Phillips, 2015, p. 556). Such understanding is critical to effective long term mitigation of the illegal enterprise (ibid). The value chain analysis may suggest that petro-piracy is a regional enterprise, it impact significantly international commercial activities because piratic activities undermine a constellation of industries and activities, including global maritime shipping, regional and international security forces, among others. Above all, the piracy value chain highlights an important aspect of a value chain- integration of different layers of activities- which is required to achieve the goals of the pirate entrepreneurs.

#### 4.5 ILLEGAL TRADE IN FUEL VALUE CHAIN

Illegal fuel trade thrives on the intersection of the formal and informal economies, very much like crude oil theft and petro-piracy. Its value chain underscores the principle of commercialism, and the reality of co-existence of both legal and illegal activities on an

enterprise spectrum. What is particularly traded here, is petroleum produce, in a business that is sustained by petroleum subsidy of the Nigerian government and its attendant price differential, which means that petroleum produce is cheaper in Nigeria than her immediate neighbours thereby encouraging smuggling and a lucrative petroleum black market. Petroleum smuggling is also enhanced by the use of CFA franc as exchange currency since it has a stronger value compared to the naira when pegged to the euro (Hoffman and Melly, 2015). Other factors that enhance the growth of the illegal enterprise is, as Hoffman and Melly (2015) further noted, the depreciation of Nigeria's currency which lowers the cost of smuggling fuel to Benin and thus makes the trade attractive to Beninois. The context of this problem, as noted in chapter three, lies in the corruption and mismanagement in Nigeria's oil industry, resulting in dysfunctional refineries, and creating an opportunity for what has become a subsidy fraud and/or petroleum racketeering.

Petroleum is smuggled across the land border though, from Nigeria to other West African countries, in what Hoffman and Melly (2015), argue is "one of the largest and most visible components of the informal trade" in the GoG, mostly sold in the Beninois and Togolese domestic markets. The maritime dimension of the illegal enterprise has grown in leaps and bounds, too, with the supply-demand ends intersecting several interests, players, nationalities who take advantage of a loosely governed complicit maritime corridor of the GoG to further illegal activities. The sophistication and organization underpinning the maritime dimension of the enterprise is vividly captured by The Guardian UK Newspaper of October 2, 2012. According to the Newspaper:

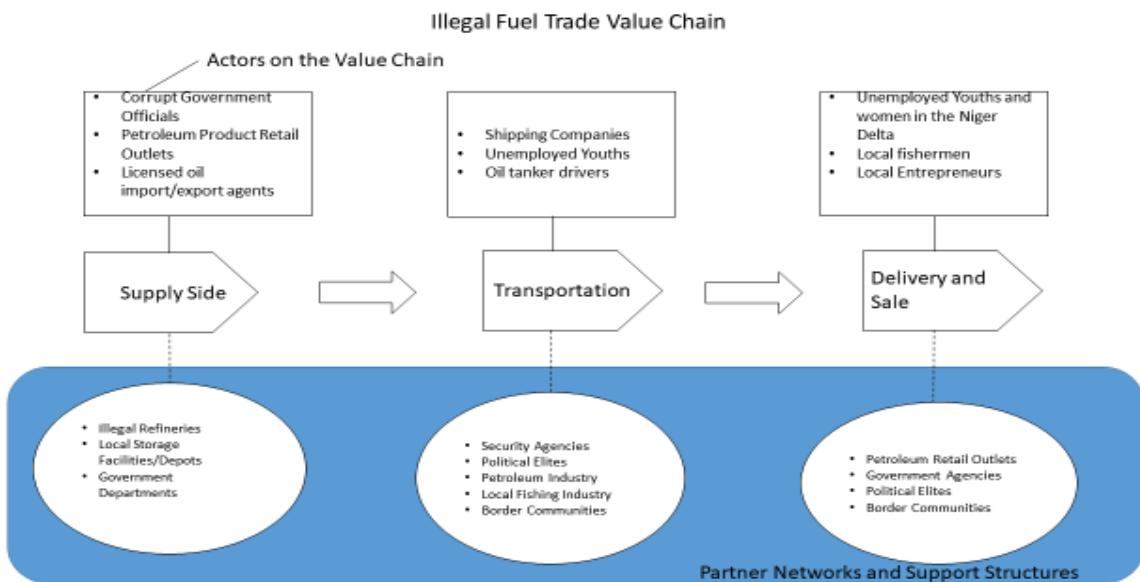
Every morning a flotilla of small boats approaches the Togolese coast, laden with Nigerian fuel. The jerry cans are thrown overboard and towed back to the beach by swimmers. The precious liquid is decanted for sale in the capital Lomé, but also

in Ghana, Burkina Faso and even Mali. The beaches of neighbouring Benin are the scene of similar operations (The Guardian UK, October, 2012)

As telling as the above may be, especially the vast network of nationalities and intra-regional connections undergirding the operations of the business and which is indicative of the robust nature of the sustaining value chain, Bozonnet's position does not capture the complex dynamics of the trade in its entirety. An important dimension of the illegal enterprise involves diversion of petroleum laden vessels destined for Nigeria domestic market on the high sea to neighbouring countries, ostensibly for higher profit margins which those destinations offer, despite making subsidy claims on Nigerian government, which are paid upon provision of bills of laden and certification of imaginary delivery by appropriate government agencies and departments (Golub, 2012). This requires a more complex operational network because the consignment is not delivered in cans and drums, rather the produce is offloaded to storage facilities in recipient neighbouring countries. Diversion of vessels on the high sea represents a major artery connecting the demand and supply end of the value chain. The other arteries of the produce are exporters who buy from tankers meant to supply local filling stations in Nigeria and smuggle fuel across the land borders; those who obtain their supplies from bush refineries in the Niger Delta- part of a network of oil thieves discussed earlier; others fraudulently obtain it at the official refineries and operate an illicit regional trade in petroleum through the Atlantic, emanating from Nigeria, but connecting several countries in West Africa, especially the 'entrepot states'- Benin, Togo and The Gambia (ibid), whose developmental agenda is hinged on promoting their attractiveness as commercial hubs, and conduits for both licit and illicit activities (ibid). So, value chain analysis of illegal trade in fuel as being carried out here, highlights the different layers of activities and interactions (see figure 4.15)

regarding fuel smuggling and diversion through the maritime corridor of the GoG of Guinea, both small and large scale.

**Figure 4.15: Illegal fuel trade value chain**



Source: Author

#### 4.5.1 THE SUPPLY SIDE OF ILLEGAL PETROLEUM TRADE

Unlike the other two legs of the criminal enterprise tripod discussed above, the illegal trade in fuel essentially has a petroleum-centred value chain, with the various activities, processes, and actors concatenating around the supply and demand of smuggled/diverted petroleum produce. For the purposes of analysis, the supply end of the value chain can be categorized into two: small scale and large scale (artisanal and industrial), but the two segments of the trade feed into each other and connect especially at the market end of the enterprise, making a clear-cut distinction difficult. As in the case of oil theft, both levels are reflective of the source of the produce, the sophistication of the operation and the level of financial investment in the illegal enterprise. However, significant differences exist in the mode of operation and the cost implication of the layers of enterprise. That said, the supply end is a

two-dimensional cross-border economic activity- land and maritime border. Land-based cross-border smuggling of petroleum expands the theatre of illicit energy activity to areas such as Lagos and Ogun State, outside of the Niger Delta region, from where refined petroleum is smuggled into Benin, Togo and the Gambia.

The maritime dimension encompasses smuggling/ diversion of fuel across the Atlantic, via the Niger Delta and the maritime routes of Badagry, Lagos which connect Nigeria's immediate neighbour, Benin Republic. In this case, petroleum meant for local market is loaded into drums and kegs of different sizes and headed to the sea. These products either emanate from Escravos, Apapa where they were diverted or gotten from breached NNPC pipelines in the South West states of Ogun and Lagos and loaded on vessels on the high sea, to Badagry (Ships and Ports, February 25, 2014). Fully loaded trucks meant to supply petroleum retail outlets within Nigeria, are also diverted to riverine areas, or safe locations, where the content is offloaded into drums and containers destined to the coast, moved into barges or canoes and then transported to Benin, Togo, and the Gambia. A larger scale operation sees Nigeria-bound petroleum cargo diverted to Benin and Togo on the high sea (Golub, 2012).

The smuggling business intersects with a whole range of actors with diverse mandates and interests across the different stages of the enterprise who carry out its operations in a network sustained by several factors with the overriding being commercialism, which demands that they buy or steal petrol where it is cheap and then sell where the prices are higher to make profit from the price difference (The Global Initiative, 2014). The business is characterised by low entry barriers, with the major hurdle being lack of sufficient capital to venture into the business, especially where there is a need to buy trucks for smuggling operations.

The illegal trade network is facilitated by socio-cultural and historical antecedents, due to the colonial geographical delineation of Africa which resulted in artificial boundaries that grouped people of same ethnic background on opposing geographical divide. There are as many Yoruba in Benin Republic as they are in South West Nigeria, the only difference being a greater percentage in Nigeria. This ethnic and cultural affiliation has facilitated formal and informal trade relations between the two countries especially for centuries and plays a critical role in facilitating smuggling of petroleum and other illegal commodities across Nigeria-Benin Republic border (Soule and Obi, 2001; Hoffman and Melly, 2015). It is not surprising therefore to see people of diverse ethnic nationalities, such as Beniniose, Nigerians, Togolese etc. in the trade. Similar circumstance explains illegal smuggling of petroleum produce across the Niger Delta, especially through Nigeria's maritime border with Cameroon. Such cross-border criminal network of people and operations have evolved into a lucrative enterprise sustaining families and creating jobs for hundreds. The supply end of the business is also facilitated and sustained by a corrupt and lawless environment, porous border, and driven by "a bunch of economic saboteurs" (RIND18). Depending on the level of investment and land-based support services available, transport infrastructure could range from dozens of drums and kegs; small canoes propelled by engines; barges; and trucks (RIND7).

At the supply end, the enterprise is attractive to youths, mostly Nigerians keen on survival. But the youths are mere foot soldiers for a more elaborate network consisting of members of the political elite, state security apparatus, especially the police, navy and customs, in a segmented and loosely structured operational network characterised by job specialisation or occupational differentiation (Amuwo, 2016).

#### 4.5.2 TRANSPORTATION, TRANSPORT INFRASTRUCTURE AND SERVICES

The fuel is smuggled into Benin using different means of transportation which include “motorbikes carrying plastic jerrycans, cars in which the back seats have been replaced with fuel tanks, and trucks – with smugglers using both main roads and back roads” (Hoffman and Melly, 2015). The Badagry axis of Lagos, outside of the Niger Delta region, offers a lucrative but criminal route to smugglers of petroleum produce. The maritime corridor also delivers a lucrative but illicit trade in Nigerian petrol to West Africa. This corridor is defined by the use of boats with limited operations in the coastal lagoons or barges which could sail further offshore. Legally bought in Nigeria, fuel is loaded onto boats which sail to these countries under the cover of night, and are sold to wholesalers from Benin, Togo and The Gambia, who then take delivery of the items with motor boats. In some other places like Benin Republic, the consignment is discharged at the shoreline of Cotonou and then distributed to feed the local markets (Aliyou, 2012). The maritime dimension of the fuel smuggling and diversion business runs through several riverine communities and boundaries within West Africa, especially Benin and Togo, with several criminal routes including rivers, waterways and streams facilitating the trade, providing diverse support services as well as acting as safe havens for fuel smugglers. The Ifangni River, in the Plateau region of south-eastern Benin, is famous as the cradle of the illegal petrol trade between Nigeria and Benin. It is one of the shortest and safest waterways avoiding border controls (*ibid*).

**Figure 4.16: One of the several routes for smuggling petroleum between Benin and Nigeria**



Source: Corse Javier, 2017

A system of security tax facilitates such illegal transport of the merchandise. In the words of Aliyou (2012), “the dealers who come for their supplies at the seaside sources are sometimes surprised by Nigerian coast guards who make them pay or who sometimes seize the small boats already loaded if they fail pay”.

Several individual and institutional actors partake in this stage of the business, across the various scale and levels of operations, a diverse and divergent group of actors. These include local crime networks comprising Niger Delta youths, oil company workers, both current and retired; oil company contractors; local elites and community leaders, and militant groups who sometimes buy and sell petroleum in regional markets along local and international maritime borders (The Global Initiative, 2014). While some of them operate typically local enterprise structures, others feed into an international cartel operating within and outside of Nigeria, providing funding for the operations and handling associated money laundering activities. Therefore, like crude oil theft and petro-piracy, illegal trade in petroleum is handled by a criminal syndicate that specialised in smuggling petroleum outside the country, with

membership across local, regional and international criminal elements, bridging the supply and demand gap, and driving the infrastructure that sustain the enterprise.

Exploiting the propinquity of Nigeria and Benin, the syndicates usually load the produce in jerrycans and drums of various sizes, bearing engravings to indicate their owners, and shipped through flying boats to navigate illegal routes along the waterways connecting Badagry, Araromi-Onfo, Akere and Tongeji Island to the Republic of Benin (Vanguard Newspaper, June 28, 2016). The responses of the Commandant Nigeria Security and Civil Defence Corps (NSCDC), Clement Adesuyi, in *The Nations Newspaper*'s interview of February 24<sup>th</sup>, 2014, give further insights into the nature of the enterprise especially the means of transportation. According to him, after a routine but successful anti-smuggling operation:

We recovered 45 drums of 300 litres and 72 jerry cans of 25 litres each, and one Yamaha boat engine. Five suspects who were in the boat jumped into the sea to escape arrest. They were coming from Escravos in Apapa...we have spread our dragnet across the border line to ensure that our petroleum products are not smuggled out illegally through the sea (Nation Newspaper, February, 2014).

The petroleum produce is generally exchanged for money and weapons; with the latter usually smuggled into Nigeria by sea and land borders in Warri (Delta State), Idi-Iroko-Seme axis in Lagos State and the Niger-Cameroon border in the North-east (Obi and Rustad, 2011).

Meanwhile, the smugglers often enjoy protection of passage communities in return for social compensation, such as construction of schools and clinics. Active connivance of state security apparatus also provides guarantee against arrest for the smugglers. It is thus unsurprising that the illegal enterprise has continued to persist despite measures initiated to combat it. "If a

form of criminality becomes resilient and persists for too long, it means that the state is involved in it" (RIND25).

