

**DEVELOPMENT OPPORTUNITIES IN THE GULF OF GUINEA
THROUGH DUTY FREE ZONES, CABOTAGE AND COMMON
MARITIME REGIMES**

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ON:

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OPPORTUNITIES, ROAD MAP TO DEVELOPMENT**

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1.0 **INTRODUCTION**

The Gulf of Guinea is part of the Atlantic South West of Africa. It is considered the geographic center of the earth because it is zero degrees longitude and latitude (Gulf of Guinea Website 1st March 2007). Some of the countries having their maritime boundaries at the Gulf of Guinea include Nigeria, Equatorial Guinea, Cameroon, Republics of Benin and Sao Tome and Principe.

Nigeria's Niger Delta where the country derives its oil and gas lies in the Gulf of Guinea. Within the Gulf of Guinea, you have a Joint Development Zone, which is an area of overlapping maritime boundary claims, defined by coordinates between Nigeria and the Democratic Republic of Sao Tome and Principe. The treaty establishing the JDZ derives its legal basis from the provisions of the United Nations Convention on the Law of the Sea (UNCLOS), which encourages States with opposite coast, to cooperate and enter into provisional arrangement before finally agreeing on the delimitation of their Exclusive Economic Zones. The Nigeria-Sao Tome and Principe Joint Development Authority manages the JDZ and proceeds are shared in the proportion of 60% (Nigeria) and 40% (DRSTP).

That substantial quantities of Hydrocarbon products (oil and gas) reside in the Gulf of Guinea is no news. Perhaps, what is news is the development opportunities available in the said Gulf of Guinea.

To address the topic of our discourse, which is entitled "Development Opportunities In The Gulf of Guinea Through Duty Free Zones, Cabotage and Common Maritime Regimes" we will dwell on the following areas:

- The development opportunities in the Gulf of Guinea
- Duty Free Zones and the facilitation of development opportunities in the Gulf of Guinea

- The (Cabotage) Act, 2003 and common maritime regimes in the facilitation of development opportunities in the Gulf of Guinea
- Challenges
- Recommendations
- Conclusion

2.0 DEVELOPMENT OPPORTUNITIES IN THE GULF OF GUINEA

As is well known, development is a multidimensional concept with several inter-locking aspects – social, economic, political, cultural and so on. Analysts however, tend to focus on one or a few of these aspects, especially the economic aspect to be the base of development. The essence of development is a holistic process whose elements are interdependent. Thus Dr. Osaghe E. E. (2000) defined development in its broadest sense as a sustainable multipronged process of good governance and socio-economic progress that has the well being and security of the individual and the society as well as the state or nation at large as its core.

Thus, development opportunities in the Gulf of Guinea means the resources available in the Gulf of Guinea that could be exploited for the benefits of Nigeria and her citizens.

As we have earlier stated, substantial quantity of oil and gas reside in the Gulf of Guinea. Other opportunities also abound in the area such as:

- Fisheries
- Marine and Scientific Research
- Deep sea mining

We would however, limit our discourse to development opportunities in oil and gas because they are the main products found in the Gulf of Guinea that are being explored and exploited at present.

2.1 OIL AND GAS OPPORTUNITIES IN THE GULF OF GUINEA

According to Nigerian National Petroleum Corporation (NNPC), (NNPC website, 2nd March 2007) upstream and downstream opportunities in the oil and gas sector includes:

2.1.1 Upstream Opportunities

- Surveying – tropical and sea bottom survey
- Civil works – mud pit construction, concrete works at rig sites.
- Seismic data acquisition and interpretation
- Drilling operations
- Explorations and production of oil and gas production
- Pipelining
- Crude oil transportation and storage
- Manufacturing of consumable materials steel casting, etc.

2.1.2 Downstream Opportunities

- Crude oil and gas refining into petrochemical products and finer chemicals
- Domestic production and marketing of Liquefied Natural Gas.
- Domestic manufacturing of LNG cylinders, valves regulators etc.
- Transportation and marketing of the products etc.

