The Correlation between Maritime Piracy and Oil Theft: Impact of Illegal Energy Seizure on Global and Regional Economies

Gavin Simmonds

Head, Security and Commercial, UK Chamber of Shipping

Introduction

Identifying appropriate political and operational remedial measures to piracy threats and other maritime crimes are limited by an imprecise understanding of the nature of incidents and by the definitions which we are obliged to use to describe and record criminal acts that take place at sea. The assumption of a correlation between piracy and oil theft has further limited the dialogue between governments. Consequently, regional problems have remained unresolved over many decades. Nowhere is this more evident than in West Africa in the Gulf of Guinea.

Long held, cogent and morally persuasive arguments held by the shipping industry have, to date, largely concentrated around a unified message about the need to provide for the safety and security for seafarers. These arguments, although undoubtedly as valid as ever, have arguably failed to achieve sufficient traction with governments and manifestly have not led to the delivery of regional improvements in security governance which have been required.

The economic impacts of piracy on regional economies have not been investigated and industry attention has focused on the assessment of the costs of providing self-protection and additional insurance which are carried by the industry, and the value of trade placed at risk to pirate attack. It has become apparent that the economic consequences of the lack of regional maritime security are much greater and are felt much more widely than had been previously recognized.

In understanding the correlation between piracy and other major criminal acts, this paper further argues that that the adverse economic impacts both regionally and internationally should be better understood. It proposes on the basis of a study on Gulf of Guinea, conducted by the UK Chamber of Shipping in July 2014, strong regional maritime governance should be seen as a prerequisite and an enabler for economic development.[1]

Maritime Piracy and Oil Theft

Maritime criminal activity follows several interconnected and evolving models. Weapons and drugs smuggling, people trafficking, illegal waste dumping, counterfeit goods and medicines, cybercrime, money-laundering and Illegal, Unregulated and Unreported (IUU) fishing have links to maritime crime and piracy. Further correlation is found when incidents of oil theft are analyzed. Oil theft or illegal bunkering is endemic in the Gulf of Guinea. Incidents of oil siphoning, a new model which combines the acts of piracy, hijack and oil theft, but not kidnapping or hostage taking, has recently increased in South East Asia.

Where maritime crimes take place outside the jurisdiction of a state and where the crime involves the interaction between two or more ships - the United Nations Convention on the Law of the Sea (UNCLOS) definition is commonly applied and an act of piracy is said to have taken place. This orthodoxy based on the 'locus' of the crime - although legally sound - is unhelpful as it fails to distinguish the precise nature of the crime or the motivation behind it. The definition causes the crime to be viewed and managed as a multi-jurisdictional issue and this causes delay and provides scope for all parties, but particularly regional states, to evade responsibility. The UK Chamber study found evidence of four main but interrelated types of crime.

Oil Theft

Oil theft in the Gulf of Guinea occupies the maritime and the littoral and neither environment can be considered in isolation. Oil theft is endemic and has destabilized the region over a period of 30 years sufficiently that it impacts a significant element of legitimate commercial activity and the political system. The majority of the thefts take place on land, and the illegal cargo is then transported by sea. There are many methods of theft, including pipeline theft and white collar oil crime and both crude and refined oils are stolen. Theft is accompanied by the threat, and use, of extreme violence.

In 2013, the Nigerian Government estimated that 300,000 barrels of crude (value $30m) were stolen a day. Oil theft at sea can be linked to organized crime rather than opportunistic thefts. It is claimed that because of the methods of white collar theft, illicitly obtained crude and refined products become inseparable from legal oils. This means illegal oils from Nigeria are able and allowed to re-enter the legitimate international oil supply chain.

Hijack of Ships

Oil theft in the Gulf of Guinea (and in South East Asia) requires control to be exercised over the target vessels and so the vessels are subject to hijack. However the hijack is not for the purpose of eliciting direct ransom payments for the ship, cargo or crew as was seen in Somali piracy between 2008 and 2012 but to facilitate the theft of cargo. This is usually achieved by off-loading a proportion of the cargo into another ship or barge by means of a transfer at sea.

Kidnap of Seafarers

The crews of ships, the seafarers, are not frequently the target of an attack but they are always the primary victims. Pirates have a ‘low threshold for violence’, and most attacks involve firearms. It used to be the case that kidnap of foreign nationals was occasionally for political leverage, but in 2013 all maritime kidnaps appear to have been financially motivated. The recent attacks in South East Asia are undoubtedly financially motivated and are characterized by novel insider and conspiracy aspects which have on occasions been misinterpreted as incidences of ‘kidnap’. For the moment it appears here at least that kidnap is not part of the modus operandi.

Theft at Sea

All attacks on ships, even those perpetrated as petty theft, entail severe risks to the crew. This is due to the predisposition to violence of the criminals and the proliferation of low cost weapons. There is always a risk of escalation as individuals seek to protect personal property and a simple theft can easily escalate to involve human cost. The predisposition to violence has geographical characteristics which are often imperfectly recorded and consequently little understood and difficult to mitigate.

The primary locations of maritime crime continue to change; crime is highly mobile and criminals will continue to relocate to evade detection or prosecution or search for new targets. This migration confirms that maritime security cannot be effectively ever considered in jurisdictional isolation, and that a joined-up and coordinated approach to maritime governance is an absolute essential.

Economic Impact

Oil and Gas

The UK Chamber study found Nigeria, with a GDP growth of 7.3% , as the primary source of energy from the Gulf of Guinea, with proven reserves of 37.2bn barrels (11^{th} in world) and a production of 2.5 million barrels per day (bpd) (12^{th} in world). 5% or 42m barrels of Nigerian crude were exported to the UK in 2012. 39% of Nigerian oil goes to other countries in the EU, with 4% exported to the US.

Gas exports from the region are not yet as proportionally significant. In 2012, 6% of the EU's Liquefied Natural Gas (LNG) came from the Gulf of Guinea and this is forecast to increase rapidly so that imported gas will make up 80% of EU consumption by 2030, and Nigeria will become an important partner.

There is a shift to increasing dependence on offshore production globally and here deep water fields off Nigeria currently account for 800,000 bpd, and are forecast to provide 60% of total Nigerian production. The study found the Gulf of Guinea region contributes to the UK's and EU's energy security, contains significant trade partners, and holds large UK investments. It has poor maritime governance, and has been a maritime crime hotspot for 30 years. The absence of Trans-Saharan pipelines means all oil and gas is exported by sea. IUU fishing is prevalent in the region representing another major loss of national income. The case for improved governance is therefore compelling.

Conclusion

The paper focuses on Nigeria as Africa's largest economy as the primary source of maritime insecurity in the Gulf of Guinea region.

Simple correlations between oil theft and piracy can be seen in a number of interconnected illegal models and it is the models which must be understood, addressed and dismantled. The use of the term 'piracy' is insufficiently precise to deliver the urgent regional solutions which are required.

This paper emphasizes the economic case for further sustained action to improve maritime governance by the international community and regional states. Strong regional maritime governance needs to be seen as an enabler, and a prerequisite for economic growth.

Endnotes

[1] The report is available at: http://www.ukchamberofshipping.com/information/publications-and-briefings/