

## Inside NNPC Oil Sales: A Case for Reform in Nigeria

# Annex C. Government-to-Government Sales

### INTRODUCTION

Each year, foreign governments or state-owned companies feature among the list of entities that buy oil from NNPC. This annex explores the structure and management of these government-to-government (“g-to-g”) crude oil sale arrangements.

Although they make up a relatively small part of total NNPC oil sales—reports range from 8 to 24 percent in recent years (see figure C1)—the Nigerian government should re-examine NNPC’s g-to-g sales. Offering oil to other governments could be a useful way to find new buyers for Nigerian crude or pursue foreign policy aims. But in recent years NNPC executed these g-to-g deals in ways that appear not to have advanced either of these agendas. Moreover, some past g-to-g transactions have exhibited significant governance risks. This is particularly true for deals struck with small countries that lack the capability to refine the crude they receive. Public scandals have ensued, including investigations into NNPC’s g-to-g deals with Liberia, Jamaica, Zambia, Malawi and South Africa.

In the sections that follow, we present information about how NNPC has engaged with other governments in selling Nigeria’s oil, and identify the most pressing concerns about this particular subset of NNPC sales.

### BACKGROUND

Each year NNPC issues several contracts that allow other nations to buy portions of the Nigeria’s crude oil production. The country has been selling oil through such deals since at least 1974, when Gen. Yakubu Gowon was head of state. Most of the contracts likely have identical, or at least broadly similar terms to those found in a one-year NNPC COMD term contract.<sup>1</sup> The crude that buyer countries lift under their contracts comes out of NNPC’s equity share of Nigeria’s production.<sup>2</sup>

1 We reviewed only one g-to-g term contract (from 2011). However, several traders with experience managing g-to-g deals told us that most of the terms tend to be identical to those in the term contracts NNPC signs with private export buyers. Author interviews, 2011, 2013-2014.

2 As shown on NNPC Crude Oil Lifting and Sales Profiles, 2005-2014. For more on how NNPC term contracts work, and NNPC’s sources of oil, see main report p.16.

In recent years, NNPC has had two broad categories of g-to-g customers:

- *Established NOCs with refining and trading capabilities:* NNPC routinely sells cargoes of oil to NOCs in Brazil (Petróleo Brasileiro S.A.), China (mostly Unipecc, the trading arm of Sinopec), and India (the Indian Oil Corporation). Less often, the corporation has sold oil to state-owned companies from Azerbaijan (Socar Trading) and Thailand (PTT Public Company Ltd.).

In many ways, these large and capable companies behave just like NNPC's other crude buyers, which are mostly privately-owned trading companies. However, they can differ for two reasons. First, other oil-producing countries have leveraged export arrangements with large NOCs to secure other assets, such as financing or infrastructure. Second, these sales relationships could be used to find new markets for Nigerian crude. This is an important concern in the current environment, when demand for Nigerian barrels is weak, mainly due to a glut of light sweet crude in the Atlantic market and the rise of shale oil production in the US.<sup>3</sup>

- *Governments and state-owned companies of smaller countries:* The governments of Ghana, Côte d'Ivoire and Senegal have been regular buyers of NNPC oil for decades. The state-owned Tema refinery in Accra and the Ivorian government's Société Ivoirienne de Raffinage (SIR) facility in Abidjan mostly use Nigerian crude as feedstock. Senegalese NOC Petrosen has shipped some of the oil it bought from NNPC to the partially state-owned Société Africaine de Raffinage (SAR) in Dakar. As discussed below, however, many of the cargoes sold to these refineries are not refined in their facilities, but are sold by traders into the spot market while the refineries act as passive middlemen.

Each year NNPC also sells crude to a handful of smaller countries that do not—and often cannot—refine oil at all. Most of these are located in sub-Saharan Africa, or are Commonwealth countries. The refineries of a few, such as Jamaica and Zambia, are not configured to process Nigerian crude. Others—Burkina Faso, Liberia and Malawi, for instance—do not have working refineries.

Available records show that between 2004 and 2014, NNPC awarded other governments an average of eight term contracts per year. Twenty-one countries won at least one contract (figure C1).

3 For more on these issues, see main report p.21.

Year	Large, established NOCs	Volumes allocated* (barrels per day)	Smaller government buyers	Volumes allocated* (barrels per day)
2004	China, India	90,000	Cameroon, Côte d'Ivoire, Ghana, Jamaica, Kenya, Sao Tome, Senegal, South Africa	300,000
2005	China, India	90,000	Burundi, Côte d'Ivoire, Ghana, Jamaica, Kenya, Sao Tome, South Africa	285,000
2006	China, India	140,000	Burundi, Côte d'Ivoire, Ghana, Burundi, Jamaica, Kenya, Liberia, Senegal, South Africa	230,000
2007	China, India	120,000	Côte d'Ivoire, Ghana, Sao Tome, Senegal, South Africa	190,000
2008	China, India	120,000	Côte d'Ivoire, Ghana, Senegal	110,000
2009	China, India	120,000	Côte d'Ivoire, Ghana, Senegal	120,000
2010	China, India	120,000	Benin, Côte d'Ivoire, Ghana, Liberia, Sao Tome, Senegal, Sierra Leone	205,000
2011	Azerbaijan, Brazil, China, India	180,000	Burkina Faso, Senegal, Sierra Leone, Zambia	110,000
2012	Azerbaijan, Brazil, China, India, Thailand	150,000	Burkina Faso, Côte d'Ivoire, Ghana, Liberia, Malawi, Senegal, Sierra Leone, Zambia	260,000
2013	[2012 contracts were rolled over]	150,000	[2012 contracts were rolled over]	260,000
2014	China, India, Vietnam	90,000	Malawi	30,000

Figure C1. G-to-g contracts awarded by NNPC, 2004-2014

Sources: NNPC approved term contract lists

\* These figures indicate the ex-ante volume of the term contract allocations, not actual cargoes sold to these customers.

Most of the discussion in the next section focuses on this latter group of countries, as their policy objectives are less easily discerned and sales to them come with greater governance risks.

## GOVERNANCE CONCERNS ARISING FROM G-TO-G DEALS

Our research into these deals led to concerns in two main areas: an apparent absence of policy goals, and the abundance of middlemen.

We conclude that at least some g-to-g deals signed in the last decade had no strong financial or policy justifications and came with substantial risks of mismanagement. Sales to smaller countries that did not refine the oil they bought were the most problematic. As five case studies in the following sections show, the added layers of complexity and opacity in these deals left them open to abuse, and they delivered to Nigeria no clear additional benefits.

