

security forces, or protection from by ‘godfathers’ (politicians) who have the power to get them released from police custody and punish effective law enforcement agents, also provides protection for the better funded criminal groups.

* However, the most frustrating part of this problem is that when simple theft is discovered and arrested, convictions are rare. As with illegal oil bunkering, the laws of arrest and evidence, as well as the behaviour of police usually results in criminals being released and no convictions secured. As a consequence, law enforcement agents tend to exercise “jungle justice” (kill or maim) when dealing with armed criminals. Instances of extra-judicial killings are not uncommonly raised.

* Corruption of law enforcement and the judiciary gives rise to a sense of deep frustration in areas of ethnic conflict. In the Bille-Ke conflict, Bille leaders saw partiality when officers did not act on the theft of Bille boats and equipment by Ke community members. The activation of local Bille militias to solve the problem was seen as the only solution.

* Defence forces are permanently deployed to the region in an attempt to reduce conflict and criminal activities. Over the past two years these forces have had an affect on crime, but at a cost of human rights violations, additional forms of corruption and further loss of confidence by the communities whom they target. It has served to undermine the credibility of government, not only in the management of conflict, but also as a guardian of peace.

* The inability of government to maintain the rule of law undermines legitimate business practices. Allegations of corruption in contracting, for example, are frequently not reported given people’s lack of confidence in the judiciary.

Inefficient and corrupt law enforcement is linked to a number of other Delta-wide issues. These linkages are presented in the diagram below.

Illegal oil bunkering

Poverty and inequality

Political manipulation

Crime and criminal cartels

Government failure to manage conflicts

Ineffective and corrupt law enforcement/judiciary

Armed ethnic militias and warlords

Resurgence of intra- and inter-ethnic tensions

Endemic corruption

Weapons availability and use

Limited local capacity to legitimately benefit from oil industry

Oil companies rely on armed police guards for convoys, boat movement and installations. As such, the Nigerian Police are a major security supporter of the oil industry. However, they are ineffective and often damaging to the issues and problems. They are largely corrupted and their ability and willingness to prosecute criminals or diminish agitation is low. Major reform of the police is required by the Government to reduce the incidents of preying on citizens and abusing human rights toward a time when the community considers that the Police will 'protect and serve' rather than self serve. This is an important priority as the rule of law is a corner stone for sustainable peace.

3.3. MICRO-LEVEL CONFLICTS

3.3.1. OVERVIEW AND RATIONALE

In the South-South Zone during 2002, there were over 20 conflicts from either communal, political, resource, or dethronement/succession disputes (Bassey et al., 2002). For the purposes of the PaSS, micro-level conflicts are defined as areas where the company operates that either have erupted into violence, or where there is a disruption in community-SCIN relationships, or those areas that are moving towards violence and disruption.

Below follows an overview of the conflict types and micro-level conflicts identified during the SCIN Conflict Management Capacities Workshop held on 8 September 2003.

Types

Land disputes

Leadership tussles

Political conflicts

Resource control conflicts

Micro-level conflicts

Causes

Land Use Act and other legislation

Perceived or real discovery of oil

Struggles to access benefits

Political manipulation

Unclear definition of ownership

Compensation mechanisms

Contractual discrepancies

Defective land contracts

Traditional land ownership issues

Social disintegration
Corruption at local level

Poor leadership skills

Social disintegration

Commercialisation of 'leadership stools'

Politicisation of 'leadership stools'

Power politics and use of violence

Emergence of warlords

Youth restiveness

Legitimised youth challenges to leadership

Access to oil benefits
Neglect by the Federal government

Political manipulation of youths as thugs for electioneering purposes

"Godfather phenomenon"

