

WINNERS AND LOSERS OF WEST AFRICAN PIRACY



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3 PART STUDY...

PART 1 - THE INVISIBLE ENEMY: Why are there no profiles on the groups behind piracy in West Africa? This is the question I sought to answer in hopes of better understanding why piracy in this region has been so persistent.

PART 2 - THE WINNERS & LOSERS: Who wins and losers with piracy in West Africa, who gains and who loses out?

PART 3 - STAKEHOLDER ANALYSIS: For many of the stakeholders, direct and indirect profits are not available through open source information, because much of the money made is held in secrecy.



PART 1: THE INVISIBLE ENEMY

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Why are there no profiles on the groups behind piracy in West Africa? This is the question I sought to answer in hopes of better understanding why piracy in this region has been so persistent. As I spent hours scouring news sites, maritime security pages, and academic journals, I was struck by how little information there was available discussing actually who these guys were. Were they terrorists, criminals, militants? This seemed like a gaping hole in the industry's knowledge.

I kept searching, talking to various security companies and scholars, and ultimately found out why there are no specific profiles out there. It's because no profiles exist. All the experts seem to be saying in open source material, is that the pirates are coming from the Niger Delta and piracy is an extension of the militancy and organised crime committed there. The people conducting the piracy do not exist as cohesive groups such as terrorists or ideological extremists. In fact, there is really no line between citizen, militant in the Niger Delta, and pirate. These people are one and the same, and they can dip in and out of these categories over time(1). There is no profile because there is no dedicated group.

People conducting piracy in the Gulf of Guinea are the same people attacking oil majors in the Niger Delta. They can be compared to crime syndicates, but in fact they are not as consistent nor organized. Not everyone involved is a career criminal; in fact, some of the organizers allegedly formally work for oil majors(2). Patchwork groups may be made up of local people who participate in these crimes when they have fallen on hard times and are mobilized by big men(3).

This reasoning made sense to me – but even so, this still feels like a failure on the part of the industry. Even so, it seems like we should be able to tell who the leaders are and which groups of locals they target to carry out their work. Scholars suggest that insurance companies probably know the most about these people because they need that information to calculate premiums, to conduct negotiations, and money drops. But they would not share this information with academics nor the public nor law enforcement. So if some actors know who these people are, why doesn't everyone? Why is this information so difficult to find out?

Could it be because no one actually wants to know who they are? Could it be because the Nigerian government, the oil corporations, the shipping companies, security companies, insurance companies, and intelligence companies all profit off of the security situation created by piracy? Would finding out who these people actually are be one step too far towards solving the problem? Loose descriptions of patchwork networks of local people and profit seeking big men seems a much too convenient answer for why a multi-billion dollar a year industry cannot properly profile pirates wreaking havoc in the current highest risk area for merchant shipping.



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(1) Ifesinachi Okafor-Yarwood and Maisie Pigeon, "Stable Seas: Gulf of Guinea" (One Eart Future, March 2020), <http://dx.doi.org/OEF.2020.043>; Dirk Siebels, Conversation with Dirk Siebels regarding piracy in West Africa, July 23, 2020; Richard Ingwe, "Illegal Oil Bunkering, Violence and Criminal Offences in Nigeria's Territorial Waters and the Niger Delta Environs: Proposing Extension of Informed Policymaking," *Informatica Economica* 19, no. 1/2015 (March 30, 2015): 77–86, <https://doi.org/10.12948/issn14531305/19.1.2015.07>.

(2) Godspower Edoza, "How Petrogress MD Faked Pirate Attack, Abduction of Seafarers — Navy," *Ships & Ports* (blog), May 23, 2019, <https://shipsandports.com.ng/how-petrogress-md-faked-pirate-attack-abduction-of-seafarers-navy-2/>.

(3). Siebels, Conversation with Dirk Siebels regarding piracy in West Africa; Tahir Ngada and Kate Bowers, "Spatial and Temporal Analysis of Crude Oil Theft in the Niger Delta," *Security Journal* 31, no. 2 (April 2018): 501–23, <https://doi.org/10.1057/s41284-017-0112-3>; Markus Schultze-Kraft, "Understanding Organised Violence and Crime in Political Settlements: Oil Wars, Petro-Criminality and Amnesty in the Niger Delta," *Journal of International Development* 29, no. 5 (2017): 613–27, <https://doi.org/10.1002/jid.3287>; Kevin Ponniah, "The Day the Pirates Came - BBC News," May 10, 2020, <https://www.bbc.com/news/world-asia-52295222>.