#### 4.5.3 THE DEMAND SIDE OF THE ILLEGAL TRADE: MARKET, SALE AND DELIVERY

The demand side of the value chain relates to market, sale and delivery of petroleum as well as the supporting infrastructure. The sale of diverted or smuggled petroleum cannot be separated from the transportation stage of the value chain because, even before departure, the sale, deliveries and ownership of the produce are all sorted through pre-arranged exchanges and transactions. There are reported cases of illegal transactions and sale on the high sea before the produce is diverted which the researcher could not easily substantiate. Beyond the alleged high sea market which further leads credence to the GoG as an 'illicitised' maritime space, there are communities along Sanvee-Condji border connecting Benin and Togo, on the coast of Atlantic Ocean that serve as markets for smuggled petroleum. There are villages along the Hilla-Condji borders connecting Benin and Togo, where markets for smuggled petroleum are rife, and which also serve as a ready source of supply for the illegal markets and entrepreneurs further down the hinterland of Togo (Houssou et al, 2012).

However, in most cases, the merchandise is delivered in jerry cans on the coast of Benin, in a pre-arranged transaction, from where the buyers pick up their supplies. Daniel Ndoye, Economic Adviser, African Development Bank (ADB), Republic of Benin, captures the mode of delivery and sale at the retail end in Benin Republic:

Arriving in Benin, you will certainly notice all the cans and fuel bottles sold on every street corner. This fuel, 30% cheaper than its counterpart in official gas stations, represents more than 80% of the fuel market in the country. This smuggled gas called "kpayo"... is imported illegally from neighbouring Nigeria, where fuel is heavily subsidized (Ndoye, 2014).

In Togo, such deliveries are received by dozens of men, women and children who plunge into the ocean, to pick up the jerry cans. "These jerry cans are identified, unloaded and then distributed among hundreds of men with motorbikes who wait on the shore for the jerry cans bearing the initials of their bosses to be unloaded" (Corso, 2017). See the figure below. They then take charge of delivering them by road within the country. The mission of these transporters known as "human bombs" is to drive their motorbikes across winding, forest paths until they reach the paved routes leading to urban centres. The slightest accident involving one of these drivers can cause hundreds of deaths in a built up area. There have been reported cases of accidents, resulting in explosions and deaths of hundreds of people in Cotonou (ibid). A larger scale operation involves the use of large canoes and barges to convey smuggled petroleum in drums, initially loaded at the supply end of the illegal enterprise from trucks destined for local fueling stations in Nigeria. The market needs are also satisfied through outright diversion of vessels on the sea and sale of its cargo to storage facilities in Benin, Togo, etc.

**Figure 4.17: Motorbikes men waiting onshore to pick their supplies, for delivery**



Source: Corse Javier, 2017

The demand end of the illegal trade has both wholesale and retail activities. Once the merchandise gets to Benin and Togo, the demand end is further segmented across the entire wholesale-retail interlink until the produce reaches the final consumer, with a vast network of people and activities sustaining the enterprise, and a significant number of individuals depending on it for livelihood and survival. The wholesalers buy directly from the smugglers, usually in a pre-arranged agreement at the supply end of the spectrum, or at the seashores, before the produce is taken down the hinterland, for sale (Ndoye, 2014).

Selling smuggled petroleum is not difficult; either at the roadside, or through the retail outlets of corrupt fueling station owners, smuggled petroleum can easily be distributed across the entire supply chain, in a lucrative, deeply entrenched commercial activity. And as Houssou et al. (2013) submitted:

In spite of the official ban by the Togolese authorities, the sale of adulterated fuel remains the main commercial activity of the inhabitants in the village. It thrives so well, it is the mainstay of several families. In nearly every compound in the village there is at least one person who is into this smuggle business. They are mostly unemployed young people, as well as school pupils and women.

Also, the sale points especially at the retail end are easily identifiable, with empty cans bearing the prices and bottle-wielding funnel placed in an open arena being instant hallmarks of the enterprise. To meet the needs of the customers, the seller has a standard of measurement which determines the content sold against a particular amount. Several security personnel and agencies patronize the “kpayo” or “boude” (Benin and Togo local names for diluted, illegally refined fuel or smuggled petroleum) retail outlets to get stocks for their operations and patrol.

Though not as lucrative as it was especially in the 90s, the trade in smuggled petroleum has become an economic activity which provides jobs for many, and sustain hundreds of families. It is therefore understandable that many of the retailers, who do not know any other economic venture as lucrative, are unwilling to give up the trade. In several communities, the illegal trade in fuel comes next to the operation of motorcycle taxis as a major commercial activity (Aljazeera News, May 26, 2015). Several families also depend on the trade to fund the education of their children (Ndoye, 2014).

#### 4.5.4 COST-BENEFIT ANALYSIS

As noted earlier, generating data on the cost element of the enterprise is usually difficult because of the underworld nature of the enterprise. However, the trade, certainly, generates significant cost-benefits to the various actors and institutions involved. That said, a cost-benefit analysis, as carried out here, falls short of an economic analysis or monetary value analysis which is the concern of economists because of obvious lack of data on certain aspects of the enterprise cost variables. Nevertheless, the goal of business decisions or why entrepreneurs on the illegal value chain take the business decisions they often embark upon through expected cost and benefits viz-a-viz the illegal trade is not completely defeated. To the dealers, wholesalers and retailers, the illegal trade in petroleum is a major income source. And more often than not, because the product (crude oil and petroleum are stolen or hijacked), there is usually little or no sunk cost which offers significant cost advantage and allows for abnormal profit. For instance, in Togo, an average of between 1,000-1,500 litres of petroleum is sold weekly, with a monthly profit of \$165-220— far more than the \$65 minimum monthly salary for civil servants (Equal Times, 2016). As said earlier, the illegal enterprise constitutes a means of survival for hundreds of people and families, sustaining their livelihood and education of children.

On the side of the government, the smuggling results in a significant loss of revenue, on both supply and demand end of the value chain, because roughly 80% of the market escapes the tax net especially in Benin, depriving the government tax revenue which could be used to develop infrastructure (ADB, 2014). Over 40bn CFA francs [£50m] is lost in annual revenue to Benin (ibid). Given the fiscal nature of Benin's national budget which means that taxation constitutes the bulk of the revenue accruable to the government, smuggling of petroleum undermines national revenue drive and fiscal stability. Even the government appreciates the financial implication of the illegal trade. In a communique issued on November 2, 2012 following a Cabinet meeting, quoted in Houssou et al (2012), the government said:

In the wake of a relentless unfair competition over a number of years marked by the predominance of the informal market which supplies more than 90% of the oil sector, thus seriously encroaching on the activities of companies in the formal sector, many accredited multinationals have left Benin while Sonacop has been surviving...

In Togo, in 2011, licensed dealers in petroleum products recorded a huge loss running into over a hundred million US dollars as a result of the activities of illegal dealers in petroleum (Houssou et al., 2012). The Nigerian government loses over N50 billion worth of fuel through smuggling and diversion along the Seme-Badagary border to Benin Republic (BusinessDay, April 18, 2016). This does exclude what is lost in revenue via smuggling through the nation's maritime borders, both in Badagry and the Niger Delta.

Other losses include fire outbreaks resulting from explosion of petroleum produce, and accidents and loss of lives in the course of transportation of smuggled merchandise. Illegal dealers in petroleum have been subjects of attacks from pirates and armed robbers resulting

in loss of lives and valuables. There have been cases of gun battle between smugglers and security personnel which have also resulted in several casualties.

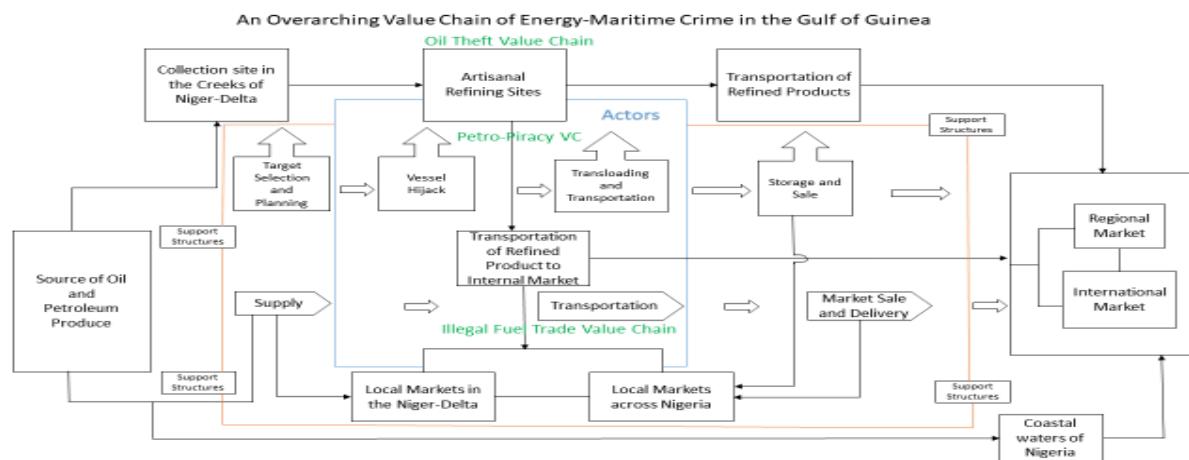
The above discussion has shown clearly that the illegal fuel economy is sustained by corrupt practices which serve as a basis of convergence of several actors and interests in a networked operation. The business is a big money-maker and that explains the apparent lack of zeal and determination to combat the phenomenon especially in the entreport states. The point can also be made that the illegal trans-border trade in fuel feeds into the formal domestic petroleum economy in Nigeria, and co-exists with the formal economy on the petroleum enterprise spectrum, with several aspects of the trade straddling both the formal and informal sectors. The illegal fuel trade value chain concatenates several actors and activities in a complex connection of formality and informality. Also, the illegal trade in fuel value chain is defined by heterogeneity. While the vast majority of its activities especially at the demand end of the trade involve several small commercial activities, larger forms of exchange are as significant on the value chain, with operations which could extend beyond national borders. Complex relationships connect the legal and illegal economies. Furthermore, ethnic affiliations and kinship networks influence the organizational structure of the illegal trade, create informal or illegal institutions which sometimes overshadow formal structures, and play a significant role in the illegal enterprise.

Overall, illegal fuel in trade in the GoG is nourished by a confluence of factors. These include century-long inter-state commercial activities in the region; artificial boundaries created by the colonial powers, and sustained in the post-independence era; ethnic and cultural affiliations, which facilitate cross-border movements of people and goods, weak security, law enforcement

and adjudication institutions and mechanisms, which weaken ability of most states in the region to combat the menace; and pervasive corruption.

Having discussed the value creation and production processes of each form of criminality, it is important to examine how they reinforce or feed on each other, which is the basis of the notion of criminal tripod which runs through the entire study. That there is an underlying business philosophy beneath these forms of criminality is not in doubt. What is not clear is the nature of relationships among them in furtherance of illegal business across the maritime space of the GoG. Like several crime groups, the discrete energy-maritime groups reinforce each other, as much as they conflict. There is a relationship of mutual benefits and mutual suspicion which undergird interactions among the different players on the criminal value chain. This is to say that such relationships are characterised by conflicts, competition and connivance. How these variables fit together, in the context of an evolving relationship among actors in the illegal energy-maritime business in the GoG, is highlighted in Figure 4.18 below.

**Figure 4.18: An overarching value chain of energy-maritime crime in the Gulf of Guinea**



Source: Author

#### 4.6 DYNAMICS OF AN OVERARCHING CRIMINAL VALUE CHAIN: COOPERATION, COMPETITION AND CONFLICT

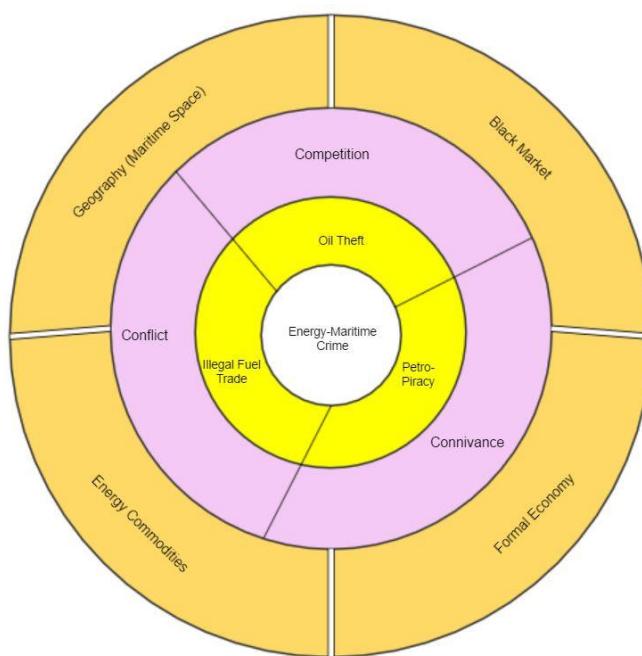
This study affirms that the differences in the discrete forms of energy-maritime crime with their value-creation processes lie in their sameness, especially given their business dynamics. Though the *modus operandi* differ, membership, geo-economic factors, and above all entrepreneurial considerations (common interests) provide a basis for an intersection of the value chain of these crime forms, which is strengthened by evolving relationships which are mutually beneficial in some cases, and conflictual in several other instances. In all, such relationships straddle cooperation, competition and conflict between oil thieves, petro-pirates and illegal dealers in petroleum, where each group is using the others, either directly or indirectly to maximise business opportunities for profit, or prey on the others for economic survival. The prevailing circumstance in the GoG viz-a-viz illegal energy-maritime enterprise is, therefore, a continuous and constantly evolving contest, cooperation and competition for control of the region's oil and petroleum largesse, geo-economic space and market which, once secured, is used by criminal entrepreneurs who operate with different identities- oil thieves, pirates and illegal fuel traders- to further consolidate the illegal enterprise and its sustaining value chain.

