

AFRICAN OIL

NIGERIA FOCUS

There Has Been Little Progress on Oil and Gas Issues Since Goodluck Jonathan Came to Power,

**Mr. Philippe Sébille-Lopez, Director
of Géopolia, tells AOG**

- ▶ *The nuisance potential of the “die-hards” of MEND is less than the movement had in the first half of 2009.*
- ▶ *It is in the interests of the government and MEND to extend the 2009 amnesty.*
- ▶ *Goodluck Jonathan has not been able to respond to the expectations of people living in the Niger delta, which are huge.*
- ▶ *In the power sector, there has been some recent progress in terms of expanding generating capacity, but effective production is far from what is needed.*

(Following is the text of an interview with Mr. Philippe Sébille-Lopez, founder and director of **Géopolia**, a geopolitical consulting firm created in 1995 that is based in Boulogne, near Paris. Mr. Sébille-Lopez has a Ph.D. in geopolitics and is a consultant in geopolitics and economic intelligence specialized in hydrocarbon-producing countries. Among other things, he is the author of “*The Geopolitics of Oil*”, which was published in 2006 by Editions Armand Colin of Paris. Contact: philippe.sebille@geopolia.com).

Arab Oil & Gas: *In early April the **Movement for the Emancipation of the Niger Delta** (MEND) threatened to resume its attacks against oil facilities in the region after their former leader, Mr. Henry Okah, was found guilty in a court in South Africa. Should this threat be taken seriously or is there a large element of bluff in such declarations?*

■ **Philippe Sébille-Lopez :** To answer that question, one first has to cast one’s mind back to the balance of power that has existed in the delta since the amnesty and to the motives of each side. Firstly, the October 2009 amnesty proposed by President Yar’Adua enabled over 20,000 supposedly officially registered militants to have a monthly income. However, in light of the operations carried out by MEND in the delta between 2006 and 2009, this assessment of the number of militants seems to be significantly higher than the actual number of activists who were really operating in the region during that period, whatever the criteria used for counting them. It probably includes a lot of people who joined the ranks of the militants at the last minute, after seeing in the amnesty a way of escaping from the poverty suffered by the people living in the delta.

But other militants who remained more faithful to their original political goals refused the amnesty. Although they were in a minority, these are the “die-hards” who are still threatening to resume attacks against oil facilities today. MEND’s principal demand, which is for a better sharing of oil revenues to the benefit of federal oil-producing states and a better redistribution of

oil revenues towards people living in the zones of production, has not been met at all. In the system put in place since the year 2000 by virtue of the principle of derivation, oil-producing states receive 13% of national oil revenues before any sharing of them in favor of the federal government and all the states and local authorities of the Nigerian federation. In fact, four of the nine oil-producing states, the largest producers, receive three-quarters of the revenues. The rate applied under the principle of derivation has been modified at different times over the years, having been reduced from 50% between 1960 and 1975 to 1% in the 1980s and then raised to 3% in the 1990s. One can thus understand the demands of MEND, which has been asking for this rate to be revised up to 25%, if not more.

Making a relatively simply financial calculation, the government has thus chosen to be very generous within the framework of the presidential amnesty. In addition, the government has given contracts to several former commanders of MEND, who have created private security companies and brought in some of their former amnestied troops to provide security services in the delta. There again, the government has been very generous.

While the topography of the delta and the dispersion of production facilities in certain parts of the region mean attacks are always possible, the numbers and resources of the “die-hards” of MEND have nevertheless been greatly diminished, while on the contrary the security forces, both governmental and private, are far more present. But their presence is concentrated in the delta, which has not prevented a renewed upsurge in acts of piracy against oil companies’ supply ships and tankers off the Nigerian coast and beyond the Gulf of Guinea. One might be tempted to say that it is business as usual for both sides.

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When it comes to the threats leveled against oil facilities in early April, without talking about bluff exactly, since periodic attacks are still possible even though they would bear no comparison with the nuisance potential achieved by MEND up to the first half of 2009, I would be inclined to talk about dual-purpose political statements: they are targeted at the “die-hard” militants, on the one hand, who must be wondering about the strategy pursued by their leaders for more than three years now, and of course at the government, on the other hand, following the guilty verdict against Henry Okah in South Africa, which they must have been expecting in any case.