### Absence of policy goals

Our research indicates that past Nigerian administrations failed to follow clear policy strategies in their g-to-g oil sales. For sales to large NOCs like those in China, India or Brazil, this absence of an explicit policy is not particularly unsettling, as these NOCs have large trading operations that differ little from those of NNPC's private crude

oil customers. However, for smaller governments that lack either trading or refining capacity, the absence of a clear policy objective raises more questions. As explained below, the rationale for these deals becomes even muddier when their mechanics are unpacked.

G-to-g contract holders and top buyers vary year by year (figure C2), yet it is difficult to observe correlations between these fluctuations and known shifts in government policy, or the launch of new bilateral initiatives. NNPC offers little help on this question, since it does not publish guidelines for how it awards term contracts, or how it then parcels out cargoes of oil among contract-holding companies.<sup>4</sup> The corporation told a government task force in 2012 that it signs lifting deals with countries “based on federal directive” and “has no control over the selection or the volumes” allocated to a particular foreign nation.<sup>5</sup>

Rank	2005	2006	2007	2008	2009	2010	2011	2012	2013 Q1&Q2
1	South Africa	China	Côte d'Ivoire	No data	China	China	India	China	Malawi
2	Côte d'Ivoire	India	China		Côte d'Ivoire	India	China	Azerbaijan	Thailand
3	Ghana	South Africa	India		India	Côte d'Ivoire	Senegal	India	Zambia
4	China	Ghana	Ghana		Senegal	Ghana	Liberia	Côte d'Ivoire	India
5	Sao Tome	Côte d'Ivoire	Senegal		Ghana	Senegal	Zambia	Zambia	Azerbaijan
6	India	Sao Tome	Sao Tome		Sao Tome	Sierra Leone	Sierra Leone	Malawi	Ghana
7	Jamaica	Senegal	Jamaica		-	Sao Tome	Côte d'Ivoire	Burkina Faso	China
8	Kenya	Jamaica	Liberia		-	Liberia	Benin	Senegal	Liberia
9	Burundi	Burundi	Kenya		-	-	Brazil	Ghana	Brazil
10	Senegal	Kenya	Burundi		-	-	Sao Tome	Liberia	Côte d'Ivoire

Figure C2. Top ten g-to-g buyers of NNPC crude oil by volume, 2005-2013

Source: NNPC Lifting and Sales Profiles. Figures based on actual volumes lifted, not contract allocations.

Data on the volume of sales also does not point to an underlying strategy. Volumes of oil sold to other governments peaked under President Olusegun Obasanjo (1999-2007). In 2005, for example, NNPC sold an average of 247,000 barrels per day—or 24 percent of its total liftings—to nine governments.<sup>6</sup> G-to-g sales fell sharply under his successor Umaru Yar’adua (2007-2010), to only around 68,000 barrels per day in 2009.<sup>7</sup> The Goodluck Jonathan administration (2010-2015) channeled a bit more oil to government buyers in its first three years, but then it slashed the number of g-to-g contracts to four in 2014 without explaining the change (figure C1).

There are no obvious correlations between this performance record and known shifts in Nigerian security, energy, trade or investment policies over time. One could speculate about possible motives, though the links are far from obvious. For example, the growth of sales to China in 2006 may have been part of President Obasanjo’s push that year to attract new Asian investors to the oil sector. More generally, President Obasanjo was the

<sup>4</sup> For more on this point, see main report pp. 53-54.

<sup>5</sup> NNPC, Responses to Questions on the Dynamics of Oil & Gas Revenue by the Task Force on Petroleum Revenue, undated PowerPoint, slide 16.

<sup>6</sup> NNPC Crude Oil Lifting and Sales Profiles, 2005.

<sup>7</sup> Id., 2009.

most internationally oriented of the three leaders, particularly with respect to neighbors on the African continent.<sup>8</sup> Officials from the Yar’adua administration claimed that the lower numbers of g-to-g contracts signed in 2008 and 2009 reflected a general desire on the part of the president to “clean up” the oil sales process and “weed out” underperforming companies he saw as close to his predecessor, rather than any new foreign policy choices. Production outages caused by an insurgency in the Niger Delta also meant the Yar’adua government had less oil to sell.<sup>9</sup>

Below we identify a few potential motives that could justify the patterns of g-to-g sales in Nigeria, and assess whether they appear to apply.

### *Do sales to NOCs boost demand for Nigerian crude?*

G-to-g sales have done little to help develop reliable sources of demand for the oil sold by NNPC, despite NNPC having signed contracts with state-owned companies in important markets. NOCs from Brazil,<sup>10</sup> China<sup>11</sup> and India<sup>12</sup> are frequent buyers, for example, and have well-established trading operations. Given their size and global presence, it is quite normal for these companies to feature on NNPC’s list of term contract recipients, even if Nigeria was not courting these markets. It is unclear that these deals have achieved the additional upside of developing new markets for Nigerian crude. (Again, developing new demand is a priority for Nigeria, given that the market for its crude has shifted significantly of late.)

Available data suggests that from the BRIC countries, only India has played a major role in meeting Nigeria’s market challenges, and NNPC oil sales have played a limited role in facilitating that interest. Nigerian oil imports by Brazil and China have remained relatively flat since shale oil production started in the US. By contrast, reported average daily shipments to India rose by nearly 100,000 barrels per day from 2012 to 2014. This increase in demand is second only to Europe, to which Nigerian imports have roughly doubled since 2010 (figure C3).<sup>13</sup> Indian purchases of Nigerian crude have continued to grow in 2015, due to lower prices and strong refining margins.<sup>14</sup>

8 For more on Obasanjo’s foreign policy priorities, see John Iliffe, *Obasanjo, Nigeria and the World*. London: James Currey, 2011.

9 Author interviews, former Yar’adua aide and former top NNPC executive, 2010 and 2014.

10 Petrobras has bought Nigerian oil since the 1980s, well before Brazil became a major oil producer. According to available loading and shipping data, the main grades Brazil purchases for its refineries are Agbami, Akpo, Yoho and Brass. Between 2002 and 2011, average annual Nigerian oil imports ranged from 103,000 to 230,000 b/d. Katsouris and Sayne Oil Theft Report p.28.

11 In the six years reviewed for this report, Chinese state-owned entities on average purchased anywhere from roughly 20,000 to 43,000 b/d from NNPC. This made China a leading g-to-g buyer during the period, and the top buyer for three of the six years (see figure C2). Chinese purchases were highest in 2006, the year that President Obasanjo aggressively courted Asian investors for an oil block licensing round and other investment initiatives. By 2009, however, they had dropped back to about cargo per month. NNPC Crude Oil Lifting and Sales Profiles, 2005-7 and 2009-11.

12 State-owned Indian Oil Corporation, which manages 10 of India’s 22 refineries, controls the country’s g-to-g contract. Under this deal, the company purchased approximately one cargo a month between 2005 and 2011. NNPC Crude Oil Lifting and Sales Profiles, 2005-2011. The Indian Oil Corporation favors only a few of Nigeria’s 26 oil grades for refining, mainly Bonny Light, Bonga, Qua Iboe, Amenam and Brass Blend. Ibid.

