

COVER STORY

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Behind the controversial N2 trillion fuel subsidy

Both the House of Representatives and the EFCC are probing the N2 trillion subsidy payments in 2011. Who are the promoters of the companies that benefitted from this controversial fund? Why is it difficult for some to defend what they 'earned'? This report gives an insight



CHIEF Austin Opara



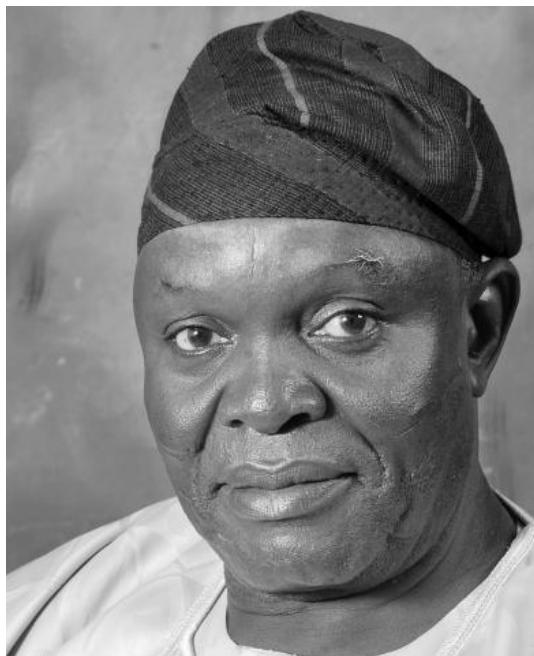
CAPTAIN Emmanuel Ihenacho



MIKE Adenuga



FEMI Otedola



OBA Otudeko



SAYYU Dantata

By Theophilus Abbah

Bovas and Company Limited, registered with the Corporate Affairs Commission (CAC) in 1980, with a share capital of N25 million did not state specifically that it would do the business of oil import. In its file at the CAC, what is stated as its nature of business is “to carry on business and to act as international and

municipal traders, merchants, commodity brokers, general suppliers, manufacturers’ representatives.” However, this company was paid a whopping sum of N5.685 billion out of the now controversial N2 trillion subsidy paid to major and independent petroleum product marketers as subsidy for fuel import in 2011. If Bovas and Company Limited’s business concern does not fit into oil and gas, as many ordinary Nigerians would think, what

about those who claim to be specialists in the sector? What do they do really? Indications are that many of the oil companies that benefitted from the subsidy actually claimed to be involved in crude oil extraction, among other related businesses, but it is not clear how much of this major business concern they have been engaged in. For instance, Acorn Petroleum Plc, a major oil company in the country, told the CAC that its business

would be “to prospect, explore, open and work claims or mines, drill and sink shafts or wells and raise pump, dig and quarry for petroleum and other allied substances.” But its name rings a bell in the oil import business, more than it does in drilling oil.

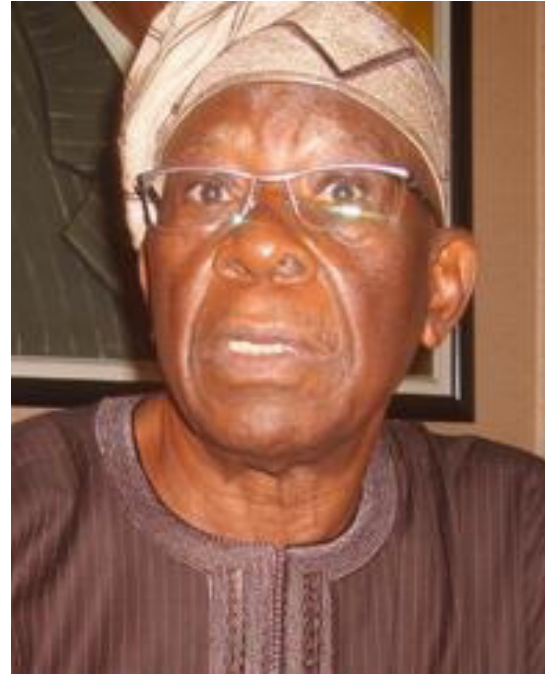
The examples above give an insight into the amorphous business concerns of about a hundred companies involved in