PART 2: WINNERS AND LOSERS

WINNERS

PIRATES and militants make direct profits.

INSURANCE COMPANIES benefit from the business created by piracy.

INTELLIGENCE AND SECURITY Companies base their business on piracy-created demand.

The **NIGERIAN GOVERNMENT** hires out their navy for escort and incident response.

OIL CORPORATES continue to benefit from exploiting the huge stores of oil in the Niger Delta.

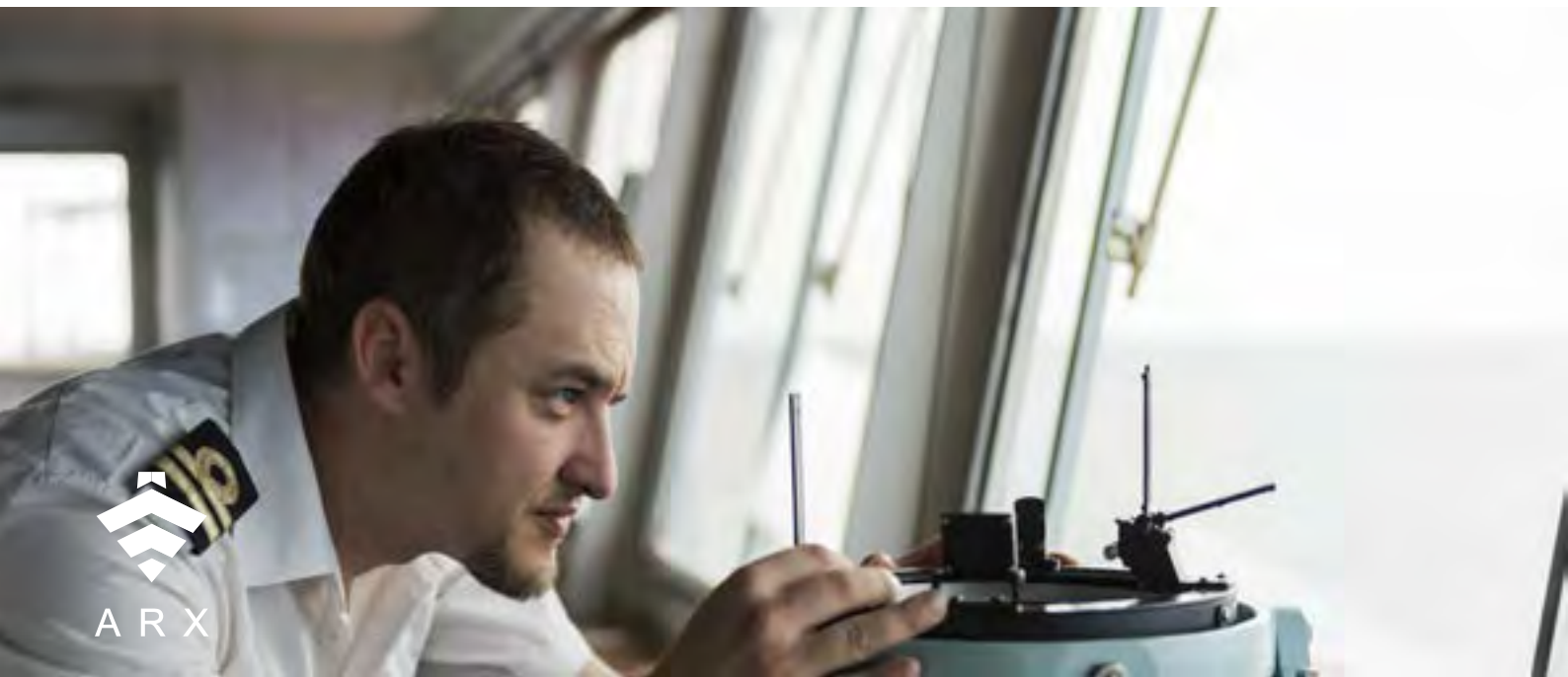
SHIPPING COMPANIES lose revenue when piracy incidents disrupt their operations, but continue to benefit from business in the region.

CONSUMERS benefit from access to cheap products, but lose on surcharges incurred by the piracy situation in general.

INTERNATIONAL ORGANISATIONS would like to see stable waters but benefit from maintaining the geopolitical status quo.

SEAFARERS lose and bear the brunt of the trauma, physical, and psychological costs of piracy.