13 Beginning in 2011, cargoes of Nigerian oil quickly filled much of the sizable gap in light sweet crude supply to Europe created by the conflict in Libya. This arguably created opportunities for strengthening buyer relationships on the continent and supported prices for some Nigerian grades. Petroleum Intelligence Weekly, March 3, 2014.

14 *Platts*, “India’s appetite for West African crude oil grades sees big boost,” July 15, 2015, available at: <http://www.platts.com/latest-news/oil/london/indias-appetite-for-west-african-crude-oil-grades-26149214>

Importer	2010	2012	2013	2014
US	983	406	255	92
Europe	451	870	830	923
Brazil	179	171	[no data]	205
India*	316	282	292	370
China	26	19	21	27

\*India 2011-2012 and 2010-2011 based on official data for April-March fiscal years.

Figure C3. Imports of Nigerian oil before and after the start of US shale oil production ('000 barrels per day)

Sources: US Energy Information Administration; Chinese General Administration of Customs; Indian Federal Oil Ministry; Brazilian customs data; OECD customs data.

Unfortunately, NNPC's g-to-g sales are not a major part of this evolving story. Indian refiners buy most of their Nigerian crude through monthly open tenders to trading companies, not directly from NNPC. According to NNPC oil sale records and interviews with traders and market analysts, COMD sales to g-to-g buyer Indian Oil Corp. have actually fallen since 2012.<sup>15</sup> The Indian refiner did not even make the preliminary list of 2014 term contract winners, and was only added late in the award process.<sup>16</sup> The Jonathan government also dropped Brazil's NOC Petrobras as a term buyer in 2014, effectively shutting a door on Nigeria's main Atlantic market outside of the US and Canada. Even the higher European sales are not due to NNPC seeking out new end-user buyers in that market. Rather, it was traders with NNPC term contracts who sold more of their cargoes on the continent as demand there rose.<sup>17</sup>

G-to-g buyers also tend to re-sell much of the oil they buy from NNPC in the spot market instead of importing it for use at home. Among the BRICs, for instance, while India and Brazil do refine most of the crude they buy, Chinese NOCs re-sell many of their cargoes. Chinese refiners are highly cost-sensitive, and many of their facilities are set up to process cheaper, medium sweet crudes from Angola and other producers; they tend to see Nigerian crude as unnecessarily expensive.<sup>18</sup> Given this weak local demand, Sinopec's trading arm, Unipec, has sold many of its cargoes to refiners in Brazil and the US, or to the trading divisions of big buyers like Shell, BP or Vitol. The traders then re-sell the parcels.<sup>19</sup> Figure C4 shows this trend for the years 2009 to 2011, with the number of sales to Asian companies far outweighing the number of cargoes that ever enter Asian refineries. This means that companies like Sinopec are acting as any other trader of Nigerian crude, and that NNPC sales to Chinese NOCs should not be mistaken as "accessing the Chinese market."

15 Author interviews and NNPC Crude Oil Lifting and Sales Profiles, 2012-2014. Note: We did not have access to data for some months in 2013 and 2014, but the records available were complete enough to identify the trend reliably.

16 Author interviews, trading company personnel; copy of preliminary list seen by authors; see also *Reuters*, "TABLE: Nigeria's expanded list of oil contract winner," June 5, 2014, available at: <http://in.reuters.com/article/2014/06/05/nigeria-oil-sales-idINL6N00K42O20140605>

17 Market intelligence data and author interviews, trading company personnel and market analysts, 2012-2015.

18 *Petroleum Intelligence Weekly*, "A new market for Nigerian Crude – Nigeria," March 3, 2014, p1.

19 NNPC Crude Oil Lifting and Sales Profiles; author interviews, trading company executives, refinery buyers, ship brokers and industry analysts, 2010-2014.

Countries	2009		2010		2011	
	Total oil purchased under g-to-g contracts, by region	Destinations of oil purchased under g-to-g contracts, by region	Total oil purchased under g-to-g contracts, by region	Destinations of oil purchased under g-to-g contracts, by region	Total oil purchased under g-to-g contracts, by region	Destinations of oil purchased under g-to-g contracts, by region
All North American	0	7.6	0	23.2	0	7.2
All South American	0	0	0	1.9	0.9	0.9
All European	0	2.9	0	6.0	0	7.5
All Asian	13.2	4.7	16.7	6.3	14.2	7.6
All African	11.8	9.8	30.2	9.5	15.9	4.0
No data	-	-	-	-	-	3.8
Totals	25.0	25.0	46.9	46.9	31.0	31.0

Figure C4. G-to-g liftings – which contract holders bought the oil versus where it went, 2009-2011 (million bbls)

Sources: NNPC Crude Oil Lifting and Sales Profiles; Ministry of Finance pre-shipment inspection reports; market intelligence data on file with NRG; author interviews.

Of 118 total g-to-g cargoes identified for the three years, only 31—or 26 percent—went to the countries that bought them in the first place.<sup>20</sup> While the data has limitations,<sup>21</sup> it broadly confirms comments from industry players that g-to-g buyers often do not themselves need the cargoes they buy for refining, and instead sell them in the spot market for undisclosed profits, typically to a trader or foreign refinery.<sup>22</sup>

NNPC in recent years has also sold less crude to West African refiners, which have been small but dependable buyers of Nigerian oil for years. Ghana for instance had an NNPC oil allocation as far back as 1992, available data shows. Selling more oil within West Africa could make sense given lower demand elsewhere, the lesser transport costs involved, and the broader goals shared within the Economic Community of West African States (ECOWAS) of boosting regional trade and economic cooperation. Yet without saying why, the Jonathan government did not to renew NNPC's g-to-g deals with the state-owned refineries in Ghana, Côte d'Ivoire and Senegal in 2014 – just when demand for Nigerian crude needed support.

Moreover, as with the BRICs, significant amounts of the oil NNPC sold to Ghana, Côte d'Ivoire and Senegal on a g-to-g basis never reached the refineries of those countries. For instance, government data suggests that only two out of twelve cargoes sold to Ghana's Tema Refinery in 2010 actually went to Tema. The rest—some 6 million barrels, or 85 percent of total shipments—was reportedly re-routed to buyers in the Netherlands, Germany, Uruguay, Canada and the US Gulf Coast.<sup>23</sup> Output problems could explain part of the problem, as both Tema and SIR often run well below their full capacities due to technical and funding problems. They also have experienced cash flow

20 NNPC Crude Oil Lifting and Sales Profiles, 2009-2011; Ministry of Finance pre-shipment inspection reports.

21 For example, some cargoes are sold on the water to a third party after they are loaded and their original bill(s) of lading are drawn up. A typical term contract gives NNPC a contractual right to know where its crude goes. Sample NNPC term contract, General Conditions Art. 1.5 requires buyers to send NNPC a report showing volumes discharged at final delivery points within 45 days of discharge. Art. 20.3 requires the buyer to provide NNPC documentation of the final destination, if NNPC requests to know. Trading sources noted, however, that not all buyers consistently comply with this obligation. The importer data are collected using a variety of methods, some more reliable than others. Author interviews, [source descriptions and dates]. Moreover, COMD's sales records sometimes list general destinations such as "Gulf of Guinea" or label cargoes "for orders," both of which suggest a parcel could have been stored or transferred to another vessel offshore.

