

Media Briefing

18-20th May 2005



**Friends of
the Earth**

DEVELOPMENT AID AND THE WEST AFRICAN GAS PIPELINE

Friends of the Earth International campaigners from Ghana, Nigeria, Georgia and Guatemala will be in London this week to call on the UK Government to stop funding oil, gas and mining projects through International Financial Institutions (IFIs). Theo Anderson, director of Friends of the Earth Ghana, and Asume Osuoka, co-ordinator of the OilWatch Africa Network, will be in London this week to demand an end to the misuse of development aid through International Financial Institutions financing projects like the West African Gas Pipeline (WAGP).

Theo has been Director of Friends of the Earth Ghana since 1990 and has served as the vice chair of Friends of the Earth International. He has coordinated policy documents including Sustainable Ghana, the interaction between international trade rules and sustainable management of Ghana's natural resources and North South perspectives on sustainability. Aside from his role as OilWatch Africa Network Coordinator, Asume Osuoka is also a Campaigner at ERA (Environmental Rights Action)/Friends of the Earth Nigeria.

International Financial Institutions, that have agreed to finance WAGP using public money in the name of development aid, must not allow the significant concerns outlined below, to remain unaddressed.

The West African Gas Pipeline Project

WAGP will route natural gas from the Western Niger Delta area of Nigeria, to Togo, Benin and Ghana. World Bank officials claim the pipeline will “*contribute to the harmonization of regional, institutional, legal and regulatory frameworks in the participating West African countries*”. The Multilateral Investment Guarantee Agency (MIGA) will provide US\$75 million and the International Development Association (IDA) guarantee US\$50 million for 22 years [1].

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Although World Bank documents claim the project will reduce the cost of energy, reduce Nigerian gas flaring, as well as improving the reliability of energy systems in Ghana, Togo and Benin, Friends of the Earth, and other civil society groups, have significant concerns. The World Bank and other International Financial Institutions (the European Investment Bank is currently considering financing of WAGP) have agreed to finance this project using public money in the name of development aid. These Institutions must not allow these significant concerns, outlined below, to remain unaddressed.

Potential to fuel conflict

Many of the conflict situations in the Niger Delta region are fuelled by the negative impacts of oil industry practices on local communities. WAGP is laying the foundation for continuing conflict in the Niger Delta and beyond to local communities in Lagos and Ogun states, because of the failure of the Company to pay adequate compensation for lands acquired from families and communities in these areas.

Furthermore, the absence of clear and demonstrable evidence that WAGP will actually lead to a significant reduction in the volume of gas flared is also a source of grievance for local communities who have '*reached their wits end*' with the oil industry's unfulfilled promises over the last four and a half decades of oil exploration and production in the country.

The failure of the WAGP Company to provide adequate information on safety and security measures or an emergency response plan, including what actions local communities should take to protect themselves in the event of an emergency, increases the vulnerability of local communities at risk of adverse impacts from the project and may contribute to discontent and unrest.

Instability of supply

The failure to address the above grievances may make the pipeline a likelier target for sabotage. In the event that the pipeline is damaged, not an unusual scenario in the Niger Delta, supplies to consumers in Ghana, Benin Republic and Togo would be affected or interrupted. Instability of this nature would likely exacerbate energy problems in the consuming countries, defeating one of the central objectives of the project.

Gas Flaring

Gas flaring is currently a big problem for communities living in the Delta. In order to maximize the positive benefits of this project, and according to the World Bank, one of the key reasons for financing the project, is to reduce gas flaring in Nigeria. The proposal is to reduce gas flaring by using the pipeline to transport gas that is currently being flared in Nigeria. To address the very serious environmental pollution, Friends of the Earth Nigeria is calling for WAGP gas to be 100 percent associated gas (gas that is currently flared), or as close to zero as possible, until this gas source is exhausted. The Nigerian government and the World Bank should work with the company to implement the necessary modifications to the project to make this possible. Furthermore, the company must demonstrate clearly, in a manner that local communities can understand, the degree to which WAGP is capturing

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associated gas from *specific flare sites*, through aerial photographs of the supply areas and public reporting on the percentage of blends of associated and non associated gas feeding into ELPS and by extension, WAGP.

Revenue and Contract Transparency

Key documents related to revenues of the project and terms of agreement have not yet been disclosed by the WAGP Company. To prevent corruption and misuse of funds it is essential that key documents are made publicly available. Public financiers of the project, such as the World Bank, although have produced much documentation on the need for greater revenue transparency, have not ensured it. The World Bank must ensure key documents such as the WAGP Treaty and Annexed International Project Agreement, all gas purchase or off-take agreements between WAGP Company and the consumers/governments of Ghana, Togo and the Republic of Benin, the loan contract between Ghana and Nigeria for the latter to provide a loan to the former for its equity stake in the pipeline, and the economic and financial assessments of WAGP (which the World Bank had previously committed to disclose) are disclosed.

End-Users/Beneficiaries of Gas

The company and public financiers of the project should clearly identify who will benefit from the gas from the pipeline. This should clarify what percentage of gas piped to Ghana will supply mining firms operating in western Ghana, near the Takoradi power plant, given concerns that the region already has a sufficient energy supply and that additional capacity is designed to supply mining firms. Sponsors should also conduct and disclose an assessment of accessibility and affordability of WAGP-supplied gas for consumers in Ghana, Togo and Benin. It is unclear whether the market rates at which WAGP gas would be sold will be affordable for local consumers, and thereby help to address energy needs.

Notes

[1] According to the West African Gas Company website the Governments of Benin, Ghana, Nigeria and Togo have established the West African Gas Pipeline Company Limited (WAPCo) which will build, own, and operate the pipeline. WAPCo is owned by ChevronTexaco West African Gas Pipeline Ltd (42%); Nigerian National Petroleum Corporation (25%); Shell Overseas Holdings Limited (17%); and Takoradi Power Company Limited (16%). MIGA will guarantee 90 percent of the equity investment of US\$83.4 million in Ghana by West African Gas Pipeline Company (WAPCo) from the risk of 'breach of contract' for a net exposure of US\$67.5 million after treaty reinsurance. the West African Power Pool (WAPP) project, conceived to increase electricity trading among the Economic Community of West African States (ECOWAS) and is part of the action plan of New Partnership for Africa's Development (NEPAD). There is no doubt the significance of the project to the West African region and the myriad of project sponsors. It is startlingly therefore to learn the WBG has classified this project as "non-significant" and therefore has lessened the guiding policies of this hallmark project.

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