From the above, one will no doubt agree that a lot of development opportunities are available in the oil and gas sector of the Gulf of Guinea that could be exploited by investors.

The NNPC annual statistical bulletin, January – December, 2002 also observed that the pursuits of the Nigerian local content policy whose target was 45% in 2006 and 70% by 2010 in order to stimulate the

development of indigenous capabilities, offers great opportunities for Nigerians in the oil and gas sector.

3.0 DUTY FREE ZONES AND THE FACILITATION OF DEVELOPMENT OPPORTUNITIES IN THE GULF OF GUINEA

The Nigeria Export Processing Zones Authority, (NEPZA) under the Nigerian Export Processing Zones' Act 63, of 1992 is vested with the licensing, monitoring and regulation of Free Zones Scheme in Nigeria.

Although, the enabling Act came into effect in 1992, the Pioneer Free Zone, the Calabar Free Trade Zone was officially commissioned in November 2001. However, private sector participation and partnership with the Federal Government and other tiers of government have culminated in the establishment of ten (10) specialized free zones and other types of zones.

3.1 Oil And Gas Duty Free Zones In Nigeria

The free zones that specialize in the oil and gas industry are:

S/N	FREE ZONE	LOCATION	SPONSORSHIP	SPECIALITY
1.	Calabar Free Trade Zone	Calabar	Federal Government	Oil & Gas Export, Logistics Services
2.	Lekki Export Processing Zone	Lagos, Lagos State	Eurochem technologies Singapore (Private Sector Sponsorship)	Petrochemical Industries
3.	Oil Integrated Logistics support services (Oil SS Free Trade Zone)	Agbadi Village Badagry, Lagos	Oil Field, Industrial Support Services Ltd. (Private Sector Sponsorship)	Marine and Logistics support services for offshore oil and gas Companies. Logistics services for deep sea oil exploration.
4.	Olokola Free Trade Zone	Olokola, Ondo State	Ondo and Ogun States Government	Oil & Gas , petrochemicals etc.

S/N	FREE ZONE	LOCATION	SPONSORSHIP	SPECIALITY
5.	Snake Island Free Zone	Lagos, Lagos State	Nigerdock PLC. (Private Sector sponsorship)	- Oil & gas related industries - Oil & Gas equipment fabrication - Rig construction & refurbishment etc
6.	Onne Free Zone	Onne, Rivers State	Federal Government	Oil and gas export, Logistics services

3.2 Investment Incentives in Nigeria's Zones

Establishing a business in the Free Zones automatically confers upon the investor certain advantages, benefits and incentives that have been strategically designed by the Federal Government to create a business-friendly environment for the investor and to be competitive.

These incentives enshrined in Act No. 63, 1992 that may be improved upon in the future include the following:

- Complete tax holiday from all Federal, State and Local Government taxes, rates, customs duties and levies.
- One-stop approval for all permits, operating licenses and incorporating papers.
- Duty-free, tax-free import of raw materials and components for goods destined for re-export.
- Permission to sell 100% of manufactured assembled or imported goods into the domestic Nigerian market.
- When selling into the domestic Nigerian market, the amount of import duty on goods manufactured in the free zone is calculated only on the basis of the value of the raw materials or components used in assembly, not on the finished products.
- 100% foreign ownership of investments.
- 100% repatriation of capital, profits and dividends

- Waiver on all expatriates quotas to companies operating in the zones.
- Rent – free land during the first six (6) months of construction etc.

From the fore going, one would no doubt agree that the free trade zones would tremendously facilitate development opportunities in the Gulf of Guinea as investors could establish refineries and allied businesses in the Free Zones while taking advantage of the incentives.

4.0 THE COASTAL INLAND SHIPPING (CABOTAGE) ACT, 2003 AND OTHER COMMON MARITIME REGIMES IN THE FACILITATION OF DEVELOPMENT OPPORTUNITIES IN THE GULF OF GUINEA

4.1 The Cabotage Act, 2003

Nigeria is blessed with a coastline of about 870km and 3,000 km of Inland Waterways. Oil and gas is the predominant sector in Nigeria’s short sea trade and is estimated to constitute about 95% of coastal and Inland shipping. This presents enormous coastal trade opportunities for shipping companies in Nigeria.

The Government, mindful of the need to develop indigenous shipping capacity has at various times initiated policies but which unfortunately failed to achieve their objectives. As a result, the carriage of goods, services and passengers (mainly oil and gas) in the inland coastal waters of Nigeria are currently almost exclusively dominated by foreign owned and foreign-crewed vessels.

4.1.1 Objectives of the Act

- The Cabotage law seeks to create a Captive market in the domestic shipping trade for the Nigerian indigenous shipping community.
- To act as a catalyst in the systematic development and building of indigenous capacity in shipping especially in:
 - a. Ship building

- b. Fleet acquisition
- c. Ship operation and management
- d. Shore and onboard manpower development

Mainly, Section three (3) of the Act seeks to restrict ownership, manning and the building of coastal vessels as well as the carriage of goods and passengers by these vessels to Nigerians.

From the above, it can be seen that the cabotage regime if well implemented has great potentials in facilitating the exploitation of development opportunities in the Gulf of Guinea by Nigerians in our coastal and territorial waters or any other point within the Exclusive Economic Zone (EEZ).

However, in 2004, National Maritime Authority (now National Maritime Administration and Safety Agency (NAMASA) conducted a survey and the analysis of the survey showed that only 11 out of 245 service boats/coastal vessels that operated in the Onne oil and Gas free zone axis in 2003 were owned by Nigerians. That during the same period, out of 266 tankers that were engaged in coastal trading in the Apapa port – Atlas cove, off-shore axis, only 44 tankers were Nigerian owned while 222 were foreign owned. In other words, 83.5% of the coastal tankers that affreighted petroleum products within the axis were foreign tankers while only 16.5% were Nigerian owned.

The total metric tonnage of petroleum products carried by the above mentioned Nigerian owned tankers was 97,041 tons representing 3.4% while the foreign owned tankers carried 2,745,365 metric tons representing 96.6% of the entire volume of cargo. The trend in all the other axis showed the same thing.

The analysis therefore confirms the reality of foreign domination in the coastal affreightment of petroleum products in Nigeria.

Similarly, in the area of vessel manning, NMA conducted a study in 2004 on the operations of Marine Industrial Services Consultative Organization (MISCO) members, which include Intel oil Services Ltd., Chevron, Panalpina, Total Fina Elf Nig. Ltd., West African Off-shore (WAOS) etc. The survey revealed that (WAOS) chartered 16 vessels, all of which were found to be foreign flagged except one carrying Nigerian flag. And that out of 183 crews manning the above vessels, only 45 crews were Nigerians. That is, 75.4% foreign crews while only 24.5% were Nigerians and the survey revealed the same trend in all the other MISCO members. This shows again the foreign domination in the Coastal affreightment of petroleum products both in vessel ownership and manning. Thus, the Cabotage Act aims at correcting this trend.

4.2 Common Maritime Regimes

The Common Maritime Regimes as it applies to Coastal States according to Arnd Bernearts in his Guide (1982) to the 1982 United Nations Conference on Law of the Sea (1983) are: Territorial Waters, the Contiguous Zone, the Exclusive Economic Zone, and the Continental Shelf and that the sovereign rights of the coastal states are for the purpose of exploring and exploiting the natural resources only.

- Territorial Sea: That every state has the right to establish the breadth of its territorial sea up to a limit not exceeding 12 nautical miles, measured from baselines determined in accordance with the convention.

- Contiguous Zone: Is a zone contiguous to its territorial sea, described as the contiguous zone. The zone may not extend

beyond 24 nautical miles from the baselines from which the breadth of the territorial sea is measured.

- Exclusive Economic Zone (EEZ): Is described as a zone 200 nautical miles away from the coast measured from the baselines from which the territorial sea is measured.