Over-politicisation of the Niger Delta resource control issue

Emphasis on benefit sharing and not wealth creation

Government red-tape and bureaucracy

No information on positive impact of company activities

Unfulfilled promises and non-completion of tangible projects

Benefits distribution processes

Social disintegration

Company project management procedures frustrate expectations
Bonny-Finima

Ijaw-Itsekiri-Urhobo

Twon/Brass-Okpoama

Eleme-Okrika-Ogu Bolu

Eket-Ibene

Oleh Olomoro

Nembe-Kalabari

Bille-Ke

Ijaw-Ilaje

Ogoniland

Ogulagha-Odimodi

The rationale for SCIN engagement in the resolution of micro-level conflicts is fourfold:

- * SCIN's personnel and assets are put at risk in localities where violence and disruptions occur;
- * as these micro-conflicts often are about resource control issues, SCIN is often directly or indirectly involved;
- * when the parties to a micro-conflict see strategic value in embroiling SCIN (e.g. in efforts to 'get at' the government) the company is affected; and
- * SCIN 'impartiality' in micro-conflict situations leads to accusations of complicity in human rights abuses and unethical corporate behaviour.

Additional strategic justifications for tackling key micro-level conflicts include:

- * they foster overall instability, insecurity and a climate that is not conducive to sustainable development and peace;
- * they make the effective implementation of Delta-wide initiatives that tackle root causes of conflict difficult in key localities;
- * they are often inter-linked and affect large parts and populations of the Niger Delta. The visible and immediate benefits of the PaSS will not be felt if they are not tackled; and
- * resolving micro-conflicts in selected 'trend-setting' localities is likely to have a multiplier effect and unravel other communal conflicts.

Whereas it was not possible within the scope of this report to engage in a conflict analysis of all micro-level conflicts in the Niger Delta, an initial assessment was done of the Soku, Elem-Sangama and Oluasiri conflict. The findings of this exercise are given below.

Caveat Conflict analyses are sensitive exercises that usually form part of broader conflict prevention efforts. Consultations with key stakeholders raise expectations that something can be done to resolve a given conflict – and may accentuate grievances if not followed-up appropriately.

Given uncertainties about the timing of PaSS implementation – the Soku, Elem-Sangama, and Oluasiri conflict analysis exercise was reduced in its scope. Consultations were kept limited – so as not to raise expectations and create future problems for SCIN.

As a consequence, it was not possible to interview all stakeholders and visit all three communities. Therefore, the assessment provided here has certain limitations that are particularly obvious in the stakeholder analysis section – and the engenderment of the whole analysis.

3.3.2. ASSESSMENT OF THE SOKU, ELEM-SANGAMA AND OLUASIRI CONFLICTS

Overview

SCIN's stake in the Soku, Elem-Sangama and Oluasiri area is the Soku Gas Plant – and planned investment for the Soku oil rim and gas development project. The project is to be implemented in an area affected by both inter- and intra-community conflicts.

The inter-community conflict between Soku, Elem-Sangama and Oluasiri has both past and contemporary roots. The three communities were part of historical conflicts between the Kalabari (Soku and Elem-Sangama) and Nembe (Oluasiri) Kingdoms. As recent as 1992, Oluasiri fighters sacked Elem-Sangama over a dispute about access to sand for house construction. During the fighting approximately 30 people were killed on both sides.

Today, the conflict between the three communities is over who 'owns' the Soku Gas Plant – and as a consequence, who derives most benefits from SCIN. The struggle for ownership is further complicated by disputed state government boundaries between Rivers and Bayelsa, and intra-community conflicts. Root causes include SCIN benefits distribution processes, poverty and inequality, endemic corruption, and government failure to manage conflicts. The conflict is accentuated by violence and insecurity in the area, perceived SCIN partiality, political mobilisation, illegal oil bunkering, establishment of cult groups in the area, as well as high youth unemployment.

Intra-community conflicts in the area are highly dynamic and need to be monitored closely. Although full analysis has to be undertaken in each community, a brief summary analysis of the Soku intra-community conflict is provided below.

