



Nigeria Update - The [NNPC] Fix Is In

Your correspondent concluded last Friday's flash-note by suggesting that there would be many in the upper echelons of the ruling party hoping that the promised investigation into the handling of petroleum revenues by the NNPC would prove neither forensic nor independent. It is already apparent that the parties concerned have little to worry about.

- 1) It is worth recalling that, while clearly furious¹ that Sanusi's September 25th letter² had been leaked to the media in December and then promptly taken up by the opposition APC³ and then OBJ to lambast GEJ, the Presidency did not shift into panic mode until late January 23rd.
- 2) This was when, a mere two weeks after a report that all related issues had been "resolved", the Presidency fired a fresh shot across the Governor's bow, alleging that *"The CBN governor has become more of a politician than a banker. He delights in political circus shows in the company of opposition political figures; making statements unbecoming of his office."*⁴
- 3) With the benefit of hindsight, one may surmise that this salvo was intended to deter the CBN Governor from his increasingly probing investigation into the NNPC's handling of petroleum revenues.

It will be recalled that in early October the company had been able to discredit Sanusi's original allegations by pointing out few computational errors⁵. By mid-January, however, the Governor's analytical technique appears to have improved considerably – to the evident dismay of those privy to the mystery of the NNPC's flow of funds. Hence the implicit threat.

4) Sanusi was undeterred and on Feb. 3rd submitted to the Senate Finance Committee a 20-page memorandum, setting out a revised bill of particulars against NNPC. More importantly, the report challenged in forensic detail the various self-exculpatory statements made by NNPC officials over the preceding 6 weeks. Among his most dramatic counter-points were the following:

- NNPC's recent claim to have spent USD 10.8 billion on subsidy payments in respect of imported gasoline and kerosene was contradicted by the evidence of [its own documents which showed a relevant line item of zero for the periods in question](#).
- The notion of a subsidy being payable in respect of kerosene made absolutely no sense, given the [significant premium](#)⁶ over cost at which the product was routinely sold to the consumer during the period in question.

¹ Witness (i) the Dec. 26th demand that the Governor proceed on pre-retirement leave 2 months before the end of his 5-year term; and (ii) the Jan. 9th demand that the Governor resign immediately - for leaking his Sept. letter to OBJ.

² In which the CBN Governor had initially shared with GEJ his concerns over the NNPC's handling of petroleum revenues.

³ On Dec. 11, 2013 – i.e. two days after Sanusi's letter had been leaked to the media - the Senate mandated its Committee on Finance to investigate NNPC over its alleged failure to remit petroleum revenues to the account of the Federation.

⁴ See 'Presidency Queries Sanusi over Donations' in [ThisDay](#), Jan. 23, 2014, which also accused the CBN Governor of donating a total of N150 billion to some institutions and interest groups in states controlled by opposition political parties.

⁵ In mid-October, when your correspondent first learned of Sanusi's letter, the CBN Governor was being ridiculed within the senior ranks of the administration for "not having done his homework", thus losing "all credibility".

⁶ Citing data from the National Bureau of Statistics, the memorandum showed this premium ranging as high as N100 per liter against the import cost of N150 per liter.

- The proceeds from the USD 6 billion worth of crude oil that NNPC claimed to have lifted on behalf of its subsidiary NPDC had actually flowed to two shadowy oil companies, Septa Energy (Nigeria) and Atlantic Energy Drilling Concepