

Shell admits fuelling corruption

Oil giant Shell has admitted it inadvertently fed conflict, poverty and corruption through its oil activities in Nigeria.

But a Shell spokesman said the group did not agree with independent experts that the unrest may force it to leave.

Nigeria contributes to about 10% of Shell's global production and is home to some of its most promising reserves.

Shell says it has been difficult to operate with integrity in areas of conflict like Nigeria.

"Government and local communities must take the lead," said Emmanuel Etomi, Shell's community development manager in Nigeria.

"As part of an industry inadvertently contributing to the problem we are prepared to help," he said.

Differing views

In 2003, Shell commissioned an independent report in order to help it better understand how its activities are affected by, and inadvertently contribute to, conflict.

That report was written by "three internationally known conflict resolution experts" and its conclusions fed into Shell's newly published 2003 People and The Environment report on its Nigerian operations, written by Mr Etomi.

Shell has declined to publish the independent report.

Mr Etomi says their fieldwork highlighted how conflict makes it difficult for it to operate safely and with integrity and "how we sometimes feed conflict by the way we award contracts, gain access to land, and deal with community representatives".

The three experts warned that Shell could eventually be forced to withdraw from the West African country if violence in the Niger Delta escalates, London-based Shell spokesman Simon Buerk acknowledged.

'Serious conflict'

"It does say that. That is the view of the report's authors. It is not a view that we agree with," Mr Buerk told BBC News Online.

Obviously once you put cash into a community it's hard to know where it goes
Shell spokesman

"But of course there is serious conflict in parts of the Delta and this has the potential to get worse if no action is taken," he said.

Shell's view is that "government and local communities must take the lead in ending conflict but we are also determined to help," he added.

Shell is supporting the creation of a working group made up of Nigerian and international experts, and representatives of local communities, to explore ways to stem the conflict.

In 2003, Shell contributed \$54.5m to the government-backed Niger Delta Development Commission as well as \$30m for its own community development programme.

However Mr Etomi said the Commission had "made slow progress".

To prevent money earmarked for community projects being siphoned off, Shell's Nigerian operations introduced "13 big rules" to tighten internal spending controls last year.

The rules abolish cash payments to local groups. "When we go to a community and offer development projects, some actually demand cash instead. Obviously once you put cash into a community it's hard to know where it goes," said Mr Buerk.

Mr Buerk said Shell does not tolerate corruption, and has global regulations making this clear to staff.

Shell's report on Nigeria says it dismissed 29 career and contract staff in 2003 for corrupt practices.

Major producer

Shell relies on Nigerian oil and gas for about 10% of current production.

About one third of the recent reserves downgrade was in Nigeria.

Shell's image has been badly damaged in recent years and despite efforts it is still seen by many as a company that damages the environment and supports corrupt regimes.

A class action suit is being prepared over coming months which will accuse the company of supporting military operations in the Niger Delta more than 10 years ago.

It has been charged with being too slow in cleaning up oil spills by NGOs and other international campaigners.

In a statement relating to that issue, Chairman of Shell Companies in Nigeria, Chris Finlayson said: "We recognise that our development activities in the past have been less than perfect."

Story from BBC NEWS:
<http://news.bbc.co.uk/go/pr/fr/-/1/hi/business/3796375.stm>

Published: 2004/06/11 13:32:06 GMT

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