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IFEANYI-UBAH



CHIEF Ade Ojo

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the importation of petroleum products into the country. Much more, it symbolizes the degree of absurdities in the payment of subsidies to all-comer organizations, which the Independent Petroleum Marketers Association of Nigeria (IPMAN) president, Alhaji Aminu Abdulkadir, described as briefcase fuel importers. At another level, it gives strength to the KPMG audit report that even companies that are not listed on the contract prequalification list are given the nod to import fuel and enjoy fuel subsidy.

In its report, which came out last year but was kept away from the public, KPMG had said, "the process of selecting suppliers for importation of products is documented but the documented procedures are not adhered to. We observed that the Evaluation Committee only recommends prices for the importation of petroleum products, while actual allocation of importation contracts (especially volumes) appear to be at management's discretion.

The auditors added that the non-compliance with approved policies and procedures was discovered as another problem with the subsidy payments. It said, "we observed that contracts for the importation of petroleum products were awarded to companies/suppliers not listed in the approved prequalification list used for the fourth quarter of 2008 importation." The companies mentioned specifically were Astana Oil Corporation Limited, Natural Energy, and Oando.

BIG NAMES WHO WOULD NOT DEFEND THEMSELVES

In the past two weeks, the House of Representatives adhoc committee on subsidy payment, headed by Farouk Lawan, and the Economic and Financial Crimes Commission (EFCC), have been engaged in the business of unraveling the mysteries behind the ballooning fuel subsidy. This reporter's checks at the EFCC revealed that promoters of some oil companies honoured the invitation of the EFCC, but seemed unwilling to tell their stories before the House adhoc committee. Incidentally, most of the oil companies are owned by big names in the Nigerian political and business circles. For instance, Conoil Plc, which, according to the Petroleum Products Pricing and Regulatory Agency (PPPRA), got N39.960 billion subsidy in the period under review has Chief Mike Adenuga as one of its directors, with a share capital of N205 million. Chief Adenuga is a frontline entrepreneur who has been listed among the richest men in Africa. The Bureau of Public Enterprises has N29 million shares in Conoil, while others own some N39 million shares.



WALE Tinubu

In the same vein, MRS Oil Nigeria Plc, with a share capital of N135 million, has popular names in business in the north as its promoters. They include Alhaji Dantata Sayyu Idris, Barau Dahiru Mangal, among others. From the PPPRA, this company got some N224.818 billion as subsidy. Other owners of this company include Alberti Patrice, Ezendu Sylvanus, Kewa Samaila, Gbodume Andrew and Prasad Shar Dhashis Baijnath. Both Dantata and Mangal are prominent personalities in the North. Why didn't they go to the House to clear their names?

Ascon Oil Company Limited is said to have received N5.271 billion from the subsidy. The company has such a prominent name as Chief Michael Ade Ojo as one of its promoters. Others whose names are on the list of directors include Adeola Tajudeen Afolabi, Boyi Ibrahim, Tukur Mahmud and Lawal Afolake who represent five other companies that own shares valued at N1 billion.

Another prominent oil company, Oando Plc, is said to have got N228.506 billion from the subsidy. The Managing Director of this company is Mr Wale Tinubu, a relation of the Action Congress of Nigeria (ACN) leader, Asiwaju Bola Tinubu. But that is not all as many prominent names in Lagos and the South-West are associated with this company. They include Oba Michael A Gbadebo (CFR), Omamofe Bayo, Olufemi Adeyemo,

Mobolaji Osunsanya, Ogbogho Akpata, Chief Sena Anthony, Mrs Nana Appaih Korang, Ammuna Lawan Ali and Engineer Yusuf H.J Njie.