However, if one considers the MEND statements that followed in the middle of April, in which they threatened to target mosques and Moslems in order to defend the Christians this time, one might legitimately wonder about the strategy and priorities of the movement’s current leadership. MEND activists mostly belong to the **Ijaw** ethnic group and are thus mainly Christian, assuming they have any religious convictions. But barring the possibility that the Christian south secedes from the Moslem north, MEND’s political agenda for the time being seems rather confused and very elliptical, like its own means of action. With the amnesty, MEND has lost most of its military leaders. Some of these had longstanding links with established political networks in most of the oil-producing states in the delta, which is how they originally obtained the financial resources for recruiting and paying their militants. It is clear that the “die-hard” activists in the delta no longer have the same means. In their favor they certainly have a greater ideological conviction than the amnestied factotums, but without the financial means that the latter enjoyed, which is why there is no comparison in their numbers.

They can thus continue to do damage very occasionally, but at a far lower level than happened in the delta between 2006 and 2009.

AOG: More generally, do you think the 2009 amnesty has run its course or that it is in the interests of the parties concerned to make it last?

■ **P. S.-L.:** Once it became clear that the system for redistributing oil revenues had not been altered at the level of the federation, the beneficiaries of the amnesty, both the amnestied militants, who now seem far removed from their initial demands, and the government, which has not yielded anything and is now implementing a security plan and, at less cost, a form of productive investment, have every interest in making it last.

On the side of the militants, and above all for their principal leaders, there have been numerous benefits, which are always hard to verify. Nigeria's public finances retain a certain opacity, despite parliamentary and other controls. According to an article that appeared in the *Wall Street Journal* (WSJ) in August 2012, a senior executive of **Nigerian National Petroleum Corporation** (NNPC), the national oil company that holds 60% interests in joint-venture oil production companies operating in the delta, asserted that NNPC paid some \$40 million a year to former MEND commanders who had reinvented themselves as the bosses of security companies. The WSJ thus provided details about the payments made to the main former commanders of MEND and in order: Government Tompolo, Dokubo-Asari, Boyloaf and Ateke Tom were said to receive \$22.9 million, \$9 million, \$3.8 million and \$3.8 million a year respectively from NNPC to protect the company's pipelines and other facilities. No one at NNPC has been willing to respond to these allegations. Nor has there been any reaction from the **Presidential Amnesty Office**, which has gone no further than indicate that its administration had nothing to do with these payments. But these sums are only part of the costs connected with the amnesty. In the 2012 budget of the federal government, around \$450 million is allocated to the amnesty program. It also has to be pointed out that, before joining the movement, some of these MEND commanders had in the past forged very close links with former governors of oil states in the delta, especially during election campaigns. More recently, Dokubo-Asari supported the candidacy of Goodluck Jonathan in the presidential elections held in April 2011.

The government was also very generous to supposed grassroots militants who had not gone into the security business. Those who were amnestied received 65,000 nairas (about \$430) a month, which was a real gift when one considers that the minimum wage in the Nigerian civil service was officially raised to 18,000 nairas a month in 2011. Others did not consider that was enough, since the smuggling of crude oil remained more profitable, of course.

For the government, it is a very simple calculation if one remembers that in the first half of 2009, when MEND's attacks against oil facilities were at their height, the losses arising from the fall in oil production and the costs of repairing the damaged facilities amounted to several hundred million dollars a month. Even adding to that the prohibitive cost of the services that the former MEND commanders provide to NNPC, it does not take long for the Nigerian government to do its sums.

Furthermore, and still from the viewpoint of the government, which is having to confront the **Boko Haram** activists in the north of the country, it is important to ensure a degree of security in the delta, even if it is far from complete. Despite strengthening its means of action in recent years, the Nigerian navy is still not capable of ensuring security along the Nigerian coast,

nor in the mangrove swamps. For many years some have even spoken about complicity between the navy and different criminal networks engaged in crude oil trafficking, piracy, kidnappings, and so on.