22 Author interviews, trading company executives, refinery buyers, ship brokers and industry analysts, 2010-2014.

23 NNPC Crude Oil Lifting and Sales Profiles, 2010.

problems which caused downtime.<sup>24</sup> These numbers nevertheless suggest that g-to-g sales to West African governments have not effectively stimulated end-user demand for Nigerian crude.

If NNPC genuinely wanted to secure more dependable outlets for its crude, it could sign longer-term supply agreements directly with other overseas refineries. (For more on this point, see main report p.59.) Other governments have had considerable success with such deals, though the gains in stability can mean lower sale prices.<sup>25</sup> Some oil producing countries also turn to other governments when their usual buyers lose interest. Several US and European refiners have been relatively consistent end-users of Nigerian crude for some years, though US imports have dropped of late. A buyer at one refinery told us that his firm would gladly negotiate a term contract directly with NNPC, but the corporation insists on imposing traders.<sup>26</sup>

#### *Do g-to-g sales help Nigeria access other assets?*

Some nations sell oil to their foreign partners to gain access to goods which they lack. This can include trading oil for credit—often through “oil-backed loans”—or bartering crude for new roads, rail lines or other public works. Cash-rich China frequently pre-pays its trade partners for oil deliveries.<sup>27</sup> In the early 2000s, many resource-rich but underdeveloped African governments signed such “oil-for-infrastructure” deals with Asian nations with booming economies, primarily with China.<sup>28</sup>

However, unlike other African oil producers—most notably Angola—Nigeria has not sought these kind of exchanges from its government counterparts.<sup>29</sup> NNPC has operated crude oil-for-product swap deals since 2010 (for more information, see annex B), but these are with private companies rather state-owned ones. The most significant try at oil-for-infrastructure deals in Nigeria came during the 2005 and 2006 oil block auctions, not through NNPC oil sales.<sup>30</sup> Prior to awarding new term contracts each year, COMD does issue an invitation to bid saying applicants “must show commitment” to

24 *Energy Compass*, “Ghana: New President in Energy Related Struggles,” January 11, 2013.

25 Saudi Aramco for example has entered into a number of such deals with US, South Korean and Chinese refining companies. Information gleaned from these arrangements help Aramco optimally price the oil it sells to other buyers, while the refineries get first chances at Saudi crude in the event of supply cuts. In Mexico, NOC Pemex found regular takers for its heavy “Maya” crude by entering into concessionary supply agreements that encouraged foreign refineries to build new cokers for processing their specific type of crude. In time, these deals helped create a new market for Maya and boosted its price. Interviews, oil market analysts, 2012-2013; John van Shaik, “How Governments Sell Their Oil,” Revenue Watch Institute, 2012.

26 Author interview, 2013.

27 Such deals can be opaque and skewed against the creditor: war-time Angola is widely thought to have had some especially unbalanced deals. Author interviews, Angola analysts, 2012-2013.

28 By the late 2000s, the China Ex-Im Bank had extended credit lines for financing infrastructure projects—mainly in power and transport—to around 35 nations on the continent, with repayment to take place in oil or minerals rather than cash. For an overview, see V. Foster et al., *Building Bridges: China’s Growing Role as Infrastructure Financier for Sub-Saharan Africa*, World Bank, 2009. Some of the arrangements—notably though involving the opaque conglomerate China Sonangol—have been criticized on the grounds of poor performance; opaque, unduly concessionary terms; and provision of finance to rogue regimes. See e.g., International Center for Investigative Journalism (ICIJ), “China-based corporate web behind troubled Africa resource deals,” 9 November 2011; Global Witness, *Financing a Parallel Government?*, 2012; J.R. Mailey, *The Anatomy of the Resource Curse: Predatory Investment in Africa’s Extractive Industries*, Africa Center for Strategic Studies Special Report, May 2015.

29 There was an effort to secure infrastructure commitments from Asian state-owned companies during the 2005-2006 licensing rounds, such as Korea’s KNOC and India’s ONGC. However, these involved the allocation of upstream licenses rather than the sale of oil, and they did not produce many positive results.

30 Sinopec eventually gained more access to Nigerian oil reserves by buying out Addax, a private company, in 2009. For more information on the activities of Asian NOCs in Nigeria’s upstream sector, see Chatham House, *Thirst for African Oil*, 2009; G. Mutembu-Salter, *China’s Engagement with the Nigerian Oil Sector*, China in Africa Project, 2009.



investing in priority economic projects.<sup>31</sup> But these appear to be largely aspirational statements: no one we interviewed recalled an instance in which NNPC denied companies denied contracts for failure to meet this soft “requirement.”

*Are g-to-g deals used as tools of “oil diplomacy”?*

In addition to state-owned refining companies in the BRICs and West Africa, Nigeria sells crude to smaller governments that do not refine what they buy. One possible explanation for these deals could be that they serve the country’s foreign policy aims, but we see limited evidence that this is the case.

Governments sometimes do use oil sales to pursue foreign policy aims. An ambitious recent attempt was late Venezuelan President Hugo Chavez’s Petrocaribe program, which in 2005 began exporting up to 180,000 barrels per day of subsidized oil to 17 Caribbean countries with the aim of furthering Chavez’s “Bolivarian revolution.”<sup>32</sup> Countries also can offer their partners cheap oil to buy political protection against future economic and national security threats, or to influence another country’s decision-making. The Saudi government long attempted to do this by selling discounted crude to some US refineries, even when sales to Asia or Europe would earn more.<sup>33</sup> Some believe that NOC Saudi Aramco also sends over 200,000 barrels per day by pipeline to neighboring Bahrain at low prices as a tool for influencing state policy.<sup>34</sup>

It is harder to discern foreign policy as a motive behind Nigerian g-to-g sales. Some interviewees argued loosely that the sales to smaller African countries reflect Nigeria’s continental foreign policy, which at moments—and especially under Obasanjo—focused on regional economic cooperation, peacekeeping and bilateral investment promotion.<sup>35</sup> Others supposed that g-to-g sales could be one arm of Abuja’s long-standing campaign to win a permanent African seat on the UN Security Council, should one become available.<sup>36</sup> In theory, because they are negotiated at high political levels, g-to-g oil deals with smaller African countries could help create fresh goodwill for Nigeria on the continent as it asserts its political dominance or attempts to negotiate bilateral trade deals for non-oil goods.