African Petroleum Plc, with a share capital of N10 billion is headed by a friend of President Goodluck Jonathan, Chief Femi Otedola. The company is said to have got N104.58 billion from the subsidy, but it is not clear if the promoters of this company have gone to the National Assembly to clean themselves of this blanket red blush of 'cabal' used in painting all oil importers and distributors in the country. Among the directors of this company are Osunde Osa, Falasinnu Tunde Joel, Avimoh Maku Saliu Clement, Ekpeyong Grace, Bolodeoku Layi, Lawson Stanley, Senbanjo Segun, Adeyemi Christopher and Arah Nebolisa. The shareholding structure of this company shows that five other organisations and other Nigerians have various degrees of interest in the company.

Another prominent Nigerian whose name features on the list of oil importers is Captain Ihenacho Emmanuel, who, until recently, was Minister of Interior in the administration of President Goodluck Jonathan. His company, Integrated Oil and Gas Ltd, with a share capital of N50 million, is said to have got N30.777 billion from the subsidy. Among

the stakeholders in this company are names that indicate that Integrated Oil and Gas Ltd is a family business. The shareholders include Ihenacho Anthony, Ihenacho Maxwell and Ihenacho Lucy. In the heat of the debate about the subsidy, the former minister issued a press statement in which he claimed that his company was involved in a legitimate business and received what was due to it from the appropriate government agencies. Hence, the fuel importers should not be blamed from the astronomical rise in the rate of subsidy.

OIL COMPANIES CAN'T ACCOUNT FOR RECEIVED FUEL SUBSIDY

Some of the revelations from the probe by the adhoc committee indicated that some of those who benefitted from the subsidy could not account for some of the figures attributed to their organizations. For instance, Total Nigeria Plc, a major oil company with French connection, could not account for the payment of some N2 billion subsidy it imported. The company's Francois Bossugo, claimed that his company was not overpaid for the importation of fuel in 2011, but he could not explain why, instead of N16.6 billion, his company received N18 billion for the same consignment. The KPMG audit report even indicated that Total was overpaid for subsidy in 2008 by some N304 million. The company's

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General Manager, Jackson Ibanga, however, told the committee that Total had received overpayment in some instances, but would always return the excess to the PPPRA.

In a related episode, the Managing Director of Rahamaniya Oil and Gas Limited, Alhaji Aminu Abdullahi, could not give reasons for the huge difference in money paid to his company in 2010 and 2011. The difference between the quantities of fuel imported in these two years was not much. In 2010, Rahamaniya imported 201 metric tonnes of fuel and received N11 billion from the PPPRA, but in 2011 when the company imported 220 metric tonnes, it received a huge sum of N24 billion as subsidy. In an attempt to defend the payment, Aminu told the lawmakers that the value of naira had dropped from N140 to a dollar to N160 to a dollar in between the years under review. But it is doubtful if this would be responsible for over 100 per cent increase in the subsidy to be paid. As it were, a difference of N20 cannot account for 100 per cent increase in the price of petroleum products.

Other companies that could not defend what they earned from the subsidy bonanza of the PPPRA include Deejones Oil and Gas, whose managing director is Samuel Chukwudi Eze. When confronted with figures that it received N12 billion as subsidy payment in 2011, Chukwudi Eze told the committee that he had no idea as to how the PPPRA made the payment to him. In 2010, his company got N4.7 billion as subsidy, but in 2011, what his company benefitted jumped to N12 billion when the quantity of fuel imported by the company was not significantly different. The company had been indicted by the KPMG audit report that Deejones was not registered with the Petroleum Support Scheme and had used fake documents to make claims in the subsidy payment, but the promoter of Deejones vehemently denied the allegation.

