



global witness

The curious case of Nigerian oil block – OPL245

How secrecy in the oil & gas sector and the use of anonymous shell companies led to a convicted money launderer receiving up to US\$1.1 billion from a Nigerian oil deal.

In 2011, a deal was signed behind closed doors that involved a former Nigerian oil minister and two of the world's largest oil companies – Royal Dutch Shell and Eni. It relied on a climate of secrecy in the oil and gas sector, and the clever use of anonymous shell companies that allowed the beneficiaries of the deal to hide their identities and divert huge sums of cash.

What happened?

In 2011, Nigerian subsidiaries of Royal Dutch Shell and Italian oil giant ENI entered into an agreement with the Nigerian government to pay US\$1.092 billion for one of Nigeria's most potentially lucrative oil blocks, OPL245.

Although payment was made to the Nigerian government, it had in turn agreed to pay precisely the same amount to *Malabu Oil and Gas*, a company widely believed to be controlled by convicted money-launderer, and former oil minister from the corrupt Abacha-era regime – Chief Dan Etete. In a blatant conflict of interest, Etete had awarded the block to Malabu, a company he was a hidden owner of, while serving as oil minister.

Iced champagne, 5-star hotels and oil company denials

Shell and Eni deny paying any money to *Malabu Oil and Gas* in respect of the licence, and indeed they made their payment to the Nigerian government.

However, evidence from UK High Court proceedings involving a broker who alleges that he is due payment from *Malabu*, as well as other evidence seen by Global Witness, reveals

that, in reality, both oil companies were aware and in agreement that the deal would benefit *Malabu*.

Indeed they had even had face-to-face meetings with Chief Dan Etete, who claims to be just a consultant to Malabu though had been a hidden shareholder in the company since its formation, according to a Nigerian government body tasked with investigating the dealings concerning the oil block. If that wasn't bad enough, Etete had been found guilty of money laundering in France in 2007, money, the trial revealed, he had obtained from bribery.

Testimony was heard during the High Court case that an official from Shell previously negotiated directly with Etete over "iced champagne" and that Eni officials had enjoyed with him a luxurious dinner at a 5-Star Hotel in Milan.

A shadowy deal...

Global Witness believes that the deal for Oil Block OPL245 was structured in a way to allow Shell and Eni to claim that it had not struck a deal with Dan Etete.

Furthermore, documents seen by Global Witness indicate that after most of the money

was transferred to *Malabu Oil & Gas* in late August 2011, \$401 million was then transferred on to five Nigerian shell companies with hidden owners, raising concerns as to who truly benefitted from this deal.

What can be done to stop this from happening?

Shell and ENI must publicly disclose full details of all the arrangements they made with the Nigerian government with respect to these payments.

It is not credible that a sophisticated company such as Shell didn't know Dan Etete's history. Especially given his much-publicised 2007 conviction for money-laundering and the fact the Shell had operated in Nigeria for more than half a century and indeed had previously held the role as operator of OPL245 with Malabu Oil and Gas in 2001.

Given the history of this block and Dan Etete's involvement, Shell and Eni should explain what steps they took to ensure their payments did not end up in the hands of Dan Etete's company, *Malabu Oil and Gas*.

Extractive companies must make all payments made to governments public

Despite Nigeria's abundant oil wealth, Nigerians remain amongst the world's poorest people. Cases like this expose the vital need for citizen oversight of payments to governments for their natural resources.

Information about this deal only came to light by chance because of court cases in London and New York. Deals like this would have been incredibly difficult to execute had there been strong transparency laws requiring the disclosure of payments by extractive companies to governments.

Thankfully, momentum towards a global standard of transparency in the extractives sector is now virtually unstoppable

New laws in the U.S. and EU now require oil, gas and mining companies listed there to report on payments they make to governments for natural resource deals, on a country-by-country and project-by-project basis. Canada has recently announced that it plans to enact similar legislation.

This new global standard will allow citizens of resource-rich countries and civil society to identify what deals are being made on their behalf for their natural assets.

Big oil must drop their opposition to these laws

Oil companies like Shell have made public statements that they support transparency. Shell has been a key protagonist in efforts to undermine the passing of a credible EU transparency law. Despite their significant efforts, legislation was passed in June 2013 which, had it been in place, would have required the disclosure of the payments for OPL245. The American Petroleum Institute (API), whose members include Shell, BP, Exxon and Chevron, has filed a lawsuit aimed at gutting the U.S. law on extractive sector transparency and keep deals like this one secret.

The problem of anonymous shell companies must be tackled: information on the owners and controllers must be in the public domain

Tackling the issue of anonymous company ownership would remove a key tool used by the corrupt to divert billions of dollars from state accounts – often from the poorest countries on the planet.

It is also a key tool used by tax evaders, terrorists and other criminals to move the proceeds of corruption.

The real owners of companies like *Malabu Oil and Gas* and the other shell companies to which money from the deal was transferred, are kept hidden from public view, through the use of proxy or 'nominee' shareholders. So it won't come as any surprise to say that this deal would have been far more difficult to carry out

had the ultimate owners of the shell companies involved been a matter of public record. Etete would not have been able to award himself the block in the first place. All countries should adopt a public registry that records the name of a company's true owners.

Stay informed...

Follow Global Witness and the wider Publish What You Pay campaign.

 @GlobalWitness

 www.facebook.com/GlobalWitness

 @PWYPtweets

 www.facebook.com/PublishWhatYouPay