The different value chain relationships evolve through an intersection of geography (geo-economic space), lootable resource in crude oil and petroleum, and energy black market, which provide both opportunities and/or constraints for the illegal enterprise. They are also facilitated by several transboundary connections (economic and social ties) at both the individual and national levels. The resulting value creation activities inevitably straddle the

formal and informal sectors, with several individuals and institutional mechanisms facilitating criminal activities, and exploiting transnational criminal networks.

The above relationship is captured in the figure below. It is a concentric circle of relationship forms among the different players on the illegal enterprise value chain. The common centre (the innermost circle) represents the crime type which the different players build a relationship around, and which provides the hub around which a relationship running through

**Figure 4.19: Relationship dynamics on the illegal enterprise value chain**



Source: The Author

conflict, competition and connivance revolves. The different players in the yellow circle are constrained and enabled in their activities by the rules and boundaries set by the prevailing environment which could mutate from conflict through connivance/cooperation to competition (represented by the purple circle). This implies that the different players on the enterprise are locked in constant struggles to adapt to a changing environment, as interest evolves on the enterprise value chain. The outermost circle provides the attraction which

brings the criminals together. The advantage of a favourable geography, a black market for crude oil and refined petroleum produce, availability of energy commodities (oil and refined petroleum) and an enabling formal economy help to nourish both the enterprise and its value chain. In summary, the concentric circle below, considered here as a set of wheels that can turn around, highlights the overlapping forms of energy-maritime crime in the GoG, the factors which reinforce the criminality, and the enduring features of the crime tripod. These crime forms, their features and factors (discussed further below) that reinforce their interconnections and entrepreneurial activities, speak to the overall research question of the study and the framework of analysis.

#### 4.6.1 GEOGRAPHY (MARITIME/ECONOMIC SPACE)

The existence of the sea means the existence of pirates.

Malayan Proverb.

The point has been made in the first chapter that the geography of the GoG is not only complicit in maritime criminality in the region, it facilitates an intersection of criminal activities as several gangs and criminal networks seek refuge in the sea, in pursuit of illegal business activities. This complicity results from a lack of coordinated and effective security apparatus for policing the 6000km unbroken coastline stretching from North West Africa to Angola. Suffice it to say here that, without the maritime corridor it may be difficult to intersect the demand and supply ends of the criminal economy, especially its international dynamics, and this will invariably undermine the value production processes which sustain the enterprise.

The geography of the GoG therefore offers both a passage for criminals and a space for interactions among sea-faring criminals. It is within the context of this geographical reality

that conflicts, competition and connivance among the discrete value chains are engendered. For instance, the transportation component of the tripod value chain relies on the maritime space, and given the overlap between pirates and oil thieves in membership and intelligence sharing, the corridor thus brings together different criminals who take on different identities, for different operations, but driven by a common entrepreneurial objective. This overlap is further suggestive of the complexity of the criminal value chain dynamics, and the fact of the role of the maritime space not just as a facilitator of crime, but as an economic space which engenders criminality. Understanding the geography of the GoG as an economic space further sheds light on its significance as a spatial context for predatory activities, beyond being a passage.

That pirates had attacked the region's offshore energy infrastructure is suggestive of the economic potentials of a geographical space and its attraction as a melting pot of crime. So when interests align, which often times foster cooperation between criminals, it may be difficult, for instance, to distinguish between pirates and oil thieves within the maritime space of the region. However, pirates have occasionally preyed on oil thieves and illegal dealers in fuel, with tankers loaded with stolen crude said to have been hijacked by pirates, disrupting their value chain mechanism in the process (RIND13). The latter have also been a major market for hijacked crude and petroleum. Some dealers in illegal trade in petroleum constitute ready markets for hijacked petroleum-laden vessels and illegally refined kerosene and diesel, while some others have themselves been victims of piracy. In all of this, the GoG maritime space bridges the gap between the demand and supply of stolen, hijacked and illegally traded crude oil and petroleum produce and, in the process, facilitates an intersection of diverse value chain activities. At the same time, the GoG maritime geography has created a perfect corridor for criminal contestation, competition and connivance, which highlights its

significance in understanding the ‘geographical economics’ (Coe et al., 2007) of the illegal enterprise. As Lee (2006, p. 430) noted, ‘all economies must take place’. Geography, therefore, is always intrinsically present in all economic processes, whether legal or illegal. What is more, the sea is a space that is hard to monitor and thus is prone to the proliferation of illegal activities.

#### 4.6.2 ENERGY COMMODITIES (OIL AND PETROLEUM PRODUCE)

If the maritime space does not suck criminals into illegal enterprise or provide a connecting point for criminal value chains, crude oil does. Oil is not just a common denominator across the tripod value chain, it is, alongside petroleum, the lubricant, and the driver of the criminal value chain. Oil thieves, petro-pirates and illegal fuel dealers engage in an illegal but lucrative oil business, in a global market. The attraction of oil and petroleum to criminals lies in its nature. Crude oil is a global fossil fuel energy source, accounting for 32.9 percent of global energy use in 2015 (World Energy Council, 2016) and it will remain a dominant global energy source, providing roughly 60% of global energy growth and almost 80% of total energy supply in 2035 (BP, 2016, p. 16). The significance of crude oil in the global energy mix enhances its attraction and magnetic nature, as Watts (2009) puts it, and facilitates a convergence of these criminal entrepreneurs, but also lubricates the value chain, and represents value commodity on the value chain, be it as crude oil or refined petroleum.

Oil is a global commodity, mostly transported by sea as well as by pipeline across the globe (CSIS, 2015). The nature of oil as a tradeable commodity and the massive transformation processes underpinning its production, refining and sale illegally, creates several processes, institutions, and intersections which straddle formal and informal economies, national and international jurisdictions, local and international criminal networks, and local and

international energy black markets. It is within this context of the nature of crude oil and petroleum and the intersections it generates, that the dynamics of conflicts, competition and connivance characteristics of a wider value chain of the criminal enterprise are nurtured and amplified. Nevertheless, regardless of how the energy commodity is acquired, whether through bunkering, piracy, or illegal trade, the formal economy is usually the destination, with some degree of “double dipping”, in which the same oil is stolen by oil thieves or hijacked by pirates and then sold back into the legitimate market at different points—both in its crude state and then again once it has been refined (Ralby, 2017, p. 1). The legal market thus sustains both oil-driven illegal and legal activities on the energy value chain. Therefore, both legal and illegal value production processes operate on the same enterprise spectrum, with each occupying opposing ends of the spectrum. The difference only lies in the procedures by which value additions are made, control mechanisms applied and market needs satisfied.

#### 4.6.3 ENERGY BLACK MARKET

The demand end of the criminal enterprise value chain creates both convergence and connivance platform especially for actors across a wider spectrum of value creation process, but also in itself is an important value creation component, without which the illegal enterprise may not survive. The availability of energy black market further incentivises illegal activities, creates jobs on the value chain, and affirm the existence of a complex value chain mechanism defined by several overlap of activities and relationships, which sometimes are conflictual or mutually beneficial, and which are integrated into the global criminal economy by international criminal networks. For instance, pirates attack oil-laden vessels “because there is a booming black market for fuel in West Africa” (UNODC, 2013). “Without this ready

market, there would be little point in attacking these vessels" (ibid). So, as long as the black market exists, illegal energy-maritime value chain activities are 'oiled' and sustained.

One distinct feature of the market is that it absorbs energy commodities which have been stolen and hijacked at different stages on the value chain, and does operate with active support of the formal economy. Vessels carrying stolen crude oil and destined to the market have been hijacked by pirates, and the cargo sold to the market. So, as Jens Beckert noted, "no trading in the marketplace is exclusively illegal; never is it entirely separated from the legal economy" (MPIfG, 2015, p. 7). However, the concern essentially is not whether the market drives the value chain or vice versa; a case of the chicken and the egg, but having an understanding of the nature of the black market and its role in the sustenance of the enterprise value chain as an important element in policy intervention against energy-maritime criminality in the GoG. Nevertheless, the black market requires that participants must cooperate with one another without recourse to the legal protection granted by the state. This has an enormous impact on the way these markets are organized.

The varying forms of network arrangements that characterize black markets in oil and petroleum, link together oil thieves, pirates and illegal dealers in fuel, in managing illicit chains of custody. Some of these illegal commercial exchanges are managed through simple networks of people, routes and methods of concealment, while the more complex and larger-scale transaction economic cost or investment require professional and well organized complex transnational relationships of communication and exchange that span the illicit and licit economies and that link local segments of the enterprise value chain to a global marketplace. They involve multiple participants in the logistics trail, including complex trade and transportation routes, and sophisticated methods of concealment.

Having discussed the various processes underpinning the illegal enterprise and the dynamics of relationships on the value chain, an important issue arises which relates to the practical implication of a value chain framework to understanding energy-maritime crime in the GoG beyond the theoretical foundation established in chapter one of the study. What specific insights does the value chain approach to energy-maritime crime show and does it align with the objective of the study?

#### 4.7 PRACTICAL IMPLICATIONS OF A VALUE CHAIN APPROACH TO THE UNDERSTANDING OF ENERGY-MARITIME CRIME IN THE GoG

From the preceding discussions, it is clear that the value chain perspective underscores the essence and dynamics of a production system, and how market needs are satisfied. Drawing on Ronald Coase's transaction cost approach (1960)<sup>3</sup> to the study of the firm, with emphasis on the necessary conditions for a successful market transaction, including willing buyers, negotiation, and contractual agreement, the perspective shows the illegal enterprise as production-based, as material and labour inputs, and technology are sourced, managed and deployed in the attainment of illicit goals. As a production based system, the value chain analysis shows how crude oil is sourced, and what/how pipelines are breached, what refining mechanisms and storage facilities are put in place, transportation systems, or how piratic attacks are carried out. It also influences how such elements as factors of production, such as capital (materials) and labour; information flow especially for piracy operations, are sourced and deployed on the chain. It also brings the security cost element of the criminal enterprise into the equation, such as how much is paid as security fees to security personnel and passage

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<sup>3</sup> As noted by Oliver Williamson, The transaction cost approach emphasises the importance of the economics of transaction costs in the study of any organisation. So, in any evaluation, a premium is placed on transaction as a level of analysis.

communities, and its effect on the chain. In all, the illegal enterprise value chain, far from being a production process, is a process of cost evaluation which seeks to determine the strengths and weaknesses of alternatives to provide the best outcomes, and to balance high profits against low costs, a partial strength, weakness, opportunities, threats (SWOT) analysis.

The value chain discussions above are also suggestive of the significant role which social networks play in value creation. The interactions of people, processes and activities on the value chain align with social network analysis (SNA) which seeks to map and measure the nodes (people and groups) in a network, and their links (relationships or flows between the nodes) through which illegal production activities are carried out. In particular, it helps to shed some light on the dynamics of operations and relations on a supply chain, particularly 'the nodes ... that are operational along a supply chain' (Potts 2006, p. 3), the nature of supply relationships between nodes, and about the value or otherwise of decentralized structures (Dujin, et al. 2014). In this regard, the value chain analysis does take criminal networks beyond its social dimension, suggesting that "criminal networks are not simply social networks operating in criminal contexts" (Dujin et al. 2014, p. 1), they represent economic interactions and even beyond. The activities of oil theft, petro-pirates and illegal traders in petroleum, and its sustaining infrastructure, as discussed above, suggest not only the network or chain-like nature of the operations of a criminal enterprise, but also its inherent complexity. Understanding the social network dimension of the illegal economy is crucial to how the phenomenon is framed and addressed.

In a similar manner, the value chain analysis affirms the illegal entrepreneurial activities as "social networks that form collectives rather than organizations with unique features" (*ibid*)

relations. As noted earlier in the discussion of the nature of organized crime in chapter one, whether or not an illegal enterprise is structured as a hierarchy or a loose network, determines to a large extent the policy approach that would be required to combat it. The long-held assumption is that the arrest of the ‘kingpin’ leader of an organised criminal group would inevitably undermine the fabric of the organisation and result in its collapse, which perfectly aligns with the hierarchy approach to organised crime. However, social network analysis (SNA) highlights the fluidity of social construction of criminal networks (ibid), and provides new insights on how to combat illegal enterprises especially the fact that their resilient nature offers a significant escape route which law enforcement agencies would have to factor into their combative strategies (ibid). Nothing represents this network perspective than a value chain. The illegal enterprise value chain can therefore be seen as a social network sustained by illegal economic motives and entrepreneurship.

The value chain analysis of energy-maritime crime in the GoG has further highlighted the importance of an ordered sequence of job differentiation or specialization as an effective tool for enhanced productivity and output maximization; a feature which aligns with Adam’s Smith’s ‘Specialization theory’, as explained in “Wealth of Nations” (1776). What this means is that, a value chain approach captures the key production processes, the cost variables, interconnections of players and social contacts, job distribution, human capital (knowledge) and other important elements which lubricate illegal enterprises. Therefore, it offers a socio-economic and organizational analytical framework appropriate for a multidisciplinary study, such as being carried out here.

A major defining feature of the energy-maritime enterprise value chain is asset-specificity. For instance, while some stolen crude is traded in the global market in its raw and crude form,

others go through illegal refining processes, transformed as they move through the illegal chain of activities. That process of transformation attracts a high degree of asset-specificity – that is, a skill set or knowledge specific to that particular transaction or transformation. Such skills and knowledge may be acquired ante production processes or on the chain. However, as Handel (2003, p. 282) observed, "skills acquired in a learning-by-doing fashion and imperfectly transferable across employers need to be embedded in a protective governance structure". Beyond human asset specificity, illegal oil theft and refining activities are also site-specific. The refining activities are usually confined to the creeks where there is a guarantee of access to water, and which also provide easy exit routes to the coast. Asset specificity ties impending transactions to these activities, when specifics about the trader become important in deciding who to trade with (ibid). Therefore, "once an investment is made, buyer and seller are effectively operating in a bilateral exchange relation for a considerable period thereafter" (Wood and Wood, 2003, p. 51; Handel, 2003, p. 279).