The Chief Executive Officer of Valcore Energy, Mrs Ronke Adesun, was also put in a difficult corner when the House of Representatives committee asked her to justify the sky-rocketed payments she received in 2011. In 2010, her company received N4.27 billion as subsidy, but in 2011 the amount jumped to N9.5 billion without a corresponding increase in the quantity of fuel imported into the country.

The KPMG report had actually indicated that there have been apparent differences between the payment advice from the PPPRA and what NNPC paid as subsidy. The auditors gave examples as follows: "N25 billion was deducted as subsidy estimate for September, 2009 from domestic crude sales proceeds while PPPRA approved a subsidy of N23.8bn. Also, N35 billion was deducted as subsidy estimate for November, 2009, but PPPRA approved a subsidy of N21.3 billion." The auditors observed that over-deductions for these two months amounted to N14.9 billion, adding that, "only N4.2 billion was swept into the Federation Account by NNPC as adjustment for subsidy claimable in the two months."

Apart from inflated payments, there have been discrepancies in the volume of petroleum products import receipt at Atlas Cove Jetty in June 2010. KPMG said, "while MTD reported a volume of 193,160 metric tonnes, Mosimi Area Office quoted a volume of 184,989 metric tonnes for the same transaction. Further evaluation of reports presented by MTD and Mosimi Area Office revealed that MTD's figures were misstated." However, the carelessness at the NNPC is captured in one sentence from the KPMG report. On the corporation's poor data management, the auditors said, "We observed that documents are not adequately filed and some documents are stacked in bags."

While carrying out this investigation, Sunday Trust discovered that the names of some 12 companies that benefitted from the subsidy could not be found in the Corporate Affairs Commission register. They include: Pinnacle Construction, Enak Oil & Gas, AMP, Emac Oil, D.Jones Oil, AZ Oil, Dozil Oil, Fort Oil, Aminu Resources, Avido, Downstream Energy and Inco Ray.

OWNERSHIP OF SOME OIL COMPANIES THAT BENEFITED FROM SUBSIDY

OANDO PLC

Directors: HRM Oba Michael A Gbadabo, Mr Jubril Adewale Tinubu, Mr Omamofe Bayo, Mr Mobolaji Osunsanya, Mr Ogbogho Akpata, Chief Sena Anthony, Mrs Nana Appiah Korang, Ammuna Lawan Ali, Engineer Yusuf K.J. Njie.

AFRICAN PETROLEUM PLC

Directors: Otedola Femi, Osunde Osa, Falasinu Tunde Joel, Avimoh Maku Saliu Clement, Ekpenyong Grace, Bolodeoku Layi, Lawson Stanley, Senbanjo Segun, Adeyemi Christopher, Arah Nebolisa.

ACORN PETROLEUM PLC

Directors: Kolapo Lawson, James Miner, Adedoyin Adeyinka, Ochapa Onazi and Adebola Adetofe

BRILA ENERGY LTD

Directors: Rowaye Olawale Jibril, Rowaye Mubarak Opeoluwa, Rowaye Arafat Areoluwa

AVANT-GARDE ENERGY LTD

Directors: Adejuge Bamidele, Onayinka Olusegun

CAPITAL OIL LIMITED

Directors: Falona Gabe, Fanimokun Ayo, Danjuma Nkiru, Sobodu Olatunji Olugbenga, Osubele Enoor, Oghogho Isaac, Kishimo Olatunde Akanni, Alimi Sina, Taiwo Elder Joseph Niyan

OBAT OIL AND PETROLEUM LIMITED

Directors: Akinruntan Fredrick Obateru, Adetolugbo Akinfemi, Akinruntan Abayomi

INTEGRATED OIL & GAS LTD

Directors: Ihenacho Emmanuel, Ihenacho Anthony, Ihenacho Maxwell, Ihenacho Lucy

IPMAN INVESTMENT LIMITED

Directors: Abdulkadir Aminu, Okoronkwo Chinedu, Osatuyi Mike, Maikifi Musa, Suleiman Yakubu, Pasali Danladi, Odjugo Benjamin, Aigbiremolen Clement, Nkameme Leo, Lot Deji, Adeniji Tunji, Bawa Mustapha Yahaya, Jada Baba Kano, anekwe Bestmas, Habu Jajere