The rationale for an initial PaSS focus on the Soku, Elem-Sangama and Oluasiri conflict is as follows:

- * The area is where the new SCD approach is piloted. As such, there is significant potential for synergy between PaSS and SCD efforts and an opportunity to demonstrate their combined effectiveness.
- * There is a convergence of enabling criteria (qualified management, good technical ground staff, committed top management follow-up, etc.) identified as prerequisites for PaSS implementation sites.
- * The micro-level conflict is entrenched but has a significant potential for resolution.
- * The resolution of the micro-conflict is likely to have a positive knock-on effect for communal conflicts elsewhere.

The Soku oil rim and gas development project, as well as inter-community conflict dynamics are described below.

Soku oil rim and gas development project

Planned activities² (starting from November 2003) for the Soku oil rim and gas development project include:

- * vegetation clearing;
- * civil engineering activities such as piling, dredging, pipe-laying, laying of power-cables, construction works for facilities and camps, preparing access roads and waterways; and
- * drilling of oil and gas wells.

These require significant logistical arrangements, the use of land and swamp crafts, as well as a large influx of workers. The likely physical, social and economic impact involves:

- * emissions, noise, and vibration from construction;
- * negative effects on flora and fauna;
- * soil and water quality impact from pollution;
- * health implications and cultural infringements; and
- * pressure on local physical and economic infrastructure.

SCIN's key assumptions in the project are four-fold:

- * the three primary stakeholders are the: (a) communities; (b) government and government agencies; and (c) oil companies;

- * all three stakeholder groups contribute and give up resources for the project to take place;
- * all three stakeholders share an interest in the introduction and continuation of the oil and gas business in the area; and
- * the primary source of conflict is benefits distribution processes.

The Soku oil rim and gas development project is also the pilot site for the new Sustainable Community Development (SCD) approach. This approach is focused on seven principles: (a) generate robust profitability; (b) deliver technical, economic, and commercial value to customers; (c) protect the environment; (d) manage resources; (e) respect and safeguard people; (f) work with stakeholders; and (g) benefit communities.

Soku, Elem-Sangama and Oluasiri conflict dynamics

Key conflict and peace indicators are given below for the Soku, Elem-Sangama, and Oluasiri conflict, as well as a brief description of important stakeholder groups and scenarios.

Conflict indicators

The current inter-community conflict is expressed through tensions that follow Soku denying Elem-Sangama and Oluasiri access to the gas plant.

Key contextual factors that characterise the immediate conflict environment include violence and insecurity in area and power struggles in all three communities.

* Violence and insecurity in the area is largely due to cult-group activities and illegal oil bunkering. In early September 2003, 18 people were reported killed in an ambush attributed to cult groups (Niger Delta News, 10 September 2003). Soku community leaders report that illegal oil bunkering groups also operate in the area and are heavily armed.

* An in-depth analysis and monitoring process is required for the internal conflicts in each community. For illustration purposes, the Soku community conflict is briefly outlined below.

The denial of access by Soku to the gas plant is related to questions of “who owns it” and two boundary disputes; between the Nembe and Kalabari Kingdoms, as well as between the Rivers and Bayelsa state governments.

* The “ownership” issue is largely based on who is closest to the gas plant. Soku chiefs and observers state that Soku is closest to the gas plant, followed by Elem-Sangama and Oluasiri. They claim that the naming of the gas plant after Soku by SCIN is a confirmation of this. Oluasiri representatives say that Ijaw-Kiri, an Oluasiri settlement allegedly established in 1901 is closest. As such, they claim that the facility should be called the Oluasiri Gas Plant.

* The boundary disputes involve the following issues:

* Oluasiri leaders refer to a Federal government inquiry (Presidential Committee of Oil Well Verification) that set the boundary between the Kalabari and Nembe Kingdoms at the Orashi River. This would mean that the area on which the Soku Gas Plant is built is owned by the Nembe.

* Soku chiefs say that given the wars between the Kalabari and Nembe, boundaries changed over time and that currently there are no boundaries between the two kingdoms.

* Disputes between the Rivers and Bayelsa state governments are largely focused on which state derives revenue from the gas plant. It was not possible to access information on the different claims.