The value chain analysis and its accompanying emphasis on modes of production, as Bright et al. (2012) observed, offer further insights into the form and function of illicit networks for energy-maritime crime by directing attention to the nature and degree of specialization and role differentiation within criminal network. In this regard, the primary focus is not the nodes or actors on the production processes, but the business of crime (Mcillwain 1999, p. 303). The issue of specialisation focuses on skill requirements for crude theft, piratic attack, or illegal trade in crude/petroleum. It also relates to the skillset needed for transportation and sale of the stolen and hijacked products. Specialization also relates to whether or not players on the energy-maritime value chain can easily switch roles, a concern which further highlights the asset-specificity dimension discussed earlier. Differentiation underscores the different roles

and job functions performed by different people on the chain, and the possibility of multiple nodes, that is whether they perform more than one role in the chain of custody. Specialist skills can also take the form of particular production expertise within a network as well as the ability to channel information in situations of knowledge asymmetries, or to undertake tasks such as laundering profits seamlessly into the legitimate economy.

As it turned out, the different activities on the complex illegal enterprise value chain require different levels of specialisation. Tapping of crude oil requires specialist skill to prevent explosion and fatalities. It is, therefore, always carried out by highly skilled individuals, who work in connivance with oil company officials. The refining processes also require expertise and technical know-how, as rudimentary and unrefined the refining process may be. The same level of expertise, or skill requirements undergird petro-piracy operations. Pirates work with the full knowledge of the trajectory of vessels, and how to execute vessel hijacks. These layers of activities are asset-specific, usually drawing on expertise within the legitimate industry. However, distribution, storage and the sale end of the enterprise value chain require few commodity/service-specific skills. Overall, the processes by which crude oil and petroleum journey across the value chain will necessitate demands for different competencies and expertise.

The value chain perspective highlights the significance of 'human capital' within a network or a criminal enterprise. The human capital approach focuses on "the stock of competencies, knowledge, social and personality attributes, including creativity, embodied in the ability to perform labour so as to produce economic value" (Duijn et al, 2014, p. 2-3). These variables are embedded in the different value creation stages, in trusted social networks. This way, the variables are integrated in the network to achieve the overall goal of the enterprise.

The value chain analysis speaks to the mechanism of social control on the illegal enterprise value chain. Doing business in the illicit economy influences the way in which contacts are generated and sustained by actors on the network, and of course the mechanisms for ensuring trust without a formal hierarchy (CWIT, 2014) and, as Edwards and Gill point out, the ways in which ‘criminal expertise is transferred’ (2003, p. 62). The more effective these webs of affiliation and mechanisms of social control are, the less likely is the risk of exposure and the more resilient a network will be in protecting logistic trails and sustaining illicit markets. In that sense, trust functions in criminal networks in much the same way as in transnational inter-firm networks – to ‘dampen opportunistic behaviour’ and to make possible ‘more complex ... divisions of labour’ (Gereffi et al. 2005, p. 81).

Far from reinforcing the entrepreneurial nature of the phenomenon under consideration, the value chain analysis offers a multidimensional approach to understanding the illegal enterprise through an intersection of several disciplines, such as economic sociology, political economy, organizational management and business, and criminology, hence its significance as a multidisciplinary analytical tool most appropriate for a multidisciplinary study, such as being carried out here.

That said, how does the enterprise and its value chain activities impact energy-maritime security in the Gulf of Guinea? The discussion below examines how the illegal economy undermines the energy-maritime potentials of the region.

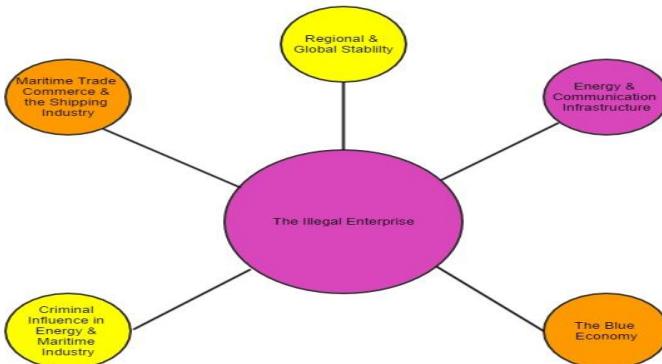
#### 4.8 THE ILLEGAL ENTERPRISE AND MARITIME SECURITY IN THE GoG

Energy crime of maritime dimension constitutes a major security challenge in the west coast of Africa. Petro-piracy especially poses significant risks to maritime commercial activities, with

considerable energy commodities, such as crude oil and petroleum produce being shipped across the Atlantic. The export-import energy industry in the region has evolved into a major target for pirates, with several vessels hijacked and crude oil theft incidents making major headlines since the turn of the century. These cases of piracy in the region are a major source of concern not only for the maritime industry but also to most West African countries bordering on the 6,000 kilometres coastline between Cape Verde and Angola as it threatens global maritime trade. Illegal offshore criminal entrepreneurial activities are having a negative impact on the maritime-dependent industries in the region, including shipping, tourism and fishing.

Petro-piracy results in additional risks and costs, because vessels are hijacked, cargoes seized, and delivery time increased. This would mean that anti-piracy operations are intensified in affected locations, increased costs of sea patrol, and higher insurance rates (Mkeani and Ncube, 2011). In the context of the focus of the study, the various ways by which the illegal enterprise undermines the region have been grouped into five, as shown in the figure below, and the categorizations form the focus of the discussion that follow.

**Fig 4.20: Impact of illegal Energy-Maritime Enterprise in the GoG**



Source: The Author

#### 4.8.1 ILLEGAL ENTERPRISE AND GROWING CRIMINAL INFLUENCE IN THE ENERGY-MARITIME INDUSTRY

The alleged involvement of some oil multinational companies and their workers in energy crime not only sustain the illicit enterprise or attests to oil companies and their officials as actors in the criminality, it affirms the infiltration of oil companies by criminal elements and their rising influence within the energy-maritime industry. Hence, the former Nigerian Naval Chief, Vice Admiral Usman Jibrin, accused oil of complicit in energy-maritime crime by "aiding and abetting all forms of criminality in the nation's maritime sector, especially crude oil theft, illegal bunkering and piracy" (ThisDay Sept, 4, 2014). There are criminal elements among oil company staff who are alleged to deliberately open manifolds of their oil wells for illegal activities, leading to a summon on oil companies by a House of Representatives Committee in December 2016 over the stolen of crude oil and Liquefied Natural (LNG) worth \$17 billion (Punch December 2, 2016).

The Special Adviser on Niger Delta Affairs to former President Goodluck Jonathan of Nigeria, Mr. Kingsley Kuku, in the Vanguard Newspaper of July 9, 2013, said:

I know of one thing and this is the bombshell that there are workers in the oil and gas industry who have the expertise, the technical know-how and knows about the ways and means of sabotaging the oil and gas industry, who are likely to be involved. So you have a situation where some pipeline protection contractors empowered by the oil companies participate in the theft. The same people, who are meant to be securing these pipelines participate in oil theft.

In some instances, ships had secret compartments built in it where unreported portion of the cargo is kept, while in other cases, ships are filled with stolen oil using fake documents obtained from a 'friendly' customs agent. As noted earlier in chapters one and three, oil workers with positions in pipeline control rooms are allegedly paid to lower the pressure in

pipelines to prevent explosion during illegal tapping operations. Similar scenario undergirds piracy operations, where rising criminal complicity in the maritime industry sustains vessels hijack.

The scale and complexity of the illegal enterprise underscores rising criminal influence in the energy industry and other state agencies, so that oil theft and petro-piracy supplements the income of a large number of people across the industry and wider economic spectrum, and the proceeds therefrom are ploughed back into the illegal enterprise thereby creating a vicious cycle of crime.

#### 4.8.2 CRIMINAL ENERGY-MARITIME ENTERPRISE, REGIONAL AND GLOBAL STABILITY

Illegal energy-maritime criminalities in the GoG significantly threaten national and regional stability. In most cases, supply of energy is interweaved with deep-rooted corruption which sustains energy black market, resulting in a downward spiral. These activities undermine governance, the economy, development and human security. The resulting illicit financial flows erodes states' capacity to meet its socio-economic development goals over the long-term. The illegal enterprise can become a gateway activity and funding source for nefarious actors perpetrating higher-profile crimes, weapons proliferation and violence. Once those more organized networks are established, the allure of additional illicit profit becomes more attractive and achievable. Over time, energy crime can become part of the machinery of insurgency and endemic corruption. The illegal enterprise therefore represents a net loss for the GoG: shortfalls in revenues accruable to countries and companies, markets, dwindling investments in the energy sector, and most importantly undermining security impact, regionally and globally.

#### 4.8.3 THE BLACK MARKET AND THE BLUE ECONOMY OF THE GOG

Of Africa's 54 states, 38 are coastal, and more than 90% of Africa's imports and exports are conducted by sea. The largest sectors of the current African aquatic and ocean-based economy are fisheries, aquaculture, tourism, transport, ports, coastal mining and energy. In addition to harbouring some of the most strategic gateways for international trade in Africa, maritime zones under the continent's jurisdiction total about 13 million km<sup>2</sup>, an area lying under the sea that is equivalent to two-thirds of Africa's landmass. If fully exploited and well managed, this hidden treasure constitutes a major source of wealth that could catapult the continent's fortunes (Lopes, 2016).

No doubt, Africa's blue economy holds the key to the economic emancipation of the continent, especially the Gulf of Guinea. However, its enormous potentials exist side-by-side significant challenges. Hence, as Bueger (2016) observed, if the blue economy is indicative of the prospects and promises of Africa's sea, maritime security holds out its risks and perils. This not only underscore the linkage between the blue economy and maritime security (including energy crime of maritime dimension), it affirms their existence as two sides of a coin (Beuger, 2017), with both exerting significant impact on each other. The two issues lie at the heart of ocean governance and economics of maritime security.

The Gulf of Guinea vividly embodies this relationship. As part of an estimated 13 million km<sup>2</sup> African ocean territories with a blue economy worth USD 1 trillion per year (ECA, 2016), the West coast of Africa is endowed with enormous natural resources, including marine resources, which hold significant promise for economic growth and development, but have not been fully tapped. The aquatic and marine resources especially, which need to be harnessed and developed, play no less an important role in transforming structurally the blue economy of the GoG. The significance of the blue economy to the development of the African

continent is robustly captured in the 2016 policy handbook of UNECA on Africa's Blue Economy, which recognizes the continent's blue economy as "*a new frontier for the continent's renaissance*". Hence, as Carlos Lopes, Under Secretary General of the UN & Executive Secretary of the UNECA, concluded in *Africa's Blue Economy: An Opportunity Not to be Missed*, "a better understanding of the enormous opportunities emerging from investing and reinvesting in Africa's aquatic and marine spaces" could help mitigate against "illegal harvesting, degradation, and depletion..." (ECA, 2016) of the continent's ocean economy. However, illegal energy-maritime enterprise undermines the capacity of GoG states to effectively put the sea and its potentials to good use, and ensure the safety of the marine environment. On the one hand, piratic acts at sea create an ungovernable maritime space, and hinders offshore energy exploration activities as pirates have not spared offshore oil platforms. According to a 2016 report of *Energy Business*:

These days, successful movement of tools, equipment and materials from shore to swamp and offshore locations have become very expensive and risky business. It takes days of planning and organization of all items to be shipped and the entire convoy would set sail, with the full complement of military personnel. Even at that, coordinators of such logistics ensure that they duly settle the platoons of criminals and communities along the travel routes, in order to have a smooth sail. It is, therefore, a great risk if one embarks on such journey without detailed preparations as outlined above as such convoys are likely to stray into the waiting arms of the pirates. Personnel movement is done only and strictly by helicopters.

The report added that:

Virtually all of the offshore support vessels divert to neighbouring countries like Douala in Cameroun and Tarkwa Bay in Ghana for maintenance. Offshore rig companies would rather stack their idle rigs on the shores of other African countries than tow them into the Nigerian troubled waters in Nigeria (ibid).

In addition, oil spills have attended illegal oil refining activities in the Niger Delta creeks, resulting in destruction of marine lives, and dislocation of the traditional economy and means of livelihood of the people. Hence, the blue growth will not be possible, and even less sustainable without a sufficient degree of maritime security. Whether it is offshore oil platforms, the sea lanes, or even fishing activities, there is the requirement of an environment which is not threatened by criminality. Offshore oil exploration, for instance, cannot be carried out where the sea is threatened by pirates.

On the other hand, a productive exploitation of the blue economy holds the key to enhancing maritime security. A core factor in the spread of maritime insecurities, violence and crime is the welfare of coastal communities (Beueger, 2017). Neglect and marginalisation of oil-producing Niger Delta communities have justified recourse to maritime crime by youths of the region as a source of income. The interests of coastal communities will have to be adequately addressed in any blue economy development agenda, to ensure a secure environment and “safe sea” (ibid) vital for the exploration of the resources of the sea. A consideration of such interest is also hinged on the pivotal role they play in “maritime law enforcement, and ...as the eyes and the ears of security agencies” (ibid) on coastal criminal activities. The illegal enterprise, therefore, threatens the unlocking of the full economic potentials of the region’s blue economy as it makes it impossible for countries in the region to realise the potential of their oceans. Failure to ensure that the GoG’s ocean territories are secure promotes ungoverned spaces which oil thieves and petro-pirates, among other criminals, exploit.

That these offshore energy platforms and infrastructure must fulfil broader requirements of national security further highlights the need for effective protection against maritime criminals. Thus, the GoG countries must evolve a region-wide security policy framework which draws on national sea and coastal strategy and strategies for coastlines or basins as part of overall regional security architecture, to strengthen the capacity of the coastal states of the region especially in protecting their territorial integrity.

#### 4.8.4 ILLEGAL ENTERPRISE, MARITIME TRADE AND COMMERCE

The increasing wave of illegal energy-maritime criminality on the waters of the West Africa constitutes a great threat to the flow of commercial activities across the global shipping lines. Maritime operators are particularly easy targets as their sea-faring activities and oil and gas vessels are continuously subjected to piratic attacks. The Nigerian territorial waters, for instance, witnessed 13 vessels hijack between 2015 and 2016 (ThisDay Newspaper, April 8, 2016), an indication of the dangerous dimension the trend is assuming. The increasing cases of piracy has undermined the attractiveness and competitiveness of African ports over the years, results in rising cost of shipping to West Africa, and affects directly flows of port traffic as ships seek to avoid risky routes (Lopes, 2016), particularly those of GoG.