LOSERS





PART 3: STAKEHOLDER ANALYSIS

The Gulf of Guinea and wider West African waters are considered the world's most dangerous hotspot for piracy. In 2018 130 hostages were taken, 78 seafarers kidnapped were taken for ransom, and 6 vessels were hijacked in the Gulf of Guinea alone(4). In 2019 worldwide piracy decreased, but the number of seafarers kidnapped for ransom in the Gulf of Guinea remains a problem as indicated by IMB reports, which are not comprehensive due to underreporting by companies. However, it is clear that worldwide improvements have not extended to this region(5). Furthermore, halfway through 2020 the situation does not seem to be improving: the International Maritime Bureau has logged 49 seafarers kidnapped in the first half of the year alone, with attacks occurring farther and farther from the coastline(6).

We see statistics such as in the Oceans Beyond Piracy 2017 report stating that \$818.1 million was the cost of piracy in West Africa(7). But where did that "cost" go? It wasn't simply lost. It went into other industries; the same amount of money has been made. This stakeholder analysis traces the motivations and profit made from the piracy situation by certain stakeholders. For many of the stakeholders, direct and indirect profits are not available through open source information, because much of the money made is held in secrecy. Below are the numbers taken from the ICC IMB Organisation for piracy and robbery against ships in West Africa.



(4) Josh Lamorena, "IMB Piracy Report 2018: Attacks Multiply in the Gulf of Guinea," accessed July 30, 2020, <https://www.icc-ccs.org/index.php/1259-imb-piracy-report-2018-attacks-multiply-in-the-gulf-of-guinea>.

(5) Security | 14/01/20, "Gulf of Guinea Crew Kidnappings Hit a Record High in 2019 While Piracy Drops Globally," SAFETY4SEA (blog), January 14, 2020, <https://safety4sea.com/gulf-of-guinea-crew-kidnappings-hit-a-record-high-in-2019-while-piracy-drops-globally/>.

(6) Josh Lamorena, "Crew Kidnappings Surge in Seas off West Africa, IMB Reports," accessed July 16, 2020, <https://www.icc-ccs.org/index.php/1293-crew-kidnappings-surge-in-seas-off-west-africa-imb-reports>.

(7) Timothy Schommer et al., "The State of Maritime Piracy 2017" (Oceans Beyond Piracy, n.d.).

PIRATES MAKE MONEY

Individuals and organisations committing piracy most obviously benefit from it. They are able to make money for themselves, their families, and communities, that they would not have the opportunity to do otherwise. Furthermore, other groups use piracy to make a political statement against their oppressors, the oil corporations and the government. In 2017 it is documented that \$413,000 of goods were stolen in West Africa through piracy(8), but this number is far lower than the actual profits made by pirates because it does not include ransom money, which represent the highest payouts. We do not know the exact figures of profits made from ransom, as they are not comprehensively reported, but we know that ransom payments can easily reach into hundreds of thousands per seafarers and some reports up to \$1 million(9).

After Nigerian independence, the Niger Delta region near the coast was discovered to possess large reserves of crude oil that could be refined and sold with a very high profit margin. As the government made deals with major oil corporations to set up shop in the Delta, the local communities began to sense that they were being cheated out of profits on resources found on their land(10). As people in the region lived in abject poverty, had little access to services, and no way out of their situation, the insult of extracting wealth from their land with no payment was worsened. As a political statement and as a way to make money, various groups and loosely connected individuals began to attack the infrastructure of the oil companies and syphoned off crude oil to sell on the black market. These attacks served the dual purpose of showing the corporations and the government that the people were unhappy with the arrangement that excluded them from the wealth, and they also served as a very profitable business(11). Some famous groups include the Movement for the Emancipation For the Niger Delta (MEND) and the Niger Delta Avengers (NDA). Kidnap and ransom capabilities were later transferred from operations in the Niger Delta to waters off the coast. MEND largely became inactive in 2009 when the Nigerian government offered an amnesty programme to essentially buy out the group in exchange for peace(12). Yet others took over their attacks and the violence did not decrease. The NDA emerged a few years later in 2016, but was also largely quelled in 2017 when the government again implemented payout programmes to militants in exchange for peace. Militants can make profits through their operations and through government payouts(13).

The same groups who commit violent crimes and theft in the Delta are credited with maritime attacks. In the ocean the attacks (14) originally consisted of the same thefts of oil products, but in response to increasing capabilities of local navies, attacks shifted towards kidnap and ransom operations. These attacks take far less time and resources to conduct than theft and smuggling of oil products, leaving the navies almost no time to respond and reach the attack site(15).