SOKU INTRA-COMMUNITY CONFLICT DYNAMICS

The intra-community conflict in Soku is centred on who controls the Soku Community Council – and who manages access to benefits derived from the Soku Gas Plant. The conflict is fuelled by the erosion of community cohesion, state-level power games, perceived or actual SCIN partiality, illegal oil bunkering, and the activities of sub-contracting syndicates. The root causes of the Soku intra-community conflict involve SCIN benefits distribution processes, poverty and inequality, as well as endemic corruption.

Petitions to House of Assembly

Intra-community struggle to control SCC

Police and court cases

State-level power games

Control of benefits from gas plant

Eroding community cohesion

Perceived or actual SCIN partiality

Illegal oil bunkering

Sub-contracting syndicates

SCIN benefits distribution processes

SCIN contracting mechanisms and competition

Poverty and inequality

Endemic corruption

Two inter-linked peace indicators can be identified.

* Temporary settlement of the SCC power-struggle. With the re-instatement of the current SCC Chairman, and his appointment as the LGA head, the leadership tussle is currently settled. However, animosity between the Secretary and the Chairman remains unsolved, with the former evicted from the community and fearful for his safety.

* Opportunity to bolster community cohesion. With the SCC power-struggle temporarily settled, there is an opportunity to bolster community cohesion. How this occurs within Soku – and is assisted from without is likely to affect near-term stability in the community.

Factors that impact on the ownership issue and boundary disputes are perceived SCIN partiality, political mobilisation, illegal oil bunkering, establishment of cult groups in the area, as well as high youth unemployment.

* SCIN partiality is perceived by both sides. On the one hand, Oluasiri representatives state that SCIN representatives made a mistake in naming the gas plant after Soku – and that this was due to favouritism at the time. Soku leaders accuse SCIN of partiality because the company is seen to entertain Nembe claims on the gas plant.

* All communities appear to be mobilising political support for their respective ownership claims. Independent observers state that Oluasiri community has “the political upper hand” with a representative in the Bayelsa House of Assembly.

* Sources indicate that there is significant illegal oil bunkering going on in the locality – with insecurity and environmental damage reported. In addition, representatives from Soku allege SCIN staff involvement in bunkering. These claims were not verified and may simply reflect antagonism between the current Soku leadership and gas plant staff.

* Cult groups from Port Harcourt have established themselves in the area. These groups engage in extortion and rackets (most likely oil bunkering), are well armed and have fought with the Mobile Police. During a confrontation with the Mobile Police in August 2003, five cult group members were reportedly killed.

* Youth unemployment is high in all communities. Soku chiefs complained about a 95 percent unemployment rate, while Oluasiri representatives set the figure for their community at 97 percent. Both communities see youth restiveness as a significant problem, and as a source of ‘foot-soldiers’ for both cult-groups and illegal bunkerers.

The root causes of the Soku, Elem-Sangama, and Oluasiri conflict include SCIN benefits distribution processes, poverty and inequality, endemic corruption, and government failure to manage conflicts.

* SCIN benefits distribution processes have been described in Chapter 2 (Internal Environment). In Soku, for example, benefits have been meagre despite the flow station being operational since the 1960s. Observed ‘completed’ community development projects (pipe-borne water, drainage systems, cottage hospital) were either badly implemented (no water, faulty drainage) or ill-equipped (cottage hospital).

* Poverty in the area is significant. The quality of housing is poor, there is no fixed supply of electricity, and flooding during the rainy season coupled with limited sanitation becomes a health hazard. The high level of unemployment indicates few opportunities for people and absorption limits to traditional occupations (fishing, petty trading, etc.). Community representatives resent the fact that ten minutes boat ride away, the Soku Gas Plant is well-resourced and equipped.

* All respondents referred to corruption as a major contributor to poverty and offered the following propositions:

* Contractors awarded contracts through corruption deliver poorly implemented projects and leave without being held accountable.

* Contractors will ‘buy’ community endorsement by bribing key community representatives.