Petro-piracy in the west coast of Africa is an emerging market which disrupts the Atlantic corridor connecting the US, Europe and West Africa, and devastates the region's potential as a global shipping corridor for crude oil (Mbekeani and Ncube, 2011). So piracy particularly threatens maritime transportation, but more generally destabilizes the entire industry in the GoG. In 2012, the GoG had recorded 55 incidents of piracy, rising from 44 incidents in 2011 (ICC-IMB), thus representing an increase in the region's share of reported piracy attacks in Africa from 17.3 per cent in 2008 to 13.5 per cent in 2010 and 37 per cent in 2012 (ibid). The

outcome is the designation of the region as 'high risk area' by the Lloyd's Market Association (LMA), based in London, placing it in the same category as Somalia (UNCTAD, 2014). The bad news is that this development and the categorisation that follows only help to inflict additional costs on trade and commerce, such as insurance premiums for shippers, as insurance rates for vessels transiting the region have gone up (*ibid*). The overall impact of piracy in the region on trade and commerce is most appreciated when considered against the backdrop of the source of revenue of countries like Angola, Cameroon, Ghana, Guinea and Nigeria who are the region's largest oil producers, and are dependent on the import-export business around the oil industry for economic development. Thus, piracy in the region destabilizes global trade in oil, trade-led development agenda of regional governments as well as regional security (UNCTAD, 2014).

#### 4.8.5 ILLEGAL ENTERPRISE, ENVIRONMENTAL DEGRADATION AND SUSTAINABLE DEVELOPMENT

Environmental and marine pollution, such as oil spillage resulting from oil theft, illegal refining, and illegal ship-to-ship threatens the region's economy, its environment and quest for sustainable development. The illegal refining of crude oil impacts are even more significant in the region's marine protected areas of the Niger Delta. The loss of vessels at sea is just as much a danger for the safety of navigation as a potential source of environmental pollution. Beyond the immediate impact on the environment and navigation, this pollution, whether intentional or not, may have direct or indirect consequences for the economy (port activities, fishing, aquaculture, tourism), national security and, obviously, for public health, both by direct contact with pollutants and concerning food safety.

#### 4.8.6. THE BLACK ECONOMY AND TOURISM

The entire coastline and inland creeks of Nigeria present very inviting tourist scenes that have not been developed. As Nigeria seeks for more revenue from non-oil sectors, tourism presents a very great opportunity, but the inherent dangers have made it an impossible venture. While the likes of South Africa and Namibia boast of beautiful beaches and waterfronts that attract millions of tourists, such destinations are nothing but death zones especially in Nigeria, as maritime criminal elements are ready to pounce on tourists and other visitors. One may be embarking on suicide mission with a boat cruise on these troubled waters.

#### 4.9 CONCLUSION

The foregoing discussions flow from the previous chapter, which provides an enterprise perspective of the illegal energy-maritime criminality in the GoG, but goes further to do a structural analysis of the enterprise by focusing on its production dynamics and value creation activities. The illegal enterprise, in sustaining its productivity, has evolved a robust production and value creation infrastructure, a multi-million dollar criminal value chain around energy-maritime economy, which is oiled by the interplay of formal and informal economies, and nourished by a confluence of factors, and has created a vast network of people, institutions, processes and relationships, and cross-border trade relations. Such interplay manifests in the emergence of mutually beneficial/antagonistic relationships between governments, its official, institutions and criminal groups, often termed political-criminal nexus, on one hand and between different criminal groups, on the other. The huge infrastructure and network of actors and interests undergirding the enterprise which the value chain analysis espouses not only affirm the entrepreneurial drive behind the phenomenon, but also explain why it has

endured overtime. What the enterprise-value chain approach means for the fight against the criminal enterprise in the GoG is the focus of the concluding chapter.

## CHAPTER FIVE

### SUMMARY AND CONCLUSION

#### 5. 1 SUMMARY

This study, having sought to embed its underlying argument in existing literature on energy security, maritime studies, criminology, business management, etc., has delved into an important area of energy-maritime security, though previously explored empirically, using a different framework and primary, up to date data and drawing on a multidisciplinary approach. In this regard, the study, using the enterprise-value chain perspective, proceeded to examining crude oil theft, petro-piracy and illegal fuel trade as a criminal business tripod with a value chain nourished by criminal opportunities around the GoG's energy-maritime economy. The enterprise-value chain perspective brings a business, economics and criminology dimension to understanding a security issue by focusing on the nature and dynamics of the illegal enterprise, its value creation processes, and social relations among criminals on the enterprise value chain, thus providing a multidisciplinary perspective to analysing and understanding illegal energy-maritime activities in the region with significant implication for the narrative on energy-maritime security in the GoG, both in academics and governments.

The study argues that crude oil theft, petro-piracy and illegal trade in fuel in the GoG is a criminal energy-maritime enterprise tripod which has endured because of its nature and the business opportunities it creates for criminals, in a region where several local, regional and international actors, institutions and mechanisms interplay to give strength to the business and shield its operational/value chain mechanisms against interdiction. The criminal tripod is

an illegal enterprise which is oiled by the region's crude oil and petroleum produce, presence of a black market for oil, and a poorly controlled maritime corridor which connects the local illegal oil economy of the Niger Delta with regional refineries and the global energy market.

That said, the enterprise has both demand and supply ends, a sizeable market across the region and beyond, and actors deeply involved in it. Added to these features, energy-maritime criminals in the GoG are continuously evolving and constantly adapting to changing environment. This is reflected in the tactics they deploy which are determined by their past experiences. Government initiatives must be targeted at the adaptive capability of the criminals which must be frustrated by imposing substantial cost on their operations. The illegal enterprise is also comparatively easy to start, and sustain, depending on the level of investment. The capital assets required for start-up is also within ready reach. Crude oil refining materials, boats and other materials deployed in piratic operations are readily accessible in the local markets.

The enterprise is generally decentralized, loosely structured, and non-permanent. It is defined by a loose operational mechanism which markedly differs from conventional organisations. The operational principle is confidentiality, while group loyalty is essential to the continued survival and success of the enterprise. All these variables are nourished by socio-cultural affiliations which often straddle territorial divides, and they, ultimately, enhance the persistence of the criminality and frustrate several anti-illicit activities initiatives of the government.

Importantly, the business operates on the same spectrum with legitimate energy-maritime activities or businesses, such as oil refining, oil bunkering, and crude oil/refined petroleum

transportation, occupies the opposing end of an enterprise spectrum, and thrives on the strength of a mutually beneficial relationship with the formal economy. There is a mutually beneficial, or sometimes antagonistic relationship defined by conflict, connivance and cooperation existing among the different actors and institutions engaged in the enterprise, and across its value chain. Such relationships partly explain the persistence of the criminality and the manner in which actors on the value chain behave, and are strengthened by the prevailing environment of the region which enables criminogenic tendencies.

In addition to these features, the enterprise has a developed complex value chain which lubricates its entire fabric while feeding into a formal/informal local, regional and international economy, and operates within the limits set by its enabling environment and the nature of interactions that bind the actors in the business. The value-creation mechanism intersects both the various stages in the criminal process and the actors. Value is created at the macro (various stages of value chain/institutional) and micro (individual actors) levels and it could be measured in terms of how much returns on investment accrue to the various institutions sustaining the criminal enterprise, or how much individual players involved in the enterprise get as proceeds. The distinction between macro and micro levels of value addition is important for combating the criminality, as the most effective level in terms of creation of value should be a major consideration for policy intervention. At the micro level of oil theft and petro-piracy operations, for instance, further distinction could be made between the 'barons' and the 'boys', and between the pirates and their sponsors. However, the research has shown that the volume of value created at the different value-production stages is proportional to investment. This explains why the barons behind crude oil theft business and the financiers of petro-piracy operations are known to generate more value because of their

significant financial commitment towards the criminality. Targeting these institutional actors with the goal of crippling their business operations and support networks will go a long way in combating the criminality.

As noted in chapter three, the socio-economic, political and geographical environment of the GoG ensures that illegal enterprise flourishes around the region's energy-maritime industry. Weak governance reinforces an enabling environment for youths especially to consider oil theft and petro-piracy as an economic venture which yields substantial reward but reasonably low risk. The geography of the Niger Delta creates safe havens essential for successful illegal maritime activities. For instance, there must be someplace for petro-pirates to launch attack, carry out ship-to-ship operations, take hostages, maintain their boats, etc. Destroying the safe havens and operational bases should be an important component of the drive towards making the illicit enterprise unsustainable. The GoG has a rich history of conflicts which have produced a substantial number of youths who are able to handle weapons and warfare, but have few entrepreneurial skills. All of these elements point to the existence of an illegal enterprise that can only be combatted by altering significantly the risk-return trade off of the criminals and would-be criminals.

In summary, the illegal enterprise in the GoG is a major security threat, but importantly a huge enterprise with a value chain. As an organised crime, the illegal energy-maritime criminal tripod in the GoG operates under an enterprise model; constantly exploring new business opportunities and seeking to expand business frontiers by taking advantage of the globalisation processes and laxity in institutional and regulatory frameworks across the states in the region. What started as a local, or at best a regional enterprise with isolated operational support services, which ensured that exposure to interdiction and arrest were minimal, has

evolved into a more complex and sophisticated global criminal syndicate with a well-oiled criminal infrastructure. Expansion in offshore and onshore oil operations across the region occasioned by new oil discoveries and advancement in oil exploration technology has resulted in an increase in criminal activities. Organised criminal networks in Nigeria, whose activities were hitherto confined to the coastal waters of Nigeria, have scaled up operations and ventured into the waters of Ghana, Sao Tome and Principe, and Gabon among other emerging oil producing countries in the Gulf of Guinea. Hence, it is important that stakeholders in the region's energy-maritime sector understand the context, and culture, that promotes criminal involvement in the sector. A strong understanding of the enterprise nature of energy-maritime crime in the GoG is an important requirement for developing the right policy mix towards combatting the phenomenon. Any policy intervention should be hinged on an understanding of the nature of the criminal tripod, the complex collaborations among its component activities, and the environment within which such interactions takes place. Such an understanding of the nature, complex collaboration and environment nexus of the illegal enterprise should provoke a thought process which ultimately result in an effective response mechanism.

## 5.2 POLICY IMPLICATIONS OF THE ENTERPRISE-VALUE CHAIN PERSPECTIVE

What does the foregoing discussion on the role of organised crime in energy-maritime activities in the GoG, the characteristics of the illegal energy-maritime enterprise and the network of value creation activities sustaining the enterprise mean for government policies towards addressing the phenomenon? In other words, what is the impact of the enterprise-value chain perspective of the criminal tripod for government's policy towards maritime security in the region, especially Nigeria? In answering this question, the study develops a

business framework infused in the dynamics and modus operandi of the illegal enterprise summarised above. Further recommendations will also be made on the basis of the analysis in chapters three and four, to develop a broad policy mix towards effectively addressing the illegal enterprise.

#### 5.2.1 A BUSINESS APPROACH TO ENERGY-MARITIME SECURITY IN THE GoG

Energy-maritime security in the Gulf of Guinea is a security issue as well as a business issue, and decisions about it require a whole-of-business approach. Interestingly, there is a growing realisation of the need to approach the phenomenon, especially theft of crude oil from the business side. However, a lack of thorough interrogation of the business dimension of the phenomenon which should provide a context for policy interventions and absence of proper coordination of on-going initiatives in that regard create a huge gap between measures and concrete realities. The need to understand the business context of any security threat is more critical in the region, where there seems to be an inverse relationship between threats and security resources. The business approach seeks a business-security framework that links business context with threat, and that enables policy makers to manage, prioritize, and deploy effectively limited resources to achieve optimal results. There are several components of the business framework which will be discussed below;

- 1) Legalisation of crude oil theft enterprise.
- 2) Making illegal refiners and local community co-owners of the enterprise through equity participation or a form of joint venture.
- 3) Understanding the intersections and shared spaces of operation between the illegal enterprise and the legal energy-maritime economy of the region with a view to pursuing a rigorous delinking process.

- 4) Undermining the value chain of the enterprise to the disadvantage of the criminals by crippling the chain (s) where optimal values are created. e.g. transportation
- 5) Bridging the energy demand-supply gap especially in Nigeria

Crude oil theft and artisanal refining of crude oil is a booming business in several coastal communities and creeks of the Niger Delta as discussed in previous chapters, and the government of Nigeria continues to clamp down on these criminal activities through the Joint Task Force (JTF) by destroying the refineries. However, the effectiveness of this military-centric approach should be weighed against the backdrop of the resilience of the criminals, who go back to the business after every military onslaught. Destroying the illegal refineries would seem to be a superficial interventionist strategy to combating the problem. As shown in the analysis chapters, the anti-illegal refining operations are carried out by JTF officers without due regard to sustainable environmental development principles as the environment and coastal water is often left to bear the brunt. It has been an approach which while trying to address a problem, creates several others. On this note, there is an urgent need to explore more enduring and environment-friendly measures. As part of these measures, this study recommends the legalisation of artisanal refining activities.

Artisanal refining operations also highlight a lack of refining capacity in Nigeria which creates a huge gap between demand and supply of refined petroleum produce. So if the artisanal refineries, as make-shift as they may be, refine crude oil to satisfy the needs of a sizeable number of people, it demands that the government pays closer attention to its operations and mechanisms with a view to upgrading and making their operations more environment-friendly and sustainable. It is against this backdrop that the study recommends that the illegal enterprise, especially artisanal crude oil refining be legalised. The legalisation process should

be driven by a business template which seeks to incorporate local communities and illegal refiners in the region as part-owners in the business of refining, since they have already mastered the act of fractional distillation and developed valuable skill sets in maritime operations and crude oil transportation. This would create a win-win situation for all stakeholders, because it incentivises and accelerates the course of peace and stability in the region which is required for the initiative to achieve its objective. By so doing, the business opportunities that provided motivation for criminal activities would have been preserved under a different template and rules of engagement.

Already, the Nigerian government under President Muhammad Buhari has initiated a plan to legalise illegal oil refining activities in the Niger Delta by transforming illegal refineries in the region into modular refineries for proper integration of the youth in the region, who will be organised into consortia, with each consortia refining 1000 barrels of crude oil daily (Premium Times, April 1, 2017) thereby channelling their energy and skills to more productive ventures. Rather than a scorched-earth policy that seeks to eliminate the operations of such refiners, illegal refiners will be integrated into the new system and get crude oil supply directly from the government. In achieving this goal, the government is providing incentives for local and foreign investors to set up modular refineries by removing some of the bureaucratic bottlenecks which typically mar government programmes so that foreign investors like Total Plc, who have shown interest in partnering with EGI community in Delta to set up a modular refinery, can be encouraged to set up refining facilities.