Among the “die-hard” MEND militants, the fall in their nuisance potential following the amnesty implies at best a redefinition of their strategy as a function of their operational capabilities, but also of their mobilization and of the more or less real determination with which the Nigerian government pursues them in the delta, by means of its very polymorphous security forces ... At both these levels, many questions remain. Lastly, the 2009 amnesty and the favorable financial conditions granted to its beneficiaries could drive a flow of new recruits into the ranks of MEND’s “die-hards” looking for another generous amnesty, thereby creating a real gulf between the underlying motives of the different parties, which would further weaken the movement.

For all these reasons, the 2009 amnesty has a good chance of being prolonged.

AOG: *Over and above MEND, we have seen a renewal of tension in the delta in recent months. Some think that the federal government, which is faced with the threat of **Boko Haram** in the north of the country, does not necessarily have the means to do battle on both these fronts in some way. What do you think?*

■ **P. S.-L.** : These two situations, in the north and the south, are very different, of course. However, against the Islamist terrorism of Boko Haram, it does not seem very realistic to envisage a military solution. The strategy of confrontation adopted by the Yar’Adua government in July 2009 - when the president was already very ill, it is true – has only dispersed and thus strengthened the potential threat posed by this group by extending its range of action.

As with MEND in the delta, and despite the very different demands of these two groups, the only solution - at least temporarily and despite its difficulty - will have to be a political one, especially as far as Boko Haram is concerned. The denominational and totally unacceptable nature of extending Sharia law to the whole of Nigerian territory, at least as regards the southern states that are majority Christian, resembles in some respects the equally unacceptable nature of the demands made by MEND - albeit out of strictly financial considerations this time - which were threatening to upset the already precarious economic and budgetary equilibrium of many states in the Nigerian federation, especially the majority Moslem states in the north.

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From a strictly military standpoint and for the reasons already outlined, MEND’s threats to the delta have no comparison with the defiance shown by Boko Haram towards the security forces in the north. Given the extension of its field of action and its connections, especially outside Nigerian territory, the dispersion and the operations of Boko Haram in the north make the mission of the Nigerian authorities almost impossible, over and beyond the completely counter-productive brutality of these same authorities in their security operations since 2009.

The question is thus not so much one of the ability of the Nigerian military to manage two sources of destabilization motivated by very different causes but more one of the government’s political skill in resolving a denominational problem in the north, which is admittedly becoming

increasingly delicate as its extraterritorial ramifications develop, whereas in the south it is an issue of economic policy. As for the occasional operations mounted by Boko Haram, they are almost impossible to foresee given the different *modus operandi* and the diversity of the potential targets.

The question of the size and means of action of the Nigerian army also deserves to be raised, but isn't this a false problem? When Mr. Olusegun Obasanjo came to power in 1999, at the same time as democracy was reestablished, his first administration carried out something of a purge of the Nigerian armed forces, reducing their total numbers from 140,000 to around 80,000 active personnel, with the army accounting for 62,000 of the total. Those are still the official figures today. But that reduction in manpower has not limited the scope for Nigerian interventions in different theaters of operations elsewhere in Africa since 1999, both in West Africa and further afield. Today, there are still 3,000 Nigerian soldiers deployed in Sudanese Darfur, who have been there since 2004, as part of the joint operation between the **African Union** and the **United Nations**. In addition, 700 Nigerian soldiers were deployed in northern Mali in February and March this year. How can one then imagine that Nigeria's military resources are too limited to manage its two domestic crises, in the north and the south?

The answer seems quite simple to us, even though it may seem paradoxical. It is precisely because military solutions are ineffective in both the north and the south of the country that the Nigerian army can continue to deploy units to external theaters. At a domestic level, Nigeria's military strategy and that of the security forces in general involves striking hard, especially at communities sheltering militants and/or Islamists, depending on the case, in order to deprive them of local logistical support. The excessive and untargeted nature of this violence naturally raises questions about the longer-term results.