* SCIN staff awarding contracts are sometimes involved in kick-back schemes with their ‘favourite’ contractors.

* Complicity of SCIN staff with illegal bunkerers and their joint promotion of corrupt communal factions weakens the community’s ability to develop itself.

* The government’s inability to settle boundary disputes, or enforce legal settlements perpetuates the conflict around the Soku Gas Plant.

Historical inter-community conflicts between the Kalabari and Nembe Kingdoms reinforce the above mentioned root causes. However, respondents interviewed did not place much emphasis on this historical antagonism.

An overview of key conflict indicators discussed above is provided in the following diagram.

Intra-community conflicts

Inter-community tensions

Violence and insecurity

Soku denies others access to gas plant benefits

Perceived SCIN partiality in intra-community affairs

Disputed 'ownership' of gas plant

Perceived SCIN partiality in inter-community affairs

Rivers and Bayelsa state boundary dispute

Nembe and Kalabari boundary dispute

Emergence of cult groups

Political mobilisation

Illegal oil bunkering

Youth unemployment

SCIN benefits distribution processes

Poverty and inequality

Government failure to manage conflicts

Endemic corruption

Historical inter-community conflicts

Peace indicators

Although there are inter-community tensions, recent co-operation between Soku, Oluasiri, and Elem-Sangama on the Balema node P4 extension project is promising. Furthermore, community leaders from Oluasiri describe relations with Elem-Sangama as "cordial".

* Co-operation between the three communities on the Balema node P4 extension project followed a 'mini-PAC' model and was described by Soku and Oluasiri representatives as constructive. It was not designed, however, to tackle the root causes of inter-community tensions. Nonetheless, the "mini-PAC" precedent remains a critical entry-point for conflict resolution.

* Although relations between Oluasiri and Elem-Sangama are seen as cordial by the former, it is more appropriate to say that it is better than the relationship between Soku and any of the other two communities.

The reasons for this inter-community co-operation and a basis for dialogue between Oluasiri and Elem-Sangama are attributable to a convergence of interests (the need to

benefit from the oil industry) and perhaps an emerging recognition that peace is a pre-condition for development.

* Identified common interests include: (a) benefits from the Soku oil rim and gas development project; and (b) that benefits will be more accessible in an environment of stability.

* The emerging recognition that peace is a pre-condition for development needs to be qualified. Community leaders from both Soku and Oluasiri are quick to state the conditions for peace. These include the removal of allegedly corrupt SCIN officials from the gas plant, and a 'satisfactory' agreement on benefits distribution as well as boundaries.

The potential roots of peace are three-fold: (a) common developmental grievances between Soku and Oluasiri; (b) an apparent 'conflict fatigue'; and (c) a common heritage expressed in inter-marriages between the communities.

* Observers note commonalities in the under-development of Soku and Oluasiri. From the analysis above, for example, there are similarities between the high rates of youth unemployment in both communities. Under-development, therefore, is a common grievance that could foster common interests between the two communities.

* Interviews with a range of stakeholder groups in the Niger Delta reveal a certain fatigue with violence and conflict levels. Similar sentiments are apparent with respondents from both Oluasiri and Soku – across generational and gender divides.

* All three communities have a common heritage manifested through inter-marriage between the Kalabari and the Nembe. For example, Elem-Sangama (a Kalabari enclave in the Nembe Kingdom, according to Oluasiri leaders) was founded by a Nembe man married to a Kalabari woman.

An overview of identified peace indicators discussed above is provided in the following diagram.

Recent inter-community co-operation

'Cordial relationship' between Oluasiri and Elem-Sangama

Common interests

Recognition that peace is a precondition for development

Common developmental grievances

Emerging 'conflict' fatigue

Common heritage

Stakeholders

The key stakeholders in the Soku, Elem-Sangama, and Oluasiri conflict are briefly outlined below. It is important that the analysis of their interests is very much determined by intra-community conflict dynamics – that change on an almost daily basis.