The proposal is fraught with challenges, such as those bordering on the technical and engineering ramifications of the conversion, what financial framework suits the interest of all parties, and how to integrate illegal refiners into the proposed scheme. However, the Nigeria

Sovereign Investment Agency (NSIA) is already working on the last challenge, although not much progress has been made on the first two. There is a greater need for further collaboration and discussion among various stakeholders on the best approach towards evolving a workable system. Setting up modular refineries is capital intensive. However, it has a smaller investment cost than conventional refineries which enable private investors to set up refineries. A refinery with a daily production capacity of 100,000 barrels cost roughly one and a half billion dollars, while that capable of producing a quarter of the same amount daily is estimated to cost 250 million dollars (Nwaozuzu, 2014). Modular refineries also have the advantage of a shorter start-up time and faster pay-back periods. It takes usually 18-20 months to start up a modular refinery compared to 3-4 years for a 100,000 bpd capacity refinery and the capacity could be expanded gradually without disrupting the production process (ibid). Though not many jobs can be created with modular refineries because it requires less labour and the plants are partly automated (ibid), nevertheless, the business approach to the phenomenon gives the surest path towards addressing the problem because it sustains the business interest of the criminals (though under a new template and more regulated business environment) which can engender peace and stability, creates legitimate businesses which could generate revenue to the government through taxation, and promotes a sustainable operational environmental because of shared interests in oil refining. The business approach ensures a win-win situation for all stakeholders in the energy-maritime industry in the region, and represents a new development paradigm which could promote sustainable environmental development of a region which has long been battered by oil spill and environmental pollution.

In addition to its sustainable development advantage, the security-infused business approach, driven by the desire for an equitable resource management architecture, seeks out a process of equal participation which creates different layers of engaging host communities in the governance and management of their resources and its proceeds. To this end, this study recommends that communities whose territories oil pipelines pass through should be incorporated as co-owners in the emerging oil refining model, to foster a sense of ownership in oil industry assets. This form of inclusiveness, joint ownership of energy-maritime assets and community participation in developmental agenda offers a credible and sustainable approach to ending the phenomenon of oil theft and illegal trade in refined petroleum as the interests of all parties will be protected while ensuring sustainable development of the environment.

Indeed, as demonstrated in chapter three and four, one of the factors implicated in illegal energy-maritime activities is the role of passage communities and community leaders as accomplices in criminality. Community participation in legal oil production and maritime activities in the form of equity participation provides the communities with a genuine reason to ensure that oil facilities in their domain are protected. What this suggestion does is that, rather than community leaders looking the other way when acts of illegality and criminality are committed in their backyard, they play active role in ensuring that criminals are apprehended and prosecuted. This is because they stand to lose in the event of disruption to legal oil and maritime operations in their communities because of their status as co-owners of oil facilities or major stakeholders in refining and maritime operations in the region. As part of the measures towards combating the illegal enterprise in the region, community participation in the scheme of things should be a top priority to the government.

As shown in chapter four, the illegal energy-maritime enterprise is a facet of the formal economy in the region and underscores the existence of a link between two economic worlds: legal and illegal. In addressing the phenomenon therefore, especially how its link to the formal economy is accentuated and sustained, and the various forms it takes, greater attention should be given to the “connecting channels and shared spaces of exchange in which legal and illegal markets intersect” (Hudson, 2016, p. 780). This would require instituting a delinking framework which should be targeted at those connecting channels and spaces and the factors that reinforce the linkages. For instance, the theft/vessel hijack and transportation of crude oil phases of the illegal enterprise provides a connecting platform for both the legal and illegal economies, and hence should be particularly targeted in unravelling and taming the phenomenon. The two economies can be delinked by looking into variations in the degree of involvement of the illegal economy in the legitimate economy. Such variations include how illegally gotten crude oil and refined petroleum help to sustain legitimate businesses; how legal goods and services are provided to the illegal energy-maritime entrepreneurs; how the criminality has helped in furtherance of legitimate businesses; and lastly, how legitimate businesses have helped in furtherance of the criminality. Achieving this goal would require detailed research on the link between the illegal and legal energy-maritime economies in the region. Understanding the mutuality between the legal and illegal energy-maritime economies of the GoG as a context for developing a rigorous delinking mechanism is at the core of the business approach.

The point has also been established in chapter three that illegal energy-maritime enterprise in the GoG is demand-driven. The enterprise and its value chain thrives on a black market for oil and refined petroleum which is coordinated by a network of individuals and institutions,

enabled by socio-political, geographical and economic environment of the region. To that extent, a disruption of the demand end of the illegal enterprise, especially local and regional dimensions, will significantly undermine the criminality and halt its growth. However, it would be over-simplistic to describe energy-maritime enterprise in the GoG as demand-driven because, not only do supply and demand overlap, they both operate within a multifaceted and intertwining socio-political and economic setting as referenced in chapters one and three. Thus, as much as the demand side of the enterprise needs significant attention because of its role in sustaining the business, the supply side feeds into an existing demand infrastructure which thus makes a compelling case for considering how the supply infrastructure integrates into the entire value chain.

In essence, in addressing the illegal enterprise and its value chain in the GoG, a thorough consideration and understanding of the criminal value chain is required to ascertain where the enterprise is most productive, where value is most created, and where disruption can have optimal impact, both on the demand and supply side. Such understanding should trigger a coordinated response targeted at specific aspects of the enterprise and its value chain with the goal of undermining its productive and value creation capacity, at the supply-demand intersection.

A major supply side component of the crude oil theft value chain for instance, is the flow stations which criminals exploit because they do not have metering infrastructure. In addressing the phenomenon of oil theft in Nigeria, installation of metering facilities at the flow stations should be considered a priority. Metering infrastructure enables the government to determine how much oil the nation produces and exports daily and thus work

out a commensurate tax regime based on the volume produced not exported. This would also ensure that the oil multinationals take a keener interest in the security of oil facilities and transportation of crude oil between the flow stations and export terminals since they will pay royalties based on production. So, loss of oil between the flow stations and terminals will inflict significant economic burden on the oil companies.

Similarly, oil syndicates ensure that the bills of lading are forged to disguise illegal additions or conceal useful information which could help in determining the origin or destination of a cargo. This is usually the case with manual bills of lading which are still being used by most cargo companies. Addressing the phenomenon of oil theft and illegal trade in fuel would mean the introduction of E-bills of lading, as part of measures to undermining the supply side of the illegal enterprise value chain. The use of electronic bills of lading provides instant information on tankers and their cargo and thus enables regulators to easily determine companies involved in illicit oil operations. It helps to forestall the practice of round-tripping as discussed in chapter three. The American government has repeatedly offered to help Nigeria in deploying an effective and operational electronic bill of lading system since 2006, but the government has not shown the willingness and determination to consider the offer. The volume of stolen crude in Nigeria since the turn of the century, especially from early 2000 makes a strong case for the adoption of the e-bill of lading. More so, it is argued in the study that the volume of stolen crude oil which goes to both the regional and international black market, more than what is stolen and refined locally, is possible only at the export terminal and during transportation. An electronic bill of lading would thus address a major supply chain activity and ultimately, largely undermine the enterprise and its sustaining infrastructure. However, it is vulnerable to challenges, such as internet piracy, virus attack, among others.

## 5.2.2 BEYOND A BUSINESS FRAMEWORK: EVOLVING AN EFFECTIVE COUNTER ENERGY-MARITIME CRIME POLICY MIX

Enhancing energy-maritime security in the GoG requires the development of a robust policy mix which takes cognizance of several other initiatives beyond business-centred measures. Some of these measures are discussed below.

As discussed in chapter three, oil theft and petro-piracy for instance are defined by decentralized structures which make them less vulnerable to military onslaught. Thus, even when such enterprises come under attack, their decentralized nature implies that some structures and actors will live on, and choose to continue the business. This largely explains the continued existence of the phenomenon despite several government measures, including military-centric operations. Further measures targeted at crippling the flow of criminal proceeds and assets forfeiture should be intensified especially against pirates towards combating the phenomenon. However, several of these measures suffer significant limitations because of the adaptive capability and resilience of illegal enterprise structures discussed earlier. Nevertheless, there is a need for continued military-centric operations in the region, to neutralise criminal networks, destroy operational bases and their assets, and safe heavens. This would have the effect of significantly raising the financial implications of criminal activities, making its survival and sustenance over a period of time more difficult, and ultimately subduing the illegal enterprise.

The analysis chapters suggest that illegal enterprise-maritime activities in the GoG are essentially land-based. The value chain of oil theft, petro-piracy and illegal trade in fuel reveal that the activities are planned, coordinated and funded offshore. Execution of piratic acts would be impossible without land-based support services. This speaks to the fact that

counter criminal measures in the region especially against petro-piracy should evolve beyond at-sea maritime operations which has been the practice for years. Effectively policing a 6,000 km coastline has been a great challenge for regional forces. The adaptive capability and resilience of pirates has made the anti-piracy activities of regional naval forces more daunting. This highlights the inherent shortcomings in traditional military and sea-based approaches to counterpiracy operations. Thus, with renewed collaborations among stakeholders in the region and their international partners, counter energy-maritime criminal activities should be geared towards addressing the land-based environment that enables such activities and the support services that propel them. This would mean that greater attention should be focused on addressing such socio-economic and environmental conditions that drive coastal dwellers especially into illicit activities, which are also implicated in greed and grievance especially in the Niger Delta region of Nigeria. Effective responses to illicit activities in the GoG would require a synergy between land-based and sea-based counter criminal operations, so as to address the roots of the phenomenon rather than its manifestations.

The analysis chapters identify corruption as a critical element of the illegal enterprise and its value chain, which runs through the entire fabric of the enterprise. From giving out information by corrupt government officials to pirates on the schedule of vessels, to oil company officials who help in facilitating crude oil theft, to government officials, such as security personnel who collaborate with criminals to ensure that stolen commodities have unfettered access to the sea, corruption has given life to the illegal enterprise, and ensures its sustenance. Corrupt practices help sustain existing links between the illegal enterprise and formal economy, and ensure that stolen crude and refined petroleum access the energy market by moving through several legal and illegal channels, shielding the source of the

product in the process, and reinforcing the persistence of the criminality. Local communities are also paid off for being complicit in crude oil theft. This has significantly undermined the efforts of the governments at effectively addressing the phenomenon. So, war against corruption should be seen as an important component in the fight against illegal energy-maritime enterprise in the GoG. While fighting corruption, governments in the region should also ensure that concerns around the welfare of JTF officers are promptly addressed while salaries are paid regularly.

Given the nature of the enterprise, it behoves the government to criminalize the acts and strengthen existing national legal frameworks proscribing oil theft, piracy and illegal bunkering activities. In the case of Nigeria, several legal frameworks exist to address illegal energy-maritime activities. These include Anti-Sabotage Act; Criminal Justice Act; Miscellaneous Offences Act, etc. So, the concern lies not in the absence of laws, but the inability to prosecute diligently by applying the existing laws. Added to that challenge is the issue of disparity in punishment. Whereas the military governments had enacted severe punitive measures, several other laws are less weighty to deter acts of criminality. Whereas the Petroleum Product Distribution Act of 1975 provides for a death sentence or a prison term of 21 years, the Petroleum Act stipulates a twenty four months prison term or an option of 2,000 naira (6 dollars) fine for oil theft and bunkering related offences. The result is a legal conundrum which manifests in different punishments for similar offence, or a legal paradox. Such double-faced legal framework does little to strengthen the war against illegal energy-maritime enterprise in the Niger Delta and wider GoG. The absence of an effective judicial system which could promptly dispense with justice in cases involving energy-maritime criminality has provided some comfort for criminals and encouraged illicit activities. This

partly explains why several cases have dragged on for years in court with little convictions secured despite reportedly high numbers of arrest and seizure of oil bunkering vessels. Going forward, there is a need to strengthen and enhance the effectiveness of the laws against illegal energy-maritime activities by criminalizing the act and making prosecution less difficult, harmonize and unify existing laws prohibiting illegal energy-maritime acts, thorough and diligent prosecution of offenders, quick dispensation of justice, severe punishment (excluding the death penalty option) to serve as a deterrent to others.

Pipeline laying procedures and regulations should be in line with international best practices. One major development that has given life to the illegal enterprise in the Niger Delta especially is the easy access to crude oil pipelines by criminals, because most of the pipelines are not buried in the soil, or are not deeply buried such that vandals can have easy access. Easy access to pipelines ensures that there is almost an uninterrupted flow of stolen crude oil to the illegal refineries and badges anchored on the sea. More worrisome is that most oil pipelines have been in use since the start of oil refining and transportation activities without routine and effective maintenance; and are therefore ageing, so they are either easily damaged or leak as a consequence of corrosion. Pipeline breach and leakages, as noted earlier, result in severe environmental impact, water pollution; explosion etc. While the old pipelines should be replaced, new ones should be properly buried to prevent easy access by criminals.

On their part, the oil multinationals, who also run a network of oil pipelines must develop the culture of routine maintenance of oil transportation infrastructure and ensure pipelines are subjected to intermittent integrity tests. They must ensure that pipelines are fitted with sensors which could help in the early detection of acts of vandalism. Proper pipeline

maintenance and effective surveillance system are a major step in addressing the steady flow of stolen crude oil and hence, the supply end of the black market, because the bulk of stolen crude oil which goes to the artisanal refineries or directly to the badges comes from the pipelines.

Weak government institutions has been identified in chapters three and four as complicit in the persistence of the illegal enterprise. Therefore, there is a greater need to strengthen government agencies, such as the Nigerian Navy, NNPC, among others saddled with responsibilities of ensuring safety and protection of energy-maritime infrastructure by adequately equipping them for effective performance. It is important to build human capacity in these organisations through continuous training so that those saddled with the responsibilities of ensuring safety of the maritime space understand the dynamics of the illegal enterprise and the way and manner the criminals carry out their illicit operations.

Operational mechanisms of these agencies must be knowledge-driven.