In other words, in both the north and the south the Nigerian government has to demonstrate its might against the demands of the different parties. It will hardly be surprising if one finds that some operations of the **Joint Task Force** (JTF) in the delta, where villages have been completely destroyed, bear curious similarities with what is now happening in the north. The 187 people killed in mid-April in the village of Baga, in the far north-east of Borno State, close to Lake Chad, only confirm the one and only possible answer delivered by the authorities, despite the underlying differences characterizing these two sets of problems. But as was seen in the delta, after the failure of the all military-security approach, the time comes for political negotiations and/or an amnesty. This will be much harder in the north of the country, due to the numerous components of the Moslem community there, and even the emergence of different factions within Boko Haram itself, not to mention the more or less avowed compromises of some players in the existing administration, in a country run for the moment by a Christian president.

Not surprisingly, the fact that President Goodluck Jonathan belongs to the Ijaw ethnic group has done nothing to bring a definitive settlement to the crisis in the delta. Conversely, his indispensable political connections with some components of the Moslem north are now one of the potential impediments to a possible political resolution of the Boko Haram problem.

Similarly, it was the government of a Moslem President, Mr. Yar'Adua, or more precisely the government's security forces, which chose to kick the hornet's nest of Boko Haram in Maiduguri in the summer of 2009, after Boko Haram had carried out several large-scale operations in four northern states at the end of July 2009. Whereas the activists of this movement could still be perfectly identified and located up to then, in particular through the clothes worn

by many of them, this hurried offensive, which coincided, moreover, with the announced visit of the then American Secretary of State, Ms. Hillary Clinton, to Nigeria on 10 August 2009, proved in the end to be completely counterproductive, since the followers of this movement spread out and went underground following this assault of the security forces against the sect's headquarters in Maiduguri.

In Nigeria, the regional-ethnic and denominational identity of a president is not as important as it might seem, except of course for presidential elections in terms of presentation on the presidential ticket. Afterwards, things become blurred and the only thing that counts is his network of political influence throughout the whole federation. As for the armed forces, they play their own tune, with the blessing of the government, which often leaves them at the forefront, in the north as well as the south. The government often needs the army, which explains its lack of haste in condemning certain practices of the security forces. A commission of inquiry, whose final report was buried and did not give rise to any sanctions, represents the extreme limit of political power. At worst, sanctions can be transformed into a promotion.

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At a political level, a certain dynamic of short-term action repeatedly seems to win out over that of long-term results, due in particular to the absence of a strategy and/or a credible political solution to the problems raised, in both the north and the south, for successive Nigerian governments.

AOG: President Goodluck Jonathan, who came from the delta, raised a degree of hope both inside Nigeria and outside the country regarding his ability to improve the situation in this key hydrocarbon-producing region. Was that hope justified?

■ **P. S.-L.:** To answer your question about the delta accurately, one has firstly to spell out once again certain characteristics of the political system in place in Nigeria. Mr. Jonathan is a pure product of the **People's Democratic Party** (PDP) system, of the party that has been in power and running the country since the return to democracy in 1999. In this system, to win a majority of votes in at least two-thirds of the states of the federation in a presidential election, which is what is needed to be elected, it is vital to have on the presidential ticket a Moslem of the north and a Christian of the south. Despite some slippages, this formula has operated successively for the PDP since 1999. It was as Mr. Umaru Yar'Adua's Vice-President that Mr. Jonathan firstly became acting President in 2010, following the death of President Yar'Adua, before being finally elected President in April 2011.

Furthermore, in the system of power rotation between the north and the south within the PDP, the two terms of the southern President Obasanjo (from 1999 to 2007) were normally due to be followed by two presidential terms for the north. But due to his early death, Mr. Yar'Adua was not able to complete his first term, which should have run from 2007 to 2011. President Jonathan thus undertook to remain in power for a term of only four years, from 2011 to 2015. But will he, as he has said he will, be prepared to forego a second term, at a time when the parties in opposition to the PDP, especially in the north, are already looking - as they normally do but probably in vain - for a single candidate to oppose the PDP and win the election? There is no reason for thinking he will.