INSURANCE PROFITS AS PIRACY WORSENS

Insurance companies also profit from piracy. As piracy worsens, they are able to charge higher premiums to their existing customers and sign new customers that are afraid of incurring high costs due to piracy incidents. Though these companies may have to pay out for piracy incidents, overall their profit increases as piracy does, so they are also motivated to see it continue.

In 2017 the cost of insurance in the area, excluding war risk premiums, was estimated by Oceans Beyond Piracy to sum to more than \$20 million. Furthermore, war risk premiums can be charged at \$1000 per day per vessel, increasing the total made by insurance companies to over \$39 million. This industry profits off of the existence of piracy(16).

(8) Schommer et al.

(9) "Sea Piracy in 2025: Piracy 2.0?," The Maritime Executive, accessed July 30, 2020, <https://www.maritime-executive.com/blog/sea-piracy-in-2025-piracy-2-0>.

(10) Ngada and Bowers, "Spatial and Temporal Analysis of Crude Oil Theft in the Niger Delta"; Ingwe, "Illegal Oil Bunkering, Violence and Criminal Offences in Nigeria's Territorial Waters and the Niger Delta Environs"; Seun Bamidele, "The Resurgence of the Niger-Delta Avengers (Ndas) Group in the Niger-Delta Region of Nigeria: Where Does the Economic Deprivation Lie?," International on Minority and Group Rights 24 (n.d.): 2017.

(11) Ngada and Bowers, "Spatial and Temporal Analysis of Crude Oil Theft in the Niger Delta."

(12) "Movement for the Emancipation of the Niger Delta (MEND)," accessed July 15, 2020, <https://www.globalsecurity.org/military/world/para/mend.htm>; Schultze-Kraft, "Understanding Organised Violence and Crime in Political Settlements."

(13) Schultze-Kraft, "Understanding Organised Violence and Crime in Political Settlements."

(14) Okafor-Yarwood and Pigeon, "Stable Seas: Gulf of Guinea"; Siebels, Conversation with Dirk Siebels regarding piracy in West Africa.

(15) Siebels, Conversation with Dirk Siebels regarding piracy in West Africa.

SECURITY GROUPS GROW DUE TO INSECURITY

Intelligence companies also profit off of this piracy epidemic, as shipping companies continue to hire them in order to ensure safer journeys through the high risk area (note that privately hired armed guards have to face legal complications within Nigerian territorial waters, some companies are vetted and liase with the government, while others are unapproved).

Intelligence companies can provide their customers intelligence on a range of security issues in the region, but piracy is very important among these and may be a driver for increased business.

Security companies that provide armed and unarmed guards and physical equipment to protect vessels and crew from piracy also profit off of it. In 2017 contracted maritime security services alone made over \$367 million(17). The very service provided by these companies depends on the existence of a piracy threat. Therefore, it is clear that intelligence and security companies are not motivated to end piracy in this area.