An inclusive resource governance regime which ensures that the interest of host communities are protected in the scheme of things should guide operations of both governments and oil multinationals in the Niger Delta. In line with this, the Petroleum Industry Bill (PIB) is a commendable step in the right direction, and its focus should be broadened to include provisions on how to address and mitigate the scourge of illegal energy-maritime activities in the Niger Delta. This has become imperative in view of the fact of the feeling of marginalisation and exclusion from oil production activities by the people who see themselves as rightful owners of the resources, which has helped to ensure that there is a steady supply of labour force for illegal oil refining and piratic operations in the Niger Delta and the GoG. Such a governance regime would make the inhabitants of the oil producing communities see

themselves as co-owners in the oil business; a development which will help in reducing the wave of illegal energy-maritime activities in the region and further minimize environmental degradation resulting from oil theft and artisanal refining.

Though the loose network structure of the illegal enterprise makes tracking and interdiction difficult, there is an urgent need for the government to begin to clamp down on revenues from stolen crude oil and hijacked crude laden vessels. As noted in chapter three, revenue from the illegal enterprise are laundered across the globe, especially in entities with lax anti-money laundering regulations. Thus, the anti-money laundering act should be strengthened by the Nigerian Government to provide an effective legal framework for combatting illicit flow of proceeds of crime. In this regard, there is a need for effective collaboration with international partners, especially countries known to have lax anti-money laundering regimes and notorious for buying stolen crude oil, to identify the demand end of the value chain and refineries where they are absorbed, the fiscal institutions through which proceeds of the enterprise are laundered, and prevent lodgement of proceeds of crime in their financial institutions.

It is difficult to imagine that huge volume of oil and refined petroleum produce is stolen at source from Nigeria and transported through the Gulf of Guinea in a seamless manner. There is therefore an urgent need for the adoption of surveillance techniques to ensure effective monitoring of oil pipelines in the Niger Delta and maritime domain of the GoG. Already, NIMASA has deployed a surveillance mechanism to monitor maritime activities within Nigerian territorial waters and Exclusive Economic Zone (EEZ). Working with other maritime organisations across the region, the mechanism can be expanded and strengthened to make it more effective. Remote sensors and remotely controlled surveillance aircraft should be

deployed on pipelines, to detect breaches of pipeline and to monitor the Niger Delta corridor with a view to gathering intelligence, which could prove useful in prosecution of oil theft and illegal maritime operations cases, respectively. Effective deployment of surveillance system require trust and capacity on the part of organizations saddled with operating it and a follow-through investigation and prosecution mechanism.

The study has consistently argued that the presence of criminal business opportunities around the region's energy and maritime industry drives illegal energy-maritime activities, but admits that poverty and unemployment creates a pool of disenchanted and aggrieved youths who see survival in those opportunities. Most youths in the Niger Delta survive under the shackles of poverty, environmental degradation and unemployment. Addressing the poverty and unemployment dimension of the criminality will help to tame the steady flow of labour, which has sustained the value chain of the business. It is in this context that the greed and grievance factor help explain illegal oil-maritime activities in the region. While this may be tenable, it does not justify the role of the barons, whose motivation for criminal activities is not driven by lack of opportunities, because they belong to the wealthy, ruling and elite class. The socioeconomic conditions that are at play in the region fuel insurgency and illegal activities by creating an army of unemployed youths who are ready to take on part-time jobs at illegal refineries, or as pirates. Rising unemployment and lack of opportunities for youths in a region endowed with enormous energy resources reinforced the perception of criminality as a viable alternative to survival which inevitably breeds violence. Addressing the problem of illegal energy-maritime activities in the region would require developing a policy framework targeted at the socio-economic foundation which breeds criminality.

The use of force and continued military operations in the GoG, especially the Niger Delta of Nigeria, as revealed in chapter three, puts enormous pressure on the criminals. This approach should be seen as a critical component of the fight against the illegal enterprise especially petro-piracy. Advocacy and public education programs to create awareness on the adverse consequences of the enterprise is equally important. Indeed, government policy towards combating the phenomenon should be a combination of carrot and stick. Such advocacy programs should be community-driven and broad-based, with active participation of political leaders at the local, state and national level- all working in cooperation towards deploying local initiatives to combating illicit energy-maritime activities. Although some of these measures have been taken in the past, resulting in hundreds of youths surrendering their bunkering and refining equipment and promises to forge a strong partnership with the government in addressing the phenomenon. However, there are several communities which would not be receptive towards the government's efforts to combat bunkering because of past experiences of government failures in providing alternative opportunities for the youths. Failure on the part of government to honour promises made to youths and communities have made some of the community spoken persons be seen as enemies of the people.

Given the international criminal enterprise and the complex network of players in the industry, addressing the challenge would require international collaboration beyond tracking of funding of the enterprise and laundering of the proceeds of crime. Though Nigeria has made several efforts in trying to build consensus, internationally and regionally, towards confronting petro-piracy, oil theft and illegal trade in fuel, so much more needs to be done especially on how to counteract the shared spaces of operation of both the formal and informal energy-maritime economies and the demand end of the value chain which reinforce

the criminality. The Joint Parliament of the African-Caribbean-Pacific and European Union (ACP-EU) Partnership held in Nigeria in 2013 resolved to ban oil shipments from Nigeria with no certificate of origin. Though not novel as a couple of oil multinationals in Nigeria long held similar notion of using finger-printing technology to ensure certification and prevent stolen oil from being sold at the global spot market, and there are claims of technological innovations which could help trace the source of crude oil. Even if these ideas were to see the light of day, their success or otherwise would depend on international collaboration because of the organised nature and international dimension of the criminal enterprise.

However, securing an effective international collaboration mechanism against the illegal enterprise, especially crude oil theft, as in the case of the "blood diamond" is fraught with challenges. The percentage of stolen crude oil from Nigeria is a mere fraction of total global oil consumption, which is why most of the states who have the capacity to frustrate the illegal trade see it not as a major security threat requiring global attention. The global community sees it more as a largely Nigerian problem because of deep-rooted corruption especially in the oil and maritime industry. So, the perception of corruption in Nigeria also hinders an international collaboration against stolen crude oil. Added to this is the fact that the US, which treated African oil as a priority for her national security post 9-11 and consumed much of the continent's oil for several years, has become a net exporter of crude oil hence, the Niger Delta oil-related criminal activities present little security threat to her economy. The US government is, therefore, less likely to expend her resources on protecting the GoG oil industry, especially Nigeria's Niger Delta. Nevertheless, Nigeria could leverage the potentials of the illegal enterprise to undermine the blue economy of the region. In other words, the environmental implications of the illegal enterprise could be used as a justification for international collaboration against illegal energy-maritime activities in the region. The fact of

involvement of organised crime in the region's oil and maritime industry and the international dimension and network of operations of the criminals reinforces the need to evolve a global agenda against stolen or hijacked black gold.

The study has revealed that those involved in the illegal enterprise exploit the vast socio-economic network which cut across the region and beyond. Ethnic and tribal affiliations especially have sustained cross border criminal activities of this nature, and complicates moves towards interdiction. The implication of this is that, policy intervention should evolve from the realisation of the organised and networked nature of the operations of the criminals, which should further justify an effective multi-layered and coordinated regional approach to the phenomenon.

For several years, the phenomenon of crude oil theft, petro-piracy and illegal trade in fuel grew in leaps and bounds, evolved in dynamics, and created an atmosphere which facilitated the entry of organised crime syndicates in the region's oil and maritime industry. During this transition, the phenomenon was empirically examined in the context of socio-political and economic discourse. In the last decade, especially since the period following the amnesty program, there has been a quantum leap in the volume of stolen crude oil and refined petroleum resulting from the activities of criminal syndicates operating a network in the region's oil and maritime industry.

Organised criminals exploit socio-economic, political and geographical conditions in the region to establish a stronghold, expand their operations taking further advantage of innovations in technology and geographical expansion of oil reserves across the GoG, build infrastructure to sustain their operations and feed into existing regional and international black markets for crude oil. It is safe to say that, as the study has shown, illegal energy-

maritime enterprise has not only co-existed alongside greed and grievance, it has provided a strong incentive for criminal syndicates to operate in the region, with their activities thriving on a patron-client system, heightening the inflow of small arms and light weapons, and sustaining a vicious circle of conflict and hostility in the region- three important developments (further discussed below) which combined to serve as both the cause and effect of organised energy-maritime crime in the GoG. Invariably, the existence of criminal business opportunities which have created an attraction for organised crime syndicates changes the narrative on the dynamics and persistence of illegal energy-maritime activities in the GoG.

### 5.3 SIGNIFICANCE OF THE ENTERPRISE-VALUE CHAIN PERSPECTIVE BEYOND POLICY

However, beyond its policy implication, the enterprise-value chain approach highlights deep-rooted structural challenges which form the linchpin of organised crime. These challenges are a patron-client system, sustained inflow of small arms and light weapons and a vicious cycle of conflict and hostility in the region, corruption, among others. In several ways, these challenges constitute the cause, effect and sustaining factors of the illegal enterprise. First, the enterprise-value chain perspective underscores the role and significance of rent-seeking or patron-client system in organised crime. Each layer of activity, from theft of crude oil to hijack of vessels and illegal trade in fuel, provides an opportunity for well-connected individuals and stakeholders in the industry to profit, which also creates opportunities for criminals to operate. As shown in the analysis chapters, security officials operating in the coastal communities who are sometimes complicit in the criminal network, ruling and political elite who use their influence to facilitate organised theft, and government officials who manage loading at export terminals constitute a locus for patronage activities. The patronage system also manifests in hostility and armed struggle especially among different gangs and

criminal groups in the Niger Delta, creating an atmosphere of chaos and instability. Hence, emerging patterns of criminality and violence in the Niger Delta are reflective of the intricate patronage network underpinning Nigeria's political system. In another dimension, several research participants allude to government officials and oil company employees who are allegedly on the payroll of organised criminal groups or receive income from them. There are instances where criminal gangs have been used to sustain political status quo, so also are cases of government officials providing necessary support and information for criminal operations leading to the disappearance of arrested oil tankers and criminals. The patron-client system finds expression in the relationship between governments and criminals, in what is termed political-criminal nexus. A relationship which means that both the government and criminal network groups engage in short term competition for energy resources and seek to advance their interests by taking advantage of a criminal network of actors and operations. Such a patronage network represents a major hindrance to the fight against organised crime.

Second, sustained illicit arms flow and vicious conflict cycle. The illegal energy-maritime enterprise in the GoG is not only at the intersection of conflict and violent non-state actors, it has been the sustenance of Illicit arms flow into the region, creating a vicious cycle of conflict and instability which has enabled criminal activities to flourish especially in the Niger Delta. What emerges from this development is a double tragedy for the GoG states. While the emerging crime-conflict nexus presents significant challenges to the stability of the states, political instability and weakened state sovereignty help increase the convergence of crime and conflict. This situation creates perfect conditions for organised crime to flourish, because governments are not able to perform their functions while organised crime groups exert power through the use of threats and violence. Therefore, while illicit arms-conflict

connection is an essential ingredient for organised crime, strong institutional capacities are important to combating organised crime syndicates.

The enterprise-value chain analysis also underscores the linkage between corruption and organised crime. Energy-maritime criminal groups in the region adopt all forms of corruption to infiltrate political, economic and social levels. Bribery is employed by the criminals to achieve illicit goals. Like arms inflow, corruption presents a double tragedy to the states in the GoG. On one hand, it undermines the capacity of states to combat criminal activities as resources which hitherto would have been deployed for such purposes are filtered away. So, organised crime flourishes in states with institutionalised corruption and weak governance structures. On the other hand, through corruption, criminal groups generate resources for illicit operations and develop criminal infrastructure used in executing nefarious goals, and waging war against the state. Weak governance often coexists and develops a mutually causal relationship with corruption, providing an incentive for organised crime groups, and ending up in a vicious cycle. Understanding the link between corruption and organised crime would necessitate a determination of the extent of the interrelationship between the two, which would require measuring how often and where such interlinks are fostered. This may be difficult to do and there is not yet consensus among scholars on how best to achieve that but it is an exercise that is worth the efforts, especially in the context of delinking the shared spaces of both legal and illegal economies towards combating the phenomenon of organised crime.

The foregoing discussion has yet again highlighted the need to have a robust understanding of the Gulf of Guinea energy-maritime environment, especially structural conditions which

enable organised crime to operate, flourish, and undermine the capacity of states in the region to effectively protect their territorial integrity. How patron-client system, illicit arms flow and corruption enable and define organised crime, especially in the GoG would offer interesting themes for further research. What this study has done here, is to isolate the role and significance of organised crime in the region's energy-maritime sector by examining the business activities which have provided an attraction for criminals, and incentivised criminal networks. It is clear that the availability of crude oil creates a magnetic force which brings different criminal networks together to evolve a criminal enterprise. Emerging from that, is the tripod of crude oil thieves, petro-pirates and illegal fuel traders, with each group seeking to partake in resource extraction and rent-seeking activities through different guises. As much as the study appreciates the fact that significant differences exist in the mode of operation of each form of crime, none would exist without the presence of the 'black gold' in the region. The prevailing circumstance is that of a network of actors connected by socio-cultural and geographical ties, taking advantage of business opportunities, albeit criminal ones within their sphere of influence. Such a network of criminal operation has since evolved into a regional and transnational criminal syndicate.

Overall, beyond its policy significance, this study makes two important contributions to academic literature; empirical and methodological. Empirically, the study provides an enterprise-value chain perspective to understanding the dynamics and persistence of energy-maritime activities in the Gulf of Guinea, in the context of an interdisciplinary analysis. Using a socio-economic and business approach offers unique insights, helps to shed clarity, allows deeper understanding, reveals hitherto unexplored angles of a complex phenomenon and ultimately produce synthesised knowledge, beyond the scope of greed and grievance perspectives.

The enterprise-value chain approach brings to the fore the business dimension of the energy-maritime crime tripod in the GoG. It acknowledges the organised nature of the criminality, its value chain, oil black market and the socio-economic and political conditions of the region as drivers of the criminality. The enterprise's demand-supply infrastructure serves as the arteries through which value is created by illegally refining stolen crude oil, selling hijacked cargo and, in the process, ensuring illegal commercial transactions. These processes ensure a convergence of diverse institutions and individuals whose interest is to take advantage of the business opportunities around the region's energy-maritime industry, illegally. Suffice it to say that these criminal opportunities have been enhanced by agitations surrounding issues of grievance and greed, but have equally led to the exacerbation of existing and new challenges.