As for the expectations for a settlement of the problems of the Niger delta raised by President Jonathan's delta origins, there again one has to qualify one's remarks. Mr. Jonathan, a former Deputy Governor and native of **Bayelsa** State, has had the benefit of several combinations of circumstances to reach the highest office. Firstly, there was the arrest of the recognized Governor of Bayelsa, Mr. Diepreye Alamieyeseigha, in London in September 2005, which enabled Mr. Jonathan as Deputy Governor to accede to the top post. That position as the new Governor of a state in the oil-producing south then enabled him, at the time of the politico-denominational deliberations orchestrated by Mr. Olusegun Obasanjo to prepare his succession in the run-up to the presidential elections of 2007, to be put on the PDP's ticket as the vice-presidential running mate of the northern presidential candidate, Mr. Umaru Yar'Adua, who was duly elected. As the eternal deputy, Mr. Jonathan was preferred to other more visible and more powerful PDP governors in the more important states of the oil-producing south, who were deliberately sidelined by Mr. Obasanjo due to suspicions about corruption. The anti-corruption campaign can in some cases become a political weapon in Nigeria. All depends on who holds the whip hand.

The decision to place an Ijaw on the presidential ticket was also clearly aimed at defusing the demands and operations of MEND, which had been doing its worst in the delta region since the end of 2005. However, neither as Vice-President nor as President, any more than earlier as Deputy Governor or Governor of Bayelsa, did Mr. Goodluck Jonathan really meet the expectations of the people in Bayelsa and all the more so in the delta, which are huge. The current sharing of the oil rent, the central demand of MEND, can only be altered marginally, because it makes such an essential contribution to the budgetary receipts and the unity of the 36 states and the 774 local authorities of the Nigerian federation.

The *status quo ante* persists, therefore, since President Jonathan is a prisoner, through the PDP, of his political alliances with certain local potentates in the north, which enabled him to be elected in 2011. It is some of these same northern supporters who are now being targeted by Boko Haram in several Moslem states in the north, especially since the 2011 presidential election which the northern parties lost.

In this complex political alchemy between north and south, ethnic and geographical origins are not sufficient to explain and understand what is at stake. At the presidential level, one always has to deal with the rest of the country. It is this internal balance of power that determines who wins power. That explains why the hopes pinned on the presidency of Mr. Jonathan were largely exaggerated and thus unjustified, at least when it comes to finding a lasting settlement of the MEND question, and even more so of the problem of poverty in the delta, assuming a solution were found to this problem one day.

It was in Mr. Jonathan's home state, Bayelsa, which is one of the least populous in the country due to the large area covered by mangrove swamps – which gives the attackers a certain tactical advantage, moreover – that MEND resumed its various operations at the end of 2012. Eleven policemen from the Joint Task Force, out of a detachment of 50 men, were killed in early April close to Azuzuama creek in the local district of Southern Ijaw in Bayelsa State. This attack, which was claimed by MEND and carried out on the occasion of the funeral of a militant's mother, is one sign among others. It did not target an oil facility but was a direct invitation to the government to take MEND's threats against the oil industry seriously, according to its spokesman. There again, that day's target seems quite far removed from the movement's officially declared objective.

Another aspect of the eternal political game between Nigerian elites in the north and the south was President Jonathan's decision in March to grant a presidential pardon (a sort of presidential amnesty) to his previous boss, the corrupt former Governor of Bayelsa, Mr. Diepreye Alamieyeseigha, who will now be able to stand for public office again ... To cap it all, several caciques of the Moslem north benefited from this presidential clemency at the same time, albeit for different reasons, it is true, and all with the approval of the **Council of State**.

Lastly, the Ijaw ethnic group, which is the largest ethnic community living in the oil-producing regions of the Niger delta, is itself divided into a large number of clans, some of whose interests do not always coincide with those of others. Even an Ijaw President like Mr. Jonathan is bound to be closer to some clans than to others and thus to be potentially suspect to those other clans. For all of these reasons, the hopes pinned on Mr. Jonathan for solving the delta's many problems were quite unjustified, not only in his own state but all the more so in the whole oil-producing region of the delta. Despite some gifts made by presidents in office to their regions of origin – an observation that applies throughout the political spectrum in Nigeria, in Africa, and indeed beyond – in the end Nigeria's presidential office always imposes a certain balance between north and south on key issues. Appearances can be deceptive ...