At a community-level, key stakeholders include: (a) Soku Council of Chiefs and the Soku Community Council; (b) Elem-Sangama Oil and Gas Committee; and (c) Oluasiri Council of Chiefs and Oluasiri Development Union.

* The Soku Council of Chiefs and Community Council interests are now relatively aligned. Their interests are threefold: (i) maximise benefits (community development, business opportunities and employment) for Soku from the Soku Gas Plant; (ii) contain perceived or actual Nembe expansionism; and (iii) remove a particular SCIN official from the Soku Gas Plant.

* The Elem-Sangama Oil and Gas Committee interests are to maximise community development, business opportunities and employment benefits for Elem-Sangama.

* The Oluasiri Council of Chiefs and Development Union are also aligned. Their interest is to ensure benefits (community development, business opportunities and employment) for Oluasiri from the Soku Gas Plant. Towards this end they will mobilise the Bayelsa State government and work with Elem-Sangama.

Oluasiri

Soku

Elem-Sangama

At the Kingdom-level, key stakeholder include: (a) the Kalabari King; and (b) the Nembe King. It will be important to monitor their potential engagement in the conflict.

At a government level, key stakeholders include: (a) the Rivers State government; and (b) the Bayelsa State government. The Rivers State government and Bayelsa State government's interests are to maximise revenue derivation from the Soku Gas Plant. Towards this end, borders are likely to be manipulated and contested.

At a corporate level, key stakeholders include: (a) SCIN; and (b) SCIN staff.

* SCIN's stated interest is to implement the Soku oil rim and gas development project as cost-effectively as possible and in line with the new SCD approach.

* SCIN staff interests include: (i) at headquarters, to ensure smooth implementation of the Soku oil rim and gas development project; and (ii) at the gas plant, to ensure limited community disruption and safeguard investments in relationships with local stakeholders.

Criminal groups (illegal bunkerers and cultists) will seek to ensure limited negative impact on their operations and maximise opportunities (extortion, prostitution, etc.), from the Soku oil rim and gas development project. It is not known what means they have at their disposal.

The stakeholder map is portrayed in the diagram below – indicating improved relationships (double-headed arrows), deteriorating relationships (wave), tension (lightning), and unclear relationships (straight line).

Kalabari

Nembe

Rivers government

Bayelsa government

SCIN

Soku

Oluasiri

SCIN staff

Elem-Sangama

Kalabari Kingdom

Nembe Kingdom

Scenarios

Given rapidly changing conflict dynamics (particularly developments in intra-community conflicts) and limitations to the analysis, it is not possible here to give predictive scenarios. However, best, middle, and worst-case scenarios of a more generic nature can be drawn.

These scenarios given below are based on an analysis of trends in key indicators/factors. They include: (a) SCIN benefits distribution; (b) recent inter-community co-operation; (c) application of SCD principles in Soku; (d) intra-community conflicts; (e) boundary

disputes (communal, state); (f) emergence of cult groups and illegal oil bunkering; and (g) overall project management.

The best-case scenario, involving effective and full implementation of the SCD approach includes the following elements:

* The ‘mini-PAC’ process used for the Balema node P4 extension project is expanded to cover the Soku oil rim and gas development project. The PAC model is improved and designed to: (a) constructively tackle communal boundary disputes and benefits distribution in a sustainable manner; (b) explicitly reinforce SCD principles and the “Big Rules”; and (c) bring marginalised stakeholders (e.g. women’s groups) into the process.

* SCIN staff involved in the Soku oil rim and gas development project develop a detailed proposal on how to tackle the range of issues likely to be encountered during implementation. SCD moves to ensure effective staff compliance to its new approach, as well as transparency and coherence in the community interface.

* As part of the PAC process, a concerted effort is made to bolster community cohesion and internal stability in Soku, Elem-Sangama and Oluasiri. SCIN responds effectively to tackle internal corporate issues (e.g. incidents of unethical staff behaviour) that risk destabilising these communities.