FOLAWIYO ENERGY LIMITED

Directors: Folawiyo Tijani Babatunde, Folawiyo Adebayo Hakeem, Freund Michael, Warren Michael Blount

HONEYWELL OIL & GAS LIMITED

Directors: Otudeko Oba, Otudeko Obafemi, Baffa Sulaiman

AITEO ENERGY RESOURCES LTD

Directors: Peters Benedict, Peters Francis, Baffa Sulaiman

CHANNEL OIL & GAS PETROLEUM LTD

Directors: Azaiki Steve, Opara Austin, Timitimi Ebibomo, Nwachukwu Army Josephine, Timiti Nyinsi, Mofunanya Onyeka C, Lelei Tonye

CONOIL PLC

Directors: Dr Adenuga Mike (CON), Vasikaran John Maria, Ariyo Joshua Olufemi, Prince Adenuga Babajide, Dr Michael, Omatsola Ebi Moses, Wahab Fatai Balogun, Adebiji Wasiu Adeyinka.

MRS OIL NIGERIA PLC

Directors: Dantata Sayyu Idris, Alberti Patrice, Ezendu Sylvanus, Kewa Samaila, Barau Dahiru Mangal, Gbodume Andrew, Prasad Shar Dhashis Baijnath

ASCON OIL COMPANY LTD

Directors: Adeola Tajudeen Afolabi, Boyi Ibrahim, Tukur Mahmud, Ojo Michael Ade, Lawal Afolake

BOVAS & COMPANY LIMITED

Directors: Bamidele Olusegun Samson, Victoria Adunola Samson

SOURCE: Corporate Affairs Commission, Abuja

HOW SUBSIDY WAS PAID

1. OandO Nigeria Plc	--	N228.506 billion	18. Eterna Oil	--	N5.57 billion
2. MRS Oil Nigeria Plc	--	N224.818 billion	19. Dozil Oil	--	N3.375 billion
3. Pinnacle Construction	--	N300 billion	20. Forte Oil Plc	--	N8.582 billion
4. Enak Oil & Gas	--	N19.684 billion	21. Integrated Oil & Gas	--	N30.777 billion
5. CONOIL	--	N37.960 billion	22. African Petroleum	--	N104.58 billion
6. Bovas & Co. Nig. Ltd	--	N5.685 billion	23. AA Rano Nigeria Ltd	--	N1.14 billion
7. Obat Oil & Petroleum Ltd	--	N85 billion	24. A.S.B Investment Company Ltd	--	N3.16 billion
8. Folawiyo Oil	--	N113.3 billion	25. Arcon Plc	--	N24.116 billion
9. IPMAN Investment Limited	--	N10.9 billion	26. Aminu Resources	--	N2.3 billion
10. ACON (ACORN PETROLEUM LTD)	--	N24.1 billion	27. Avante Guard	--	N1.14 billion
11. Atio Oil	--	N64.4 billion	28. Avido	--	N3.64 billion
12. AMP	--	N11.4 billion	29. Boffas & Company	--	N3.67 billion
13. Honeywell	--	N12.2 billion	30. Brilla Energy	--	N96.3 million
14. Emac Oil	--	N19.2 billion	31. DownStream Energy	--	N789.648 million
15. D.Jones Oil	--	N14.8 billion	32. Inco Ray	--	N1.988 billion
16. Capital Oil	--	N22.4 billion	33. ASCON Oil	--	N5.271 billion
17. AZ Oil	--	N18.613 billion	34. Channel Oil	--	N1.308 billion

SOURCE: The Senate

An official of CAC, Aisha Tijjani Tumsah, who signed a response to our enquiry on behalf of the Registrar-General, "Please be informed that there was no evidence of the companies listed below in our records, however, it will be appreciated if you could furnish us with photocopies of the certificates of incorporation or registration numbers as well as the full and correct company names to enable us search further."