AOG: Since Mr. Goodluck Jonathan came to power, have there been any major changes in terms of Nigeria's energy policy?

■ **P. S.-L.:** To answer that question, it is necessary once again to stand back in order to properly gauge the very slow development of reforms in this sector over a period of nearly 15 years.

There have been few advances on oil and gas issues. The new **Petroleum Industry Bill** is still being debated in Parliament, after being introduced in the summer of 2008. This bill, which was drafted at the behest of President Yar'Adua, remains in the hands of Congress for the time being, with all the problems it poses. President Jonathan has not done anything to move things forward.

In the **power sector**, there has certainly been some progress recently in terms of expanding generating capacity, but we are far behind what is needed in terms of effective production, despite some very recent improvements for which President Jonathan cannot necessarily take the credit.

A significant proportion of the revenues arising from the oil surplus has funded the development of the power sector since 2005

In effect, like the downstream oil sector in Nigeria, the country's power sector has for a long time been a victim of poor management and inadequate maintenance. It is a system that has inherent shortcomings which the government has been trying with greater or less constancy to reform in the direction of privatization for nearly 10 years. In 1992, however, the country was almost proud that it had peak-load production of 3,500 MW for an installed capacity of 6,000 MW. But 20 years later the country is still trying to achieve effective generation of 6,000 MW, although that has been the target set for years by three presidents who have succeeded each other in power since the return to democracy in 1999. In early 2010 effective production still fluctuated between 1,700 MW and 2,800 MW. More recently, after production peaked at 4,500 MW in December 2012, output was down to 3,500 MW in April this year, whereas installed

generating capacity now stands at around 8,600 MW as a result of the numerous power station projects implemented over the past eight years.

For Nigeria's 160 million inhabitants, this lamentable outcome has to be compared with the 52,000 MW of generating capacity installed for the benefit of 50 million South Africans. Yet this figure does not shield South Africa from serious power shortages as a result of insufficient production at certain times of the year, especially during the southern hemisphere's summer. In terms of per capita electricity consumption, Nigeria was in the last 10 of a world ranking of 135 countries in 2010, at 136 kWh per head, according to the **World Bank**. Nigeria was thus behind Gabon (1,004 kWh), Ghana (297 kWh), Senegal (195 kWh) and Kenya (156 kWh), and very far behind South Africa, with its 4,008 kWh. This is something of a paradox for Nigeria, which has been Africa's leading oil producer for decades and its leading LNG exporter for several years.

That is because the power sector remains in a confused and chaotic state despite efforts dating back to 2003 to reform the historic operator, the state power utility, the **National Electric Power Authority** (NEPA), which is a public monopoly and was renamed **Power Holding Company of Nigeria** (PHCN) in 2005. Those efforts were firstly aimed at privatizing the company and were followed by a multitude of public/private, and then private, projects for the construction of new gas-fired power stations. The authorities have announced their intentions for many years, but achievements are taking time to materialize. In a report produced in 2006, the **National Union of Electricity Employees** (NUEE), the sector's principal trade union, revealed that only 30% of the Nigerian population was then connected to the power network.

Under the 2005 law, Nigeria's power sector is still controlled by the state-owned PHCN. But this company has been broken down into 18 autonomous subsidiaries with a view to their being privatized. The PHCN's current structure following the 2005 reform is still the same today: seven generation companies, or Gencos, three of which operate hydroelectric plants and four thermal power stations; and 11 distribution companies, or Discos, covering the whole of Nigerian territory. The power transmission network operator, **Transmission Company for Nigeria** (TCN), is a separate entity. It is so obvious from the outset that it has little chance of being included in the privatization program.

Despite the many promises made and the numerous projects announced, and often even when they are implemented, effective generating capacity remains unstable and very variable. Power cuts can last several days in some regions. That naturally results in growing imports of diesel to fuel the country's tens of millions of generators, and thus in substantial additional costs for all the country's economic activities. This situation harms the competitiveness of potentially export-oriented productive activities and makes it very hard, of course, to escape from the "oil curse", given that over 90% of the country's oil export earnings are generated by oil. Despite its installed **refining** capacity of **450,000 b/d**, Nigeria only really utilizes between 30% and 40% of that at best and does so to produce more gasoline than diesel.

