

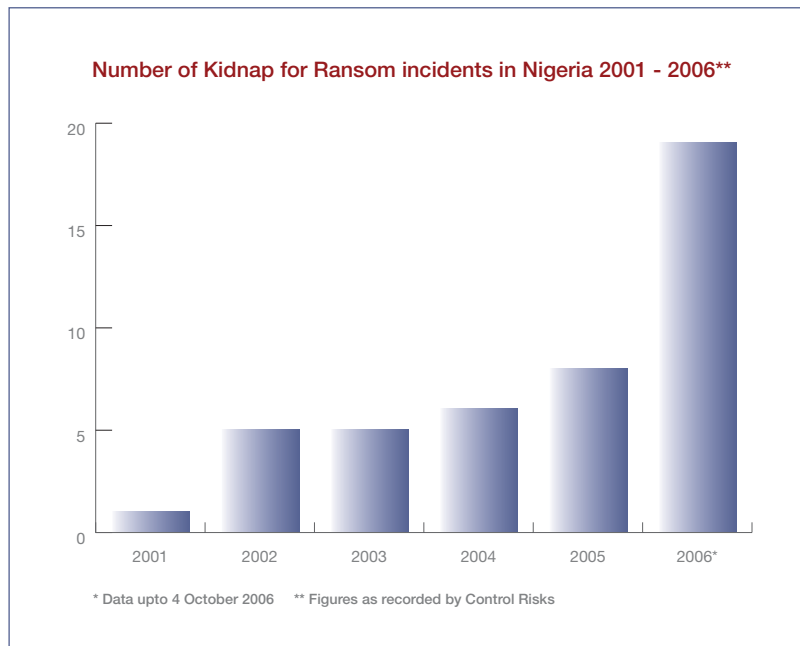
K&R Bulletin

Issue 1 – Focus on Nigeria

Kidnap for ransom has been regularly associated with parts of South America but it has also become prevalent in other parts of the world, especially in areas where a sharp disparity exists between rich and poor and where political and economic instability is endemic.

Nigeria is one country that has all the above ingredients, and has consequently seen a sharp rise in kidnap for ransom incidents over the past five years, resulting in approximately eleven losses in the Lloyd's market so far in 2006. The rise in violence, especially in the oil-rich Niger Delta region, has been fuelled by poverty and beliefs by the local population that they have seen little benefit from 50 years of oil extraction that has damaged their environment. Recent tensions have been heightened by the forthcoming presidential elections due in May 2007.

Oil revenues represent 20% of Nigeria's GDP and by making up around 90% of all its foreign exchange, are clearly the driving force in the country's economy. The state-owned Nigerian National Petroleum Corporation (NNPC) has entered into joint venture agreements and production sharing contracts with foreign oil companies which have moved into Nigeria to help develop the country's 22.5 billion barrels of proven oil reserves. As the sixth largest exporter in the Organisation of Petroleum Exporting Countries (OPEC) it currently has production running at 3 million barrels per day (bpd) which is expected to increase to around 4 million bpd by 2008.



Economic gains created by the presence of Nigeria's oil and gas activities are often compromised by ethnic and religious differences within the country. Tensions exist amongst the ten principal ethnic groups regarding the redistribution of resources and political power.



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Whilst the current government has made some progress on local investment and social issues, various ethnic groups still blame the federal government /NNPC that more has not been done in this area. Many of these local communities have now come to believe that the best way to achieve effective development is to direct their demands towards the foreign oil companies.

An increasing number of ethnicity-based militias, such as the Movement for the Emancipation of the Niger Delta (MEND), have begun to mount attacks on the infrastructure, equipment and employees of foreign oil companies. The aims of these attacks have been to disrupt production, extort money and to have local political, developmental and economic demands met, with kidnapping being one of their weapons.

The number of these attacks in Nigeria has been increasing rapidly. Control Risks Group has recorded 19 kidnap for ransom incidents involving almost 90 individuals since January 2006, of which 16 involved the oil or oil servicing industries. This number is up from eight incidents in 2005, six in 2004, five in 2003, five in 2002 and one in 2001, which has had a direct effect on kidnap for ransom insurance rates in Nigeria over the past year.

In August 2006, President Olusegun Obasanjo announced the introduction of the Joint Task Force, a key aim of which was to implement a military crackdown on the persistent threat of violent attacks. However, it seems that even the presence of the Joint Task Force has done little to quell the local militia's desire for disruption and attacks have continued. On 2 October 2006, around 25 Nigerians sub-contracted by Royal Dutch Shell were kidnapped in an attack by approximately 70 gunmen, in which around ten soldiers were also reported to be killed.

On the following day, seven foreign oil workers, four Britons, one Indonesian, one Filipino and one Romanian were kidnapped, while two Nigerian security guards were killed, during an unprecedented raid on a residential compound for expatriate contractors working for ExxonMobil in Eket. However, they were released on 22 October. Initial reports suggested that a US\$40m ransom was demanded from their employers though it is unclear under what terms their release was secured. This attack was also followed up on 10 October 2006 by reports of 60 Royal Dutch Shell employees being kidnapped from an oil platform on the Nun River.

These cases highlight that, although the Nigerian government is making a concerted effort to tackle the security issues within the country, the danger does not seem to be subsiding and may well continue to worsen.

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