LOCAL GOVERNMENTS TAKE ADVANTAGE

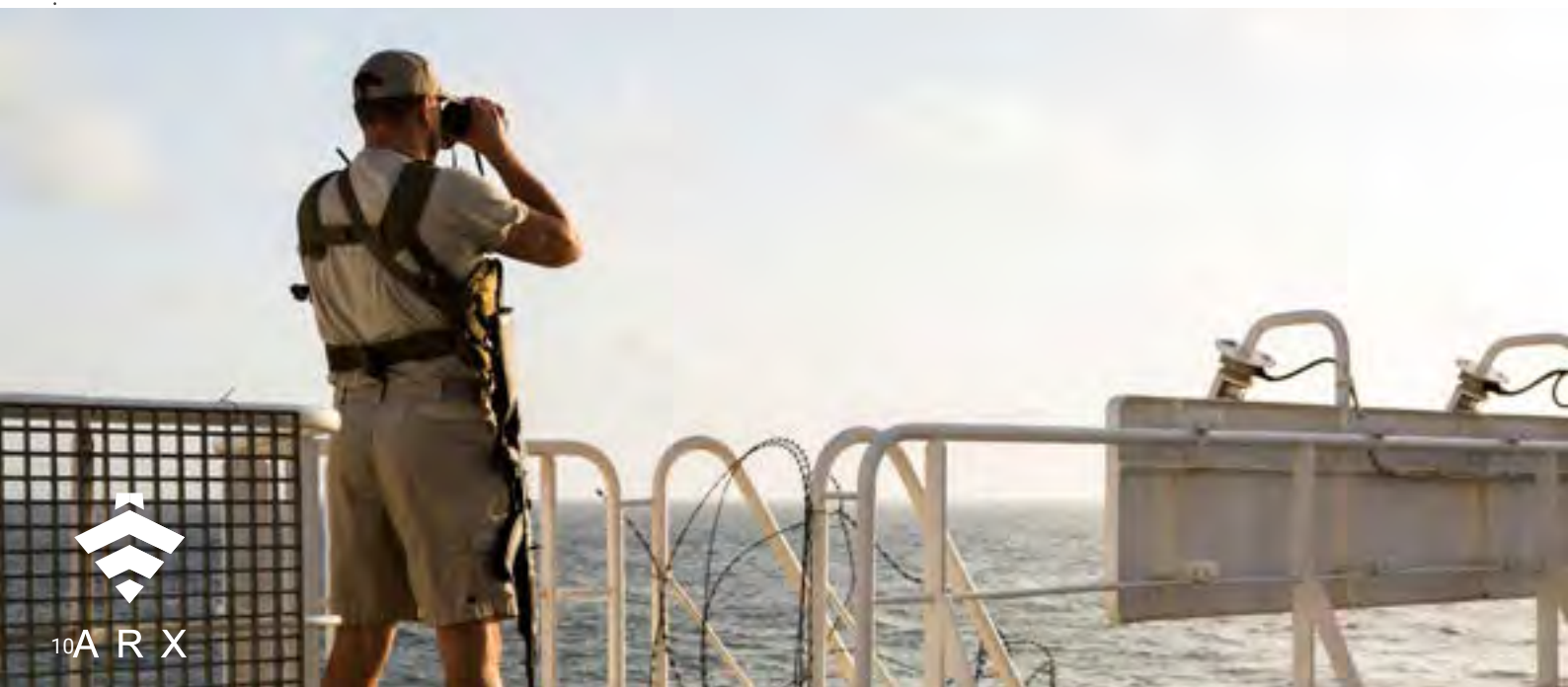
The Nigerian government also profits off of piracy in the Gulf of Guinea because corrupt officials take advantage of the situation for their own gain. An in-depth study by the Anti-Corruption Resource Centre describes how corruption lives at every level of the Nigerian government and especially in the maritime security sector, and actually

enables the crimes that it is meant to protect against. In fact, multiple officials have been implicated in oil bunkering operations(18). It is impossible to know the profits made, but considering the extent of the corruption and the various levels at which it lives, it is clear that there is a lot of money to be made.

Furthermore, we have seen little to no prosecution of those actually arrested for piracy. Multiple high-profile cases such as that of the MT Mariam and MT Maximus have been repeatedly delayed or

have fallen by the wayside – it is clear that the justice system is either not capable of completing these cases or not motivated to send a strong message to pirates through harsh punishments(19). Therefore, we can assess that the interest of the Nigerian government, and particular individuals in it, is to continue the piracy crisis, or at the very least, not motivated to spend the resources necessary to find lasting solutions.

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OIL MAJORS LOSE OIL BUT GAIN IN OPERATIONS

Oil corporations lose profits from crude oil stolen through piracy and their international reputations suffer from scandalous incidents. In 2017 Oceans Beyond Piracy reported that \$413,000 worth of goods, mostly oil, were stolen(20). Additionally, their staff may suffer from other attacks to their infrastructure and facilities onshore. However, they are able to use the resources of a large corporation to provide security for their facilities and pay off piracy groups to minimize their damage. Therefore, they are able to deal with the issue themselves, and are not motivated to solve the underlying causes for the attacks, which may be traced back to the grievances of the local population against the profits of the corporations and the government. Because the corporations are able to pay off local communities to quell them, they are not motivated to address the root causes. They are happy to maintain the status quo, as they are still making large profits from extracting crude oil.

We have also seen cases in which allegedly high ranking employees of oil companies have actually orchestrated long-term smuggling of oil out of Nigeria, operations which ended in kidnap and ransom situations(21). It is clear that some individual employees of oil companies directly benefit and actually organise piracy activities for their personal profit.

SHIPPING COMPANIES WANT SAFETY, BUT STILL PROFIT

Shipping companies have a more complicated relationship with the issue. They have responsibilities to multiple parties: shareholders, seafarers, and customers. They want to travel through the high risk areas with the least amount of disruptions possible, as disruptions take away from their profits. Therefore, it makes sense that they would like to see a decrease in piracy, which would make their journeys smoother.