- Continental Shelf: The Continental Shelf of a Coastal State comprises the Sea-bed and Subsoil of the submarine areas that stretches beyond its territorial sea throughout the natural prolongation of its land territory to the outer edge of the continental margin, or to a distance of 200 nautical miles from the baselines from which the breadth of the territorial sea is measured where the outer edge of the continental margin does not extend up to that distance.

A lot of oil and gas is being drilled at present by Nigeria in these zones and there is a lot of reserves available for exploration and exploitation by investors.

It has also been established that vast mineral resources are found in the continental shelf and this also offers development Opportunities in the Gulf of Guinea. Therefore, these common maritime regimes, allows room to tap the development opportunities in the gulf of Guinea.

In doing so however, the United Nations Convention on Law of the Sea (UNCLOS) 1983, stated that activities of states should always strive to promote:

- Orderly, safe and rational management of resources and
- Participation of all states in opportunities avoiding monopolization.

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5.0 CHALLENGES

As noble as the Free Zones and the Maritime Regimes are in the facilitation of development opportunities in the Gulf of Guinea and boosting our economy, they are faced with some challenges such as:

1. Policy Implementation Commitment: If our past experiences are anything to go by in implementing well articulated policies and projects such as in the operation of the free zones and the Cabotage Act, then exploitation of development opportunities in the Gulf of Guinea will suffer a set back as investors will shy away.
2. Lack of Infrastructures: Lack of necessary infrastructures such as good roads, stable power supply, and inadequate port facilities as is prevalent in Nigeria at the moment constitutes a challenge to tapping the development opportunities in the Gulf of Guinea.
3. Expertise: The oil and gas sector requires relevant expertise and this could pose a challenge to indigenous investors.
4. Insecurity: Without adequate security, both foreign and indigenous investors will shy away from investing in the Gulf of Guinea. What we are experiencing at the moment, in terms of youth restiveness, kidnappings in the Niger Delta Region is a typical example. Piracy also poses a challenge.
5. Funding: The oil and gas sector requires a lot of capital and this could constitute a challenge for Nigerians to tap the opportunities in the Gulf of Guinea.
6. Environmental Protection: The exploration and exploitation of the resources in the Gulf of Guinea come with the need to protect the

environment. There are problems of oil spillage, which destroy land and sea environment and gas flaring which pollutes the air. All these are challenges.

6.0 RECOMMENDATIONS

To achieve development opportunities in the Gulf of Guinea, we wish to recommend as follows:

1. Consistency/Implementation Commitment: That government should ensure the implementation of its policies to enable Nigerian investors tap into the development opportunities in the Gulf of Guinea. Sincere implementation of the Cabotage Act for example is required.
2. Provision of Infrastructures: The Government should create an enabling environment by providing the necessary infrastructures such as good roads, steady power supply for investors to be able to tap the development opportunities in the Gulf of Guinea.
3. Training: Nigerians need to be trained in different areas of oil and gas industry, hence the need for effective use of the petroleum Technology Development Fund (PTDF). Maritime training will also ensure the smooth implementation of the Cabotage Act.
4. Provision of Security: There is need for the provision of security in the country and the Niger Delta in particular as well as a sub-regional security for the Gulf of Guinea by the Coastal States.
5. Joint Venture Partnership: Nigerians should be encouraged to go into Joint Venture Partnership with their foreign counterparts with a view to acquiring relevant expertise and obtaining the necessary capital to enable them tap the development opportunities in the Gulf of Guinea.

6. The Need for Environmental Protection: The exploitation of development opportunities in the Gulf of Guinea will bring about gas flaring, oil spillage and therefore, air and water pollution and general environmental degradation.

Hence, the need for taking necessary steps to ensure that the environment is protected during the exploitation of oil and gas in the Gulf of Guinea.

7.0 CONCLUSION

There are Development Opportunities in the Gulf of Guinea especially the oil and Gas sector that could be explored and exploited by investors.

The Duty Free Zones, the Cabotage Act and the common Maritime Regimes encourage Nigeria and its citizens to tap into these development opportunities. There is therefore the need for commitment in policy implementation, provision of adequate infrastructures and security by the Government, acquisition of the necessary skills and partnership to enable investors tap into these opportunities.

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