As for the investments made in the power sector since 1999, there are many figures going round. A 2008-2009 parliamentary report spoke of \$16 billion being planned for the period from 1999 to 2007, of which "only" \$13 billion was made available and effectively spent during that period. In 2009, however, Nigerian power production was lower than in 1999. The attacks by MEND in the delta were only partly to blame for this energy fiasco, though. Power stations running on natural gas have been built since 2005, but sometimes without properly finalized gas supply plans. Better still, power stations were sometimes inaugurated with great ceremony that were unable to operate. Foreign oil companies working alongside NNPC tried hard one after the

other to participate in this national effort through different private projects. But it was often impossible to reach agreement on the price to be paid for gas supplies or on the availability of gaslines, which sometimes led to lawsuits between NNPC and its partners. In this situation, it also has to be pointed out that the state power utility (PHCN) itself did not pay **Nigerian Gas Company**, the national gas corporation, a subsidiary of NNPC, for all its deliveries of gas.

To ensure better management of the surplus oil revenues generated by the rise in world crude oil prices from 2003 onwards, the Nigerian government created a special fund called the **Excess Crude Account (ECA)** in 2004. A significant proportion of the revenues from the ECA, and thus from the oil surplus, funded the development of the Nigerian power sector from 2005 on, in particular through **National Independent Power Projects (NIPPs)**, plans for developing gas-fired power stations jointly funded by the federal government and by some federated states in southern Nigeria that were located close to gas fields and were keen to have their own power stations. Billions of dollars have been invested in these projects without bringing a lasting improvement in electricity production, including in these regions. It is these new power stations that are now at the top of the privatization list.

According to the work of the above-mentioned parliamentary commission of inquiry, the total budget devoted by the federal government to the power sector between 1999 and 2007 amounted to between \$4 billion and \$16 billion, according to the statements of the people interviewed. Outside this commission and especially in the media, some experts do not hesitate to mention a figure of \$21 billion.

President Obasanjo always stuck to a cost figure of around \$6.5 billion, "*according to what he was told*", while explaining that this figure depended on what was included or not. As for President Yar'Adua, he referred to a cost of \$10 billion in public statements made on different occasions in 2008 and 2009, also pointing out that there was "*no significant improvement*" ...

At the root of the problem there has long been a retail price for the sale of electricity to the final consumer that does not even correspond to the breakeven price, while the latter was penalized by bad management and insufficient and/or irrelevant

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investment, combined with disastrous maintenance of the generation and transmission infrastructure. In addition to that, one has to take account of many users who do not always pay their bills and/or negotiate them directly with PHCN staff, who are not always very delicate, and the end result is an economically unviable system, from production to consumption and including transmission and distribution.

Whereas the first power sector privatization project dates back to 2005, the Jonathan administration is still trying to move this same project forward in an nth rehash ... PHCN's indebtedness, including to private banks and not only to the Nigerian state, was estimated at around \$3 billion in 2010, and it has not improved since then.

The planned increases in electricity tariffs over several years could give some opportunities to investors within the framework of the privatizations under way, if they go ahead as planned. But investments in the whole sector, including the transmission network, are

due to remain very substantial, and in that respect in particular there remain many unknowns, especially over the role of the Nigerian state. Returns on investment for private operators could thus be very modest in this national environment, which is also subject to numerous random factors of various kinds. On the contrary, locally, in certain areas, some projects could be relatively profitable.

At the end of the day, Jonathan should benefit from a relative improvement in the situation of the country's power sector, even though it is largely a result of measures taken by his predecessors. By retaining the **Ministry of Electricity** portfolio from the moment of his investiture as acting President in May 2010, Jonathan displayed his determination to see progress in this area, which is considered among the most important. In his favor Jonathan understood as early as 2010 that the power sector was an essential economic vector for the country's development, and that in addition it was a very strong political theme for the future in terms of results. But once again it is not at all sure that the reform of the whole power sector, including privatizations, can be accomplished during his term in office ...