However, shipping companies are able to relatively easily protect themselves against the worst consequences of piracy through purchasing insurance, ship-hardening measures, hiring guards, and sometimes refusing to pay ransom for seafarers(22). Therefore, they continue to make very high profits by transporting goods through this area. These profits satisfy the needs of their shareholders and customers. The seafarers may not be comfortable working in these areas, but are dependent on the shipping companies for their salaries and are therefore obliged to do so. Furthermore, if big name companies decrease operations in this area, due to the risks associated with piracy, lesser known companies may take the opportunity to get into the market here. Overall, the industry continues to profit.

The shipping companies have an interest in solving the piracy problem, as a solution would allow them to travel through the area more cheaply. Yet they are not in a position to solve the issue themselves, and therefore put up with the piracy and pay out to companies who do have an interest in maintaining the status quo. Through this tacit alliance with insurance, intelligence, and security companies, the shipping companies also contribute to maintaining piracy in the region.

(17) "Maritime Piracy: Nigeria Loses US\$2.74bn in Four Years | Hellenic Shipping News Worldwide," accessed July 29, 2020, <https://www.hellenicshippingnews.com/maritime-piracy-nigeria-loses-us2-74bn-in-four-years/>; Schommer et al., "The State of Maritime Piracy 2017."

(18) Åse Gilje Østensen, Sheelagh Brady, and Sofie Arjon Schütte, "Capacity Building for the Nigerian Navy: Eyes Wide Shut on Corruption?," n.d., 38.

(19) "With No Prosecutions of Pirates in the Gulf of Guinea, Business Is Booming," Piracy Report, accessed July 30, 2020, http://piracyreport.co.za/With_no_Prosecutions_of_Pirates_in_the_Gulf_of_Guinea_Business_is_Booming.html.

(20) Schommer et al., "The State of Maritime Piracy 2017."

(21) Edoza, "How Petrogress MD Faked Pirate Attack, Abduction of Seafarers — Navy"; Ponniah, "The Day the Pirates Came - BBC News."

(22) Ponniah, "The Day the Pirates Came - BBC News"; "Best Management Practices to Deter Piracy and Enhance Maritime Security Off the Coast of West Africa Including the Gulf of Guinea," March 2020, <https://www.ics-shipping.org/docs/default-source/resources/bmp-west-africa-best-management-practices-to-deter-piracy-and-enhance-maritime-security-off-the-coast-of-west-africa-including-the-gulf-of-guinea.pdf?sfvrsn=12>.

CONSUMERS GET CHEAP OIL

Consumers, especially oil consumers in Europe, gain from access to cheap products, mostly cheap oil coming out of Nigeria. They have access to information regarding piracy in the area, but have no motivation to pressure governments into solving it, other than perhaps a vague sense of moral and civic responsibility. Overall, consumers internationally gain benefits from access to cheap products transported through this high risk area.

ORGANISATIONS HOLD THE STATUS QUO

International organizations, such as the North Atlantic Treaty Organisation, the European Union, and the United Nations, have a fairly complicated relationship with the issue of piracy in West Africa. Outwardly, they absolutely would like to create safer waters and a more lawful system of trade in the area. However, they also have an interest in maintaining political peace and stability. These organisations are made up mostly of western countries, those that also benefit from the cheap oil produced in Nigeria. Furthermore, they are able to maintain the moral high-ground by staying removed from the issue. If they were to get further involved, they would also risk conflict with the Nigerian government or regional organisations. Overall, it is safer for international organisations to maintain the status quo and not disrupt the current order by forcing their way into the situation.

SEAFARERS LOSE OUT....

Seafarers are the only true victims of piracy in this area. They are the frontline workers who have to suffer the trauma of a vicious boarding, violence, and potentially a kidnap and ransom situation that could last months (23) Seafarers are highly motivated to see the issue solved, but have very little sway in the situation as they are relatively powerless and depend on shipping companies for their livelihoods.

From these analyses of stakeholders, it is evident that the only stakeholder actually motivated to address the root causes of the piracy and permanently solve the problem are the seafarers, as they are only stakeholder faced with the consequences. Ironically, the stakeholder most motivated to solve the issue is the one with the least sway and resources. Therefore, it comes as no surprise that this has yet to be solved, as the vast majority of stakeholders would not benefit from a solution. Could it be that because the majority of stakeholders concerned with the issue are not motivated to see it solved, there has been a lack of effort in thoroughly identifying and rooting out the groups and leaders behind the piracy? Is this why my initial efforts to profile these pirates proved unfruitful?





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