Ultimately, however, our research found no instances since the return of democracy in 1999 of Nigeria selling oil to smaller, non-refining countries in pursuit of concrete policy aims. Neither government officials nor NNPC have pointed to any in their public statements. No one we interviewed either in government or the private sector could point to clear examples of the government using g-to-g sales as instruments of diplomacy.<sup>37</sup> As noted above, we see no clear correlations between fluctuations in

31 Examples given in 2012 included “railway construction,” “solid mineral development,” “independent power plants,” “downstream” and “gas utilization projects. NNPC COMD, Invitation for Crude Oil Term Contract Application, 2012-2013.

32 Under Petrocaribe, for instance, some 60 percent of the oil bill is paid at delivery and the balance is financed over 25 years at 1 percent interest. Countries can also repay with goods, typically agricultural products. In the case of Cuba, Havana sends medical doctors as payment. Recent data suggests, however, that the Dominican Republic owed \$3 billion and Jamaica owed \$1.9 billion. Instead of pulling the plug on the program, some players in Caracas want higher interest rates and some countries are calling for tighter economic integration. Russia has done similar deals with former Soviet states such as Ukraine and Belarus, and both Iraq and Saudi Arabia sell Jordan discounted oil to grow alliances. Submission from oil market analyst on file with NRG.

33 Analysis of 2012-2013 market data suggested that Saudi Arabia would have made \$2.5 billion more in those years if it had sold the oil Saudi Aramco allocated to the US into Asian markets. Ibid.

34 Author interview, Middle Eastern oil market analyst, 2013.

35 Author interviews, traders, market analysts and Nigerian government officials, 2011-2013.

36 Ibid.

37 Ibid.

contract recipients or sale volumes and known shifts in foreign policy. Traders, echoing comments from officials in the Nigerian presidency and Federal Ministries of Petroleum Resources and Trade and Investment, claimed that many g-to-g deals are not negotiated as part of bigger bilateral trade deals, or through formal avenues like trade missions or summits. Rather, the interviewees said, individuals with strong political contacts in both countries broker them “in private,” as more or less unrelated “side deals.”<sup>38</sup> These persons might be businessmen active in both places, or diplomats. “It is all very informal, there is no pomp and circumstance,” said another experienced trader, adding: “Sometimes the parties don’t even announce the deals once they’re signed.”<sup>39</sup>

The erratic, unreliable ways in which NNPC supplies oil to its g-to-g deals would also seem to undermine their value as instruments of diplomacy. Available data show that NNPC collectively promised foreign governments between 34 and 75 percent more oil than it delivered over the eight years we reviewed (figure C5). This stems from the larger problem of NNPC allocating term contracts for volumes that exceed the actual amount of crude they have available to sell. When it comes to allocating cargoes for sale, “bilaterals are the low men on the totem pole,” said one experienced trader. He went on to imply that payments to officials could sometimes get a g-to-g contract holder “more attention.”<sup>40</sup>

Year	Volumes allocated to other governments ('000 barrels per day)	Actual sales to other governments ('000 barrels per day)	Percentage shortfall
2005	375	247	34
2006	370	219	41
2007	310	182	42
2008	230	No data	No data
2009	240	68	72
2010	325	129	60
2011	220	85	61
2012	410	101	75
2013 Q1-Q2	410	107	74

Figure C5. Under-supply of g-to-g deals by NNPC, 2005-2011

Sources: NNPC crude oil lifting and sales profiles; NNPC approved term contract lists

Further back in history, it appears that the federal government did have specific foreign policy goals for its g-to-g sales to smaller African countries. In the mid-1970s, the Yakubu Gowon and Murtala Mohammed military governments reportedly sold oil at below-OPEC rates to Liberia, Senegal and Sierra Leone, mainly to help them weather the 1973 Arab oil embargo.<sup>41</sup> Nigeria apparently offered Niger free oil at the time, though the

38 Author interviews, 2013-2014.

39 Author interview, 2011.

40 Author interview, 2010.

41 Despite strong economic and political pressures, two Nigerian governments decided in mid-1970s, around the time the ECOWAS treaty was signed, to sell crude at concessionary, below-OPEC rates to Senegal, Liberia, Sierra Leone, and Ivory Coast. The deals reportedly affected less than five percent of Nigeria’s exports, and were justified in part as a means to help poor countries weather the 1973-1974 oil price shocks. Initial discounts were roughly \$5 under OPEC. See O. Aluko, Oil at Concessionary Prices for Africa: A Case-Study in Nigerian Decision-Making, *African Affairs* Vol. 75, No. 301 (Oct., 1976), pp. 425-443.

deal did not go through.<sup>42</sup> Protracted cabinet-level discussions and consultations with interest groups in and outside Nigeria preceded the deals. The Gowon regime offered the oil with the condition that receiving countries had to refine it themselves.<sup>43</sup> Senior and retired NNPC and petroleum ministry officials recalled that the military governments signed subsequent g-to-g deals on the continent to boost Nigeria’s influence within then-young regional economic and security-related bodies like the Organization of African Unity (OAU, now the African Union) and ECOWAS, and build new alliances with other Commonwealth states.<sup>44</sup>

However, by the late 1980s, governance of the smaller country deals changed. Traders brought in to manage contracts on behalf of the other countries started selling much of the oil into the spot market. NNPC signed its first g-to-g deals with countries that had no working refineries. Well-connected middlemen collecting margins on sales proliferated. The prominence of a proposed deal’s political “sponsors,” more than the deal’s usefulness as public policy, determined its chances of getting signed.<sup>45</sup> We discuss these problems in the next section.

### Abundance of middlemen

NNPC’s g-to-g oil sales have often been crowded with middlemen, even more so than its other export sales.<sup>46</sup> The deals with smaller non-refining countries tend to involve the highest numbers of passive, largely non-contributory parties. Intermediaries in these deals can at times be stacked as many as three layers high:

- 1 *Traders.* Large oil trading companies are often the key movers in these deals. They typically arrange loading and transport on behalf of the foreign government that holds the contract, and find buyers in the spot market for any cargoes the government receives. Some also handle financing for the government, including wiring payments to NNPC.