* A process involving the state (Rivers and Bayelsa) and federal government is launched to find an acceptable formula for state boundaries and revenue derivation at the state level. The communal and governmental processes to resolve these issues are aligned and successful – and sustained government engagement in the Soku oil rim and gas development project follows.

* As per standard PAC procedure, community agreement is reached quickly on how to deal with criminal elements – and the role of law enforcement agencies during the implementation of the Soku oil rim and gas development project. Criminal elements are kept at bay and partly neutralised during project implementation.

* A strong monitoring and evaluation process is put into place for the Soku oil rim and gas development project – with regular review meetings to draw lessons learned and modify the SCD/PaSS approach taken. The final evaluation yields useful policy guidelines for broader SCIN application.

The middle-case scenario involves an improved ‘muddling through’ situation and includes the following elements:

* After a short delay, the ‘mini-PAC’ is expanded and applied to the Soku oil rim and gas development project. However, although a benefits distribution formula is found, boundary disputes are not dealt with given political sensitivities.

* The expanded PAC process does incorporate the new SCD principles and SCIN 'Big Rules' in its terms of operation. However, SCIN engagement in tackling emerging issues remains reactive and fractured – as no thought has been put beforehand into how to tackle likely challenges. Consequence management is not effectively applied and some problems emerge.

* The PAC process leads to greater community cohesion and internal stability in Soku, Elem-Sangama and Oluasiri. However, SCIN does not respond effectively to internal corporate issues that risk destabilising these communities – and this remains a source of problems throughout project implementation.

* A state and federal level process to tackle boundary issues and revenue derivation is started, but a solution is not forthcoming. The lack of state solutions reduces the sustainability of communal agreements on boundary issues.

* Although the PAC process ensures agreement on how to deal with criminal activities, criminal elements still occasionally disrupt project activities.

* A monitoring and evaluation process is put into place – but given the intensity of project activities, review meetings are irregular. Modifications to the SCD/PaSS approach are reactive. The final evaluation gives some insights into policy changes required at SCIN levels.

The worst-case scenario involves the non-realisation of the SCD approach and 'business as usual'. It includes the following elements:

* Progress made in the 'mini-PAC' process (Balema node P4 extension project) is lost as SCIN is either delayed in expanding the approach, or decides to implement the Soku oil rim and gas development project without third-party facilitation. Communal boundary disputes are left un-tackled – and SCIN works out deals with groups in each community.

* The new SCD approach is not realised in practice as there are no compliance mechanisms or incentives for SCIN staff/contractors to do so. No proactive thinking on how to deal with challenges, coupled with poor transparency and multiple SCIN interfaces rapidly create tensions between the three communities and the company.

* Separate deals with different groups in each community raise internal tensions in Soku, Elem-Sangama and Oluasiri – and leadership tussles follow with some loss of life.

* Boundary disputes are left unresolved and given differential deals with communal groups rumours spread about unequal treatment of one community over the others. Inter-communal tension follows, skirmishes occur and people are killed. There are occasional attacks on SCIN staff and contractors, again with some loss of life.

* Criminal elements most likely take advantage of the deterioration of security in the area. However, their actions cannot be speculated upon in this analysis.

* No monitoring and evaluation process is established for the Soku oil rim and gas development project. Consequently, no lessons are drawn for further SCD and PaSS activities.

Entry-points for conflict resolution

In order to realise the best-case scenario and avoid a worst-case situation, action on a number of areas is required. These are given briefly below and need to be part of a full strategy formulation process that involves key stakeholders.

* Build on existing dialogue process ('mini-PAC'). The success of the previous 'mini-PAC' has to be capitalised on as stakeholders are familiar with trust its process. It will be necessary to consider how to expand and improve the PAC process to: (a) constructively tackle communal boundary disputes and benefits distribution in a sustainable manner; (b) explicitly reinforce SCD principles and the "Big Rules"; and (c) bring marginalised stakeholders (e.g. women's groups) into the process.