As only the PPPRA has the records required by CAC, we couldn't make further headway in our investigation into the ownership of these oil companies that

benefited from the controversial subsidy in 2011.

PROBE LEADS TO BLAME GAME

Apart from the Civil Society Organisations which have accused government of half-truth in the subsidy regime, independent marketers have told the adhoc committee that briefcase importers took over the nation's oil and gas sector and this is responsible for sharp practices and all manners of manipulations in the subsidy regime. The body's president, Alhaji Abdulkadir, told the committee that

NNPC and PPPRA allocated products to importers and people who have no retail outlets and storage facilities. The IPMAN boss further accused the NNPC of monopolising the importation of kerosene. He asked: "why is NNPC insisting on regulating the kerosene product despite the fact that the late President Umaru Musa Yar'adua had given a presidential order that subsidy on kerosene should be removed? NNPC should allow us (IPMAN) to import kerosene, but they are not allowing us despite the fact that we are closer to the masses than the NNPC."

Tope Fasua, a financial analyst who has done extensive research into the oil sector, has told *Sunday Trust* that there are various ways in which fraud is committed under the subsidy regime. He gave the following eight areas:

1. Inability to control the operatives in that industry, who come up with several tricks to deceive anyone trying to check the figures e.g. increasing the temperature of liquid goods so that they can swell, such that when they are measured in that state, the metre will record that the product is far more than it is
2. The ability/propensity of ship tanker drivers to divert products to anywhere else but where they are meant for, once they get to high sea
3. The skewness of maritime conventions against African countries. The prevailing rule is 'silence is consent', such that African countries are being railroaded into conventions that do not favour them, simply because they operate inefficient systems of communication
4. As it pertains to Nigeria, oil marketers are said to many times, load refined products from Port Harcourt, sail into the seas for about 50 kilometres and turn around to come and berth at Apapa ports claiming to be coming from Rotterdam etc
5. The Customs chief claimed that refined products are not smuggled outside Nigeria through the borders as everyone had thought, but on the high seas. This is because our main port (Apapa), is too shallow to berth large tankers, and so ships have to stay on the high seas while smaller 'barges' are sent to offload the ships. The customs claimed that many of the barges end up in neighbouring countries where the refined oil is sold, while Nigeria is made to pay subsidy on the full shipload, even if the people only benefit from a fraction of the load.
6. Some of the oil marketers only ship products from Cote D'Ivoire or Sao Tome, where some prominent Nigerians own refineries and they claim to be shipping from Rotterdam or Europe, in order to qualify for higher subsidy payment from PPPRA
7. Some of the marketers are alleged to load up sea water and not PMS. When operatives of the DPR etc go to check, they will be measuring water, and not refined oil
8. Some marketers are alleged to just forge documents and walk straight to PPPRA to collect subsidy. They are usually paid

He remarked that "the monumental fraud in that subsector is of laughable proportions. Many operatives there - marketers, importers, customs, DPR, NNPC, PPPRA etc, are laughing to the banks at the expense of hapless Nigerians. The revelations on the floor of the House of Representatives are just an indicator. I reckon that many more incredible revelations will come up soon. It is almost certain that the EFCC will be drowned in evidence, but because the perpetrators are highly entrenched, little will come out of it."

"It is, however, a good thing for Nigerians to be aware of goings on in that sector, and it gives us a good arsenal to call on for subsequent government policies. Nigerians have said NEVER AGAIN will government carry-out their policies with impunity."

As it were, all eyes are on the House of Representatives and the EFCC who should ensure that those who have questions to answer are dragged to the judiciary to face the law.