For the rights to access the oil, the trader will pay the government recipient either per barrel “commissions” or a fixed percentage margin from all sales under a profit-sharing arrangement.<sup>47</sup> Most governments do not report what they earn, but Kenyan parliamentary documents cited commissions of \$0.07 to \$0.15 per barrel from its 2005-2007 contract, and Jamaica in 2007 negotiated \$0.25 per barrel with Glencore, its chosen trader.<sup>48</sup> In total, Kenya earned \$1.2 million from six Nigerian cargoes between 2004 and 2006,<sup>49</sup> while in six years the Jamaican government collected \$2.4 million from the 34 million barrels that passed through its hands.<sup>50</sup>

A small cadre of traders—at first foreign, but increasingly Nigerian—have lifted the oil from most of the g-to-g contracts signed since 1999 (figure C6). Some claim that g-to-g contracts first emerged as devices to allow big trading companies to circumvent an informal NNPC rule that no term lifting contract holder could receive more than

42 A.A. Nwankwo, *Nigeria: The Stolen Billions*. Enugu: Fourth Dimension Publishers, 2002, p.79.

43 Aluko (1976, op. cit.) p.426.

44 Author interviews, 2013-14.

45 Ibid.

46 For more on the use of intermediaries in NNPC oil sales, see main report p.46-59.

47 Author interviews, Nigerian oil traders, 2010 and 2014.

48 Kenyan National Assembly, Hansard: Official Report, 19 July 2007, p.2649f.

49 Ibid.

50 Jamaican Office of the Contractor General, Special Report of Investigation Conducted into the Oil Lifting Contracts between the Petroleum Corporation of Jamaica (PCJ) and Trafigura Beheer, August 2010, p.16.

60,000 barrels per day.<sup>51</sup> As such, buying g-to-g cargoes helped the bigger traders protect their market shares and lift more than their own daily allocations from NNPC.

Trader	Lifted g-to-g oil on behalf of:
Addax	Liberia
Arcadia	India, Sao Tome, Senegal
Glencore	India, South Africa
Mercuria	Senegal, Thailand
Sahara	Côte d'Ivoire, Ghana, Liberia, Senegal, Sierra Leone
Trafigura	India, Jamaica
Vitol	Burkina Faso, Kenya, Zambia

Figure C6: Examples of traders lifting oil under non-refining g-to-g oil deals, 1999-2013

Sources: NNPC lifting and sales profiles; market intelligence data; author interviews, trading company personnel and industry consultants

Not all g-to-g deals are created equal in this area. Some BRIC buyers typically lift their own crude, so those deals feature fewer middlemen. For example, Sinopec and Petrobras lift and finance their cargoes by themselves. However, the Indian Oil Corporation usually buys oil through tenders rather than NNPC's preferred model of term contracts, and has smaller trading and shipping desks; as a result, it does employ the services of traders. The Switzerland-based trading houses Arcadia, Glencore, Trafigura and Vitol all have lifted oil for the Indian Oil Corporation, available records and interviews suggest—an example of an intermediary serving a useful commercial purpose.<sup>52</sup>

- 2 *Passive intermediaries and "briefcase" companies.* The smaller non-refining country deals are more likely to feature companies that lack significant trading credentials (figure C7). In the language of the Nigerian crude oil market, these are often referred to as "briefcase companies." They are typically a small entity that routinely re-sells (or "flips") cargoes of crude to another intermediary—for example, a larger, more experienced commodities trading firm, which then re-sells the cargo to a third buyer. For some g-to-g deals, it is this type of company that actually enters into the contract with NNPC, rather than the foreign government. The case studies from Zambia and South Africa below illustrate this arrangement, with privately owned Sarb Energy and South African Oil Company holding those contracts for the two respective governments. The passive or briefcase intermediary is typically contractually entitled to collect a margin, either on a commission or profit share basis.<sup>53</sup>

While they vary from contract to contract, typical duties for a non-trading intermediary under a g-to-g deal can include liaising with NNPC and the trader that lifts and markets the oil, and making payments to NNPC, the foreign country and other parties to the deal. Not every g-to-g arrangement involves a briefcase company or similar entity, however: Liberia and Kenya held their g-to-g contracts directly through their national oil companies, for example, and the large trading company Sahara Energy has managed purchases for other countries, such as Sierra Leone, with no briefcase company involved.

51 Author interview, trader with experience managing g-to-g deals, 2010.

52 Finding based on author interviews with trading company personnel and a comparison of NNPC Crude Oil Lifting and Sales Profiles with market intelligence data.

53 Author interviews, trading company personnel, 2011-13.

Country	Company
Benin	Concept Series
Burkina Faso	PSTI
Burundi	MGG Energy
Jamaica	Goodworks Ltd.
Malawi	Petroleos de Geneve SA Ltd. (PDG)
Sao Tome	Overt Energy, United Energy
South Africa	South African Oil Corp.
Zambia	Sarb Energy

Figure C7. Entities associated with non-BRIC NNPC term contracts, 1999-2013

Sources: NNPC lifting and sales profiles; author interviews; media accounts

3 *Other passive third parties.* Some of the smaller country deals have a further tier of middlemen below the briefcase level, commonly referred to as “agents,” “consultants” or “deal negotiators.” One g-to-g deal we reviewed for this report included nine separate such parties, organized into different “groups” aligned with either the buyer or the seller. According to traders and also documents from g-to-g deals, these actors typically earn one or two cents per barrel of oil lifted. It is unclear what they do to receive such fees.

Figure C8, drawn from an accounting document from a recent g-to-g arrangement between NNPC and a smaller African country, gives a concrete example of how oil and money can change hands in these deals:

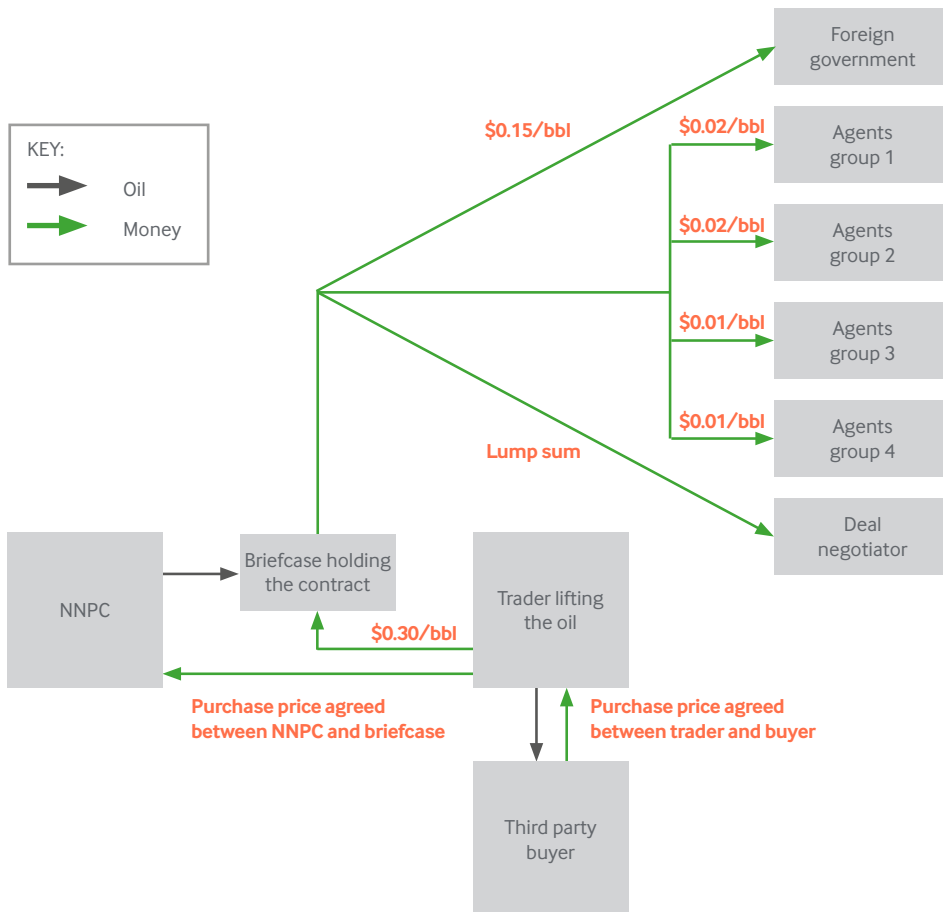


Figure C8. Structure, players and flow of funds of a g-to-g deal

Source: Confidential accounting document about a smaller country g-to-g deal, on file with NRG

*Do the deals pose risks of payments to government officials?*

Because these deals involve two government parties and allow for participation by passive players who serve little commercial purpose, they do pose some risk of involving politically exposed persons (PEPs) in ways that create inappropriate conflicts of interest. This is a problem in other NNPC oil sales as well. (See main report p.49-50.) Controversies that arose in three of the smaller, non-refining countries illustrate some of the risks:

**G-to-g case example: Jamaica.** In October 2006, opposition politicians in Jamaica accused the then-ruling People’s National Party (PNP) of financing its annual conference with bribes linked to that country’s g-to-g deal with Nigeria. Government investigators reportedly later found evidence that Trafigura, which had managed the deal since 2000, had written three checks worth roughly US \$490,000 to an account controlled by the minister of information, who was also the PNP’s general secretary. No final law enforcement action was taken in Jamaica or abroad.<sup>54</sup>

**G-to-g case example: South Africa.** South Africa presents a less clear-cut but still troubling case. In August 1999, according to an investigation by the *Mail & Guardian*, NNPC offered a 55,000 barrel per day term contract to the “Republic of South Africa” after high-level diplomatic discussions. While African National Congress officials applauded the deal as a win for their government, the final contract was signed by “South African Oil Company” (SAOC), a firm registered in the Cayman Islands. Glencore managed SAOC’s liftings—the first of which took place in October 1999—reportedly paying the offshore SAOC \$0.07 per barrel, or roughly \$1.4 million in the first year.<sup>55</sup>

The *Mail & Guardian* reported in 2003 that no oil or revenue from the deal had reached the South African government. Instead, SAOC retained the South African margin for itself. SAOC was a private company 75 percent-owned by the Camac Group, which in turn was controlled by Kase Lawal, a Nigerian-American businessman seen as close to the Nigerian presidency.<sup>56</sup> The owners of the last quarter of shares were unknown, but several ANC officials or their family members and associates reportedly sat on SAOC’s board.<sup>57</sup> In a public statement, Lawal’s lawyer said that “no political party or politician in South Africa has ever benefited from the contracts” or from “donations by Mr. Lawal and/or any entity within the group.”<sup>58</sup>

Despite the negative press, SAOC continued to lift NNPC oil regularly until November 2006. In 2005 and 2006, it lifted a reported 33.9 million barrels with a sales value to NNPC of \$1.95 billion.<sup>59</sup> The company was Nigeria’s largest g-to-g buyer by volume in 2005, when it received some 24.4 million barrels.<sup>60</sup>

54 Office of the Contractor General, Special Report of Investigation Conducted into the Oil Lifting Contracts between the Petroleum Corporation of Jamaica (PCJ) and Trafigura Beheer, 2010. Nigeria: Good works, bad behavior, *Le Monde*, July 1, 2007.

55 *Mail & Guardian*, “Oil scandal rocks SA,” May 30, 2003, available at: <http://mg.co.za/article/2003-05-30-oil-scandal-rocks-sa>.

56 *Ibid.*

57 *Mail & Guardian*, “Just who is Kase Lawal,” May 30, 2003, available at: <http://mg.co.za/article/2003-05-30-just-who-is-kase-lawal>.

58 *Mail & Guardian*, “The responses: those who talk and those who don’t,” May 30, 2003, available at: <http://mg.co.za/article/2003-05-30-the-responses-those-who-talk-and-dont>.

59 NNPC Crude Oil Lifting and Sales Profiles, 2005-2006.

60 NNPC Crude Oil Lifting and Sales Profiles, 2005.

**G-to-g case example: Zambia.** The 2011-2013 g-to-g deal with Zambia also illustrates how these arrangements have sparked controversy, and how they have involved politically influential persons in both sets of countries.

In March 2013, the Zambian government arrested its former president Rupiah Banda and charged him with multiple violations of the country's anti-corruption laws. Part of the charges stemmed from a 20,000 b/d g-to-g deal his government finalized with NNPC in April 2011. The Lusaka Magistrate's Court acquitted Mr. Banda in June 2015 after finding that the prosecution had not proven that the former leader's alleged behavior around the g-to-g deal constituted abuse of office under Section 99(1) of the Zambian Penal Code.<sup>61</sup> Nigeria's Economic and Financial Crimes Commission (EFCC) apparently looked into the Zambia g-to-g contract in May 2013,<sup>62</sup> but no enforcement action was taken.

The sworn trial testimony from the Banda case and Nigerian corporate filings indicates that current and former government officials may have played a role in the deal. The Zambia deal was managed by a Nigerian company named Sarb Energy, which held the contract with NNPC on Zambia's behalf.<sup>63</sup> The Lusaka court acquitted Banda of allegations related to payments made by Sarb to a Singapore-based company called Iexoria that was allegedly controlled by Henry Banda, the president's son.<sup>64</sup> Two former Nigerian government officials also were affiliated with Sarb, according to records filed with the Corporate Affairs Commission (CAC). Brigadier General Sylva Ogbogu, a retired Nigerian Army officer owned 30 percent of the company.<sup>65</sup> The second was Nimi Barigha-Amange, a former People's Democratic Party (PDP) senator (2007-2011), who also served as Director of Planning, Research and Strategy for former president Jonathan's re-election campaign in 2014.<sup>66</sup> Barigha-Amange was a director in Deltoil Nigeria and Pixy Energy, two local companies that held stakes in Sarb.