* Ensure effective consequence management, transparency and communication. Before the project starts, SCIN has to: (a) elaborate detailed proposals on how to tackle challenges likely to emerge during project implementation; (b) put into place consequence management mechanisms and communicate these to staff; (c) establish procedures to foster transparency, equity and coherence in community relationships; and (d) devise and implement a communication strategy that ensures accountability.

* Develop a strategy for engagement of state and federal government on Soku issues. Such a strategy should include: (a) how the 'Big Rules' can be adopted by state authorities; and (b) how boundary and revenue derivation disputes can be tackled.

* Strengthen SCIN capacity to proactively engage in conflict resolution. This involves: (a) putting into place a strong monitoring and evaluation mechanism; (b) drawing in relevant expertise; and (c) devising contingency plans in the event of a deterioration in security.

3.4. STRATEGIC IMPLICATIONS

Annual casualties from fighting already place the Niger Delta in the 'high intensity conflict' category (over 1,000 fatalities a year), alongside more known cases such as Chechnya and Colombia³. The criminalisation and political economy of conflicts in the region mean that the basis for escalated, protracted and entrenched violence is rapidly being established. This not only threatens SCIN's (and the oil industry's) future ability to operate, but also Nigerian national security. From the above analysis, the following strategic implications can be drawn for the PaSS:

* A lucrative political economy of war in the region is worsening and will deeply entrench conflicts. Increasing criminalisation of the Niger Delta conflict system means

that unless remedial action is swiftly taken, SCIN's (and the oil industry's) 'business horizon' in the Niger Delta will continue to contract. If current conflict trends continue uninterrupted, it would be surprising if SCIN is able to continue on-shore resource extraction in the Niger Delta beyond 2008, whilst complying with Shell Business Principles. Indeed, given the likely illegal oil bunkering links to political campaigns, the run-up to the 2007 Presidential elections may see a significantly earlier serious escalation of Niger Delta conflicts which will be difficult to dismantle, even to return to the former pre-election lower level on conflict. Some individuals argue that there is likely to be a plateau in the amount of oil that is stolen (between 8 and 10 percent of production) which represents a level low enough not to attract military intervention while still providing acceptable revenue flows to government and the oil producing corporations. Whilst such a state of homeostasis seems plausible, the large international oil companies could not continue to absorb the escalating costs associated with community demands (which if ignored often result in closure or occupation of company facilities, lack of access to exploration areas or physical threat to staff), or meet the standards of public accountability and transparency increasingly demanded by international bodies and shareholders.

* Although the relative importance of Delta-wide issues depends on the conflict context, it is possible to identify those that will contribute most to the destabilisation of the Niger Delta. They include illegal oil bunkering, endemic corruption, high youth unemployment, and social disintegration. Their individual impact has been outlined above. Together, these factors provide the funding, weapons, and foot-soldiers needed for war, as well as undermine society's ability to prevent or recover from conflict. Furthermore, oil companies both affect and are affected by each, suggesting that the industry can play an important role in their mitigation.

* A critical need emerging from current conflict dynamics is that of reconciliation. Such reconciliation needs to happen at three levels: (a) within and among communities; (b) between companies and communities; and (c) between government and communities. The form such reconciliation efforts take will be context specific and needs further investigation.

* Whereas the analysis provided here is grim, there are also factors present in the region (e.g. common heritage and conflict fatigue) that mitigate conflict and sustain a fragile stability. In addition, given that current criminalisation of conflict is a fairly 'new' phenomenon (e.g. large-scale bunkering started in 2000) and resilience of the Niger Delta communities, micro-level conflicts are not as entrenched as they otherwise would be.

* It is important to stress that tackling the limited local capacity to engage in legitimate business is a critical entry-point for addressing corporate-community conflicts. Healthy, transparent and fair business relationships with local contractors is both possible and within the reach of the industry.

* Micro-level conflicts are part of a complex conflict system that is issue-based, ethnic, geographic in nature and often span local and state boundaries. It is rare to find a 'self-