In addition to the nature of the enterprise, the data has revealed an overlap in the membership, operations and markets of oil theft, petro-piracy and illegal fuel trade, a development which suggests the existence of a complex relationship between oil thieves, petro-pirates and illegal traders in fuel. Understanding the business philosophy and value chain dynamics of the enterprise as well as the complex relationships and overlaps among the different actors in the illegal energy-maritime industry is crucial in combating the criminality. The enterprise-value chain approach therefore represents an important dimension to maritime studies which has not been adequately captured in existing perspectives on maritime security in the GoG.

Methodologically, this study draws on different academic disciplines to create a framework that enables the study of organised crime within a multidisciplinary perspective, and a cumulative body of knowledge. This is possible because organised crime is not a distinct

empirical reality but a construct that is intertwined with different aspects of social phenomenon cutting across different academic disciplines including politics, sociology, economics, and criminology. To that extent, this study represents an attempt at carrying out a systematic investigation of a social phenomenon under illegal conditions.

The study has also shown that transferring concepts and theories could be useful in investigating organized crime. However, any social science researcher interested in a multidisciplinary approach to organised crime should be wary of the risk of using inadequate conceptual and theoretical frameworks for investigation. As Lampe (2006) observed, the uncritical transfer of concepts and theories may result in misinterpretation or over-interpretation of findings. It is, therefore, important to exercise caution in transferring concepts and theories across disciplines.

Finally, the study highlights the need for a continuous dialogue or hybridism among disciplines in order to combat organised crime of this nature. Such a hybrid approach can also be adopted in policy research by national, regional and international governmental and non-governmental organisations to evolve an integrated approach to energy-maritime security challenges.

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## APPENDICES

### Appendix A: Sample of Consent Form

**WASIU ABIODUN BALOGUN**  
**Department of Politics Philosophy and Religion**  
**Lancaster University**  
**Lancaster LA1 4YL**

Phone: +44 (0)7466803535  
Email: w.balogun@lancaster.ac.uk

#### **Participant's Details:**

Title(s): \_\_\_\_\_

Name: \_\_\_\_\_

Function/organisation: \_\_\_\_\_

Please read and familiarise yourself with the details outlined in the two declarations below.

**Participant's Declaration:** I hereby declare that I am content to answer the questions asked by Wasiu Abiodun Balogun. I also give my consent for my answers to be used, referenced and/or cited by Wasiu Abiodun Balogun in the course of his research work, on the understanding that he will: 1) give due credit to me in all areas where the information I have provided is used, and 2) cite me as a source of information.

#### **Participant's Anonymity:**

If you are content for the information you provide to be used by Wasiu Abiodun Balogun but do not wish for your name to be published, please tick the box below.

I wish for my name to be kept anonymous.

If you wish for anonymity, then any of the information you have provided which is subsequently cited by Wasiu Abiodun Balogun will be referenced with a general pseudonym, e.g. ECOWAS Official, Nigerian Navy Official, NNPC Official etc. If you have a preference, please indicate it here:

You are free to withdraw from the study up to 3 weeks after the interview. In this case all data will be destroyed and never used. However, if I have not heard of you after 3 weeks the data will remain in the study.

Once you have read and understood the above, please sign below to formally declare your consent.

Participant's Signature:

Date:

Researcher's Declaration: I hereby declare that I will only use, reference and/or cite the information provided by the participant in my work if the participant has given me their consent by signing the declaration above. I also affirm that all areas of my completed work where information given by the participant has been used will be appropriately referenced and due credit given. Finally, should the participant opt for anonymity, I promise that all information provided by the participant which I use in my completed work will be referenced with a pseudonym.

In case you have any concerns or complaints about this project, please feel free to contact my Head of Department, Dr Patrick Bishop (PPR, Lancaster University, Lancaster, LA1 4YL, +44 (0) 1524 594277, p.bishop@lancaster.ac.uk).

Researcher's Signature.....

Date.....

## **Appendix B: Participant Information Sheet**

### **Research Topic: Oil Theft, Petro-piracy and Illegal Fuel Trade in the Gulf of Guinea: Enterprise-Value Chain Analysis**

My name is Wasiu Abiodun Balogun and I am conducting this research as a student in the Department of Politics, Philosophy and Religion (PPR) at Lancaster University, Lancaster, United Kingdom.

#### **What is the study about?**

The purpose of this study is to critically examine the tripod of maritime criminality- oil theft, petro-piracy and illegal fuel trade in the Gulf of Guinea from the enterprise-value chain perspective. It focuses on the organised nature of the criminality as well as its value, to learn, among other things, where resources at reversing the trend can most urgently be channelled.

#### **Why have I been approached?**

You have been approached because the study requires information from people who are knowledgeable on the issue under consideration.

#### **Do I have to take part?**

No. It's completely up to you to decide whether or not you will take part in the study.

#### **What will I be asked to do if I take part?**

If you decide you would like to take part, you would be asked to provide answers to a few questions on the theme of the research (oil theft, illegal fuel trade and petro-piracy in the Gulf of Guinea). First, an agreement for participation has to be established to gain a written consent. Linked to that, issues relating to participant's anonymity and confidentiality would have to be discussed and agreed upon. Once you oblige to participate, it will take a maximum of one and half hours to have the interview session, mostly via audio recording. However, you do have the right to decline audio recording of the interview.

#### **Will my data be Identifiable?**

The information you provide is confidential. The data collected for this study will be stored securely and only the researcher (myself) conducting this study will have access to this data. Below are the measures I will adopt in handling the data:

- Audio recordings will be destroyed after the study has been examined and accepted for PhD.
- The files on the computer will be encrypted (that is no-one other than the researcher will be able to access them) and the computer itself password protected for the duration of the study.
- The typed version of your interview will be made anonymous by removing any identifying information including your name. Anonymised direct quotations from your interview may be used in the reports or publications from the study, so your name will not be attached to them.
- All your personal data will be confidential and will be kept separately from your interview responses.

- However, Lancaster University will keep written transcriptions of the interview for a minimum of 10 years after the study has finished.

### **What will happen to the results?**

The results will be summarised and reported in the thesis and may be submitted for publication in an academic or professional journal, as well as training events, reports and conferences.

### **Are there any risks?**

There are no risks anticipated with participating in this study.

### **Are there any benefits to taking part?**

Although you may find participating interesting, there are no direct benefits in taking part.

### **Can I withdraw from the interview?**

Yes, you can if you become uncomfortable with the interview process. You can withdraw participation during the interview and up to four weeks after you were interviewed. After the four weeks withdrawal is no longer possible because the data will have been analysed and integrated with other data. Short of completely withdrawing from the study, you have the right to request that material from the interview be withheld. In all of these cases, I only need to be informed of your decision.

### **Who has reviewed the project?**

This study has been reviewed by the Department of Politics, Philosophy and Religion (PPR) and approved by the University Research Ethics Committee at Lancaster University.

### **Where can I obtain further information about the study if I need it?**

If you have any questions about the study, please contact me via the following:

Wasiu Abiodun Balogun

PPR, Lancaster University, Lancaster UK

E: [w.balogun@lancaster.ac.uk](mailto:w.balogun@lancaster.ac.uk)

You may also reach my supervisors. Their details are:

Basil Germond

PPR, Lancaster University, Lancaster UK

E: [b.germond@lancaster.ac.uk](mailto:b.germond@lancaster.ac.uk)

Sarah Marsden

PPR, Lancaster University, Lancaster UK

E: [s.marsden@lancaster.ac.uk](mailto:s.marsden@lancaster.ac.uk)

### **Complaints**

If you wish to make a complaint or raise concerns about any aspect of this study and do not want to speak to me, you can contact the Head of my Department:

Name: Patrick Bishop

Address: PPR, Lancaster University, Lancaster, LA1 4YL,

Mobile: +44 (0) 1524 594277

E: [p.bishop@lancaster.ac.uk](mailto:p.bishop@lancaster.ac.uk)

Lancaster University

Lancaster

## **Appendix C: Sample Letter of Introduction**

Wasiu Abiodun Balogun  
Department of Politics  
University of Lancaster,  
Bailriggs, Lancaster  
United Kingdom  
18/03/2015

The Director,  
Department of Petroleum Resources (DPR)  
7, Kofo Abayomi Street  
Victoria Island,  
Lagos

Dear Sir,

### **LETTER OF REQUEST FOR DOCTORATE DEGREE RESEARCH DATA**

Further to our discussion, I kindly write to request for data and other important information for the purpose of my doctoral degree thesis.

I am a PhD student in the Department of Politics, University of Lancaster, United Kingdom, carrying out research on Oil theft, Illegal fuel trade, petro-piracy in the Gulf of Guinea.

Find attached my student ID, admission letter and letter of sponsorship from the Petroleum Technology Development Fund (PTDF).

Thanks for the understanding and cooperation.

Wasiu Abiodun Balogun

## **Appendix D: Guide for In-depth Interviews and Group Discussion**

### **A: The Demography of the Participants.**

1. Name of Participant\_\_\_\_\_
2. Occupation of Participant\_\_\_\_\_
3. Date of Interview\_\_\_\_\_
4. Place of Interview\_\_\_\_\_
5. Age\_\_\_\_\_

### **B: In-depth Interview Questions: Oil Theft and Artisanal Refining**

1. How would you describe oil theft and the magnitude of its activities in the Niger Delta?
2. What are its different practices known to you?
3. How did oil thieves and artisanal refiners come about the technology they use for illegal refining?
4. How diverse is the membership of oil theft and illegal refining?
5. Would you describe oil thieves as criminals or persons who merely appropriate what nature has bestowed on them but which has been forcefully taken by the Federal Government?
6. Would you say that the Niger Delta long history of conflict and insurgency is complicit in the persistence of illegal oil activities in the region? If yes, how and to what extent?
7. Would you describe oil theft and illegal refining of stolen crude as an organised crime? If yes, how organised is it and what are its major features?
8. What would say are the dynamics that facilitate the flourishing and easy sale of illegally bunkered oil?
9. How are illegal refining camps built? And is there uniformity in their sizes across the region?
10. How much does it cost to build an illegal refining camp?
11. How is stolen crude oil refined? On the average, like how many people work in a refining camp?
12. Would you say there is a ready market and customers for stolen crude oil and illegally refined diesel and petroleum?
13. How is the business of oil theft coordinated? Is there a union that coordinates illegal refining activities? If yes, what are the primary functions of the union?
14. How would you describe the scale of the operation?
15. Looking at the different stages involved in oil theft, how is value created and where is value most created on the oil theft value chain?
16. The government has accused the oil companies of being complicit in oil theft. Do you think they partake in this illegal act?
17. The communities are said to be involved in the theft of crude oil. If yes, what

18. Would you say there is a mutually beneficial or mutually antagonistic relationship between oil thieves and other illicit actors, such as petro-pirates and illegal traders in petroleum in the region? Under what conditions do the actors cooperate or conflict?
19. What impact does such relationships have on the persistence of the oil theft and artisanal refining of crude in the Niger Delta?
20. What would you say are the roles of global and regional actors in oil theft and illegal refining business in the Niger Delta?
21. How would you describe the operations and markets of stolen oil? What do you see as the solutions to the problem of oil theft and illegal bunkering in Nigeria?

## **C: Petro-Piracy**

1. What prevailing conditions drive petro-piracy in the Gulf of Guinea?
2. Would you say petro-piracy is an illicit business? If yes, how organised is the business?
3. Would you say petro-piracy is strictly a Nigerian problem?
4. How would you describe the mode of operation of pirates?
5. What are the different stages or layers of activities involved in petro-piracy? Can you describe the different stages?
6. Would you say each stage creates value for the pirates and their sponsors? If yes, how?
7. What infrastructure or support services help in value creation?
8. How do pirates dispose of their cargo?
9. How would you describe the market for hijacked cargo? Who are the players in the market and how is exchange facilitated?
10. Would you say that there is a relationship between pirates and oil thieves, given the historical, cultural and ethnic affiliations running across territorial boundaries in the region? If yes, how would you describe such relationships?
11. Have oil thieves fallen victims of piracy attack?
12. Are there ways the different criminal groups in the Gulf of Guinea complement one another? If yes, how?
13. Would you say the business nature of petro-piracy explains the persistence of the phenomenon in the region despite several government interventions towards combating it?
14. Under what conditions do pirates, oil thieves and illegal dealers in petroleum cooperate or conflict in the region?
15. How do you think maritime security challenges in the Gulf of Guinea can be addressed?
16. What key challenges exist in the way of combating petro-piracy in the Gulf of Guinea?

## **D: Illegal Trade in Fuel**

1. What prevailing conditions drive illegal trade in fuel in Nigeria and the Gulf of Guinea?

2. Would you describe illegal fuel trade as an organised crime? If yes, how organised is the business?
3. Would you say illegal trade in fuel is strictly a Nigerian problem?
4. Would you say illegal fuel trade is a lucrative business?
5. How would you describe the mode of operation of illegal petroleum dealers?
6. What are the different stages or layers of activities involved in illegal trade in fuel? Can you describe the different stages?
7. Would you say each stage create value for the dealers and their sponsors? If yes, how and to what extent?
8. What infrastructure or support services help in the value creation?
9. How do illegal dealers in petroleum dispose of their product?
10. How developed is the market for diverted petroleum? Who are the players in the market and how is exchange facilitated?
11. Would you say that there is a relationship between illegal fuel traders, petro-pirates and oil thieves, given the historical, cultural and ethnic affiliations running across territorial boundaries in the region? If yes, how would you describe such relationships and what forms do they take?
12. Are there ways the different criminal groups in the Gulf of Guinea complement one another?
13. Would you say the business nature of smuggled or diverted fuel and the lure of profit to be made from illegal energy-maritime activities explain the persistence of the phenomenon in the region despite several government interventions towards combating it?
14. Under what conditions do illegal traders in fuel, pirates and oil thieves cooperate or conflict in the Gulf of Guinea?
15. How do you think energy-maritime security challenges in the Gulf of Guinea can be addressed?
16. What key challenges exist in the way of combating illegal fuel trade?