The volume of crude sold through the deal is unclear. Sarb's CEO told the court in the Banda trial that a total of 5.7 million barrels changed hands under the Zambia g-to-g deal, with the last cargo loading in December 2012.<sup>67</sup> Our review of NNPC and Finance Ministry records found eleven cargoes (or 8,010,746 barrels) allocated to Sarb, worth \$969.6 million according to NNPC.<sup>68</sup> The last lifting, according to NNPC data, happened in October 2013.<sup>69</sup> As with several other g-to-g deals, the parties knew that Zambia would not refine any of the oil sold under the deal.<sup>70</sup> Instead, loading schedules indicate that Sarb sold the crude to traders including Vitol and Sahara Energy who lifted the oil.<sup>71</sup>

61 *Zambia Daily Mail*, "Rupiah acquitted," July 1, 2015, available at: <https://www.daily-mail.co.zm/?p=34852>.

62 Banda trial transcript, Akpan Ekpene and Richard Kachingwe testimony.

63 At trial, a Sarb representative claimed that his company paid NNPC Zambia's \$2.5 contract signing deposit and arranged letters of credit for cargoes of crude loaded under the deal. Transcript of Rupiah Banda trial ("Banda trial transcript"), Akpan Ekpene testimony.

64 Banda trial testimony, Remarks of Court.

65 Reports of 2014 and 2015 CAC records searches carried out on the companies Sarb Energy Ltd., Deltoil Ltd. and Pixy Energy Ltd. For copies, see <http://www.resourcegovernance.org/publications/inside-nnpc-oil-sales>.

66 *Premium Times*, "Full list of Jonathan's Campaign Officials," available at: <http://www.premiumtimesng.com/news/174134-full-list-of-jonathans-campaign-officials-directorate-and-committee-levels.html>.

67 *Ibid.*

68 NNPC Crude Oil Lifting and Sales Profiles and Ministry of Finance Pre-shipment Inspection Reports, 2011-2013.

69 NNPC Crude Oil Lifting and Sales Profile, October 2013.

70 *Ibid.* Zambia's Indeni Refinery runs mostly on heavier crudes from the Middle East.

71 Market intelligence data.

*Do non-refining countries receive the funds they are owed?*

For three NNPC deals with smaller non-refining country, questions arose around whether earnings reached the buyer countries or were retained by the intermediaries involved. In addition to the Sarb Energy-Zambia case discussed above, two other past controversies suggest that intermediaries in g-to-g deals may withhold payments due the country, at least in terms of the commissions a country is supposed to earn.

**G-to-g case example: Liberia.** In the first case, the government that received the deal accused the trader managing its sales of hiding profits. A 2009 report by Liberia’s auditor-general accused Geneva-based trader Addax of retaining the funds due to his country under a g-to-g deal. Addax had managed the Liberia Petroleum Refining Corporation’s (LPRC) 2006 term contract with NNPC, under which the Liberia agreed to buy 10,000 barrels per day (despite having no refining capacity itself). A separate management agreement required Addax to pay LPRC a commission of \$0.14 per barrel for any oil sold. According to the auditor-general, Addax concealed 749,938 barrels of the oil it lifted under the 2006 contract, short-changing LPRC by more than \$98,000. When queried, Addax admitted the discrepancy—which it claimed “was an oversight resulting from personnel changes”—and eventually paid LPRC the missing commissions.<sup>72</sup> Nigeria’s National Assembly probed the allegations in 2009, but no sanctions or other law enforcement activity followed.

**G-to-g case example: Malawi.** In 2012, the National Oil Company of Malawi (Nocma) won a 30,000 barrel per day g-to-g deal, its first such deal with Nigeria. According to an investigation by Malawi’s *Nation* newspaper, a Nigerian businessman with an honorary Malawian diplomatic title signed the contract on behalf of Nocma in May 2012. Shortly thereafter, according to official correspondence seen by the *Nation*, Malawi hired a Swiss firm run by the man’s brother to act as a financing “agent” for the deal. When approached by the *Nation*, local officials and the agent disagreed on how much oil had been lifted, and whether the government had received its full share of profits.<sup>73</sup> No public accounting followed, though one government agency later said Malawi earned \$1.26 million in commissions between through end of April 2013, most of which it had spent.<sup>74</sup> The Jonathan administration reportedly renewed the Malawi contract into 2015.<sup>75</sup>

72 General Auditing Commission, Report of the Auditor General on the Liberia Petroleum Refining Company for the Financial Years 31 December 2006 and 2007, April 2011, p.ivf.

73 *The Nation*, “Malawi’s State House in shady oil deal,” April 13, 2013, available at: <http://www.nyasatimes.com/2013/04/13/malawis-state-house-in-shady-oil-deal-with-nigeria/>; see also *Premium Times*, “Jonathan, Nigerian wealthy family named in “dubious” Malawi oil deal,” April 13, 2013, available at: <http://premiumtimesng.com/news/129913-jonathan-nigerian-wealthy-family-named-in-dubious-malawi-oil-deal.html?wpmtp=1>.

74 *Nyasa Times*, “Kapito queries Malawi government on Nigeria oil deal: US\$1mn earned,” March 15, 2014, available at: <http://www.nyasatimes.com/2014/03/15/kapito-queries-malawi-govt-on-nigeria-oil-deal-us1m-earned/>.

75 *Reuters*, June 5, 2014 (op. cit.).



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## CONCLUSION

When deciding whether to enter into more g-to-g oil contracts, Nigeria's new administration should weigh the contracts' potential policy benefits against the governance risks they carry. Not all g-to-g deal types are created equal in this regard, as the performance of deals from the past decade shows. Contracts with state-owned companies in Brazil, China and India have done little to ensure stable demand for NNPC crude, partly because the corporation has under-supplied them. Yet the deals mostly function like other sales under regular COMD term contracts, and the incidence of extra middlemen is lower. G-to-g sales to refineries in Côte d'Ivoire, Ghana and Senegal are a middle category with respect to risk. All three countries are obvious buyers of Nigerian crude, but their deals come with more middlemen, including traders that re-sell much of the oil on the spot market.

NNPC's g-to-g contracts with smaller, non-refining countries have the highest governance risks and the lowest policy benefits for Nigeria. The most obvious purpose they serve is to share margins with intermediaries, some of whom reportedly include PEPs. They are examples of NNPC's tendency to enter into opaque, needlessly complicated transactions when a simpler type of sale to an established and capable buyer would better serve the public interest.

We recommend that NNPC:

- Develop a comprehensive strategy for boosting demand for Nigerian crude, of which g-to-g sales to well-established NOCs could form part.
- Award NNPC term contracts through a transparent and competitive tender process that includes robust pre-qualification standards.
- Perform robust due diligence on intermediaries in g-to-g deals. (For more on this point, see main report p.54-55.)
- End sales to smaller non-refining countries unless NNPC can publicly explain the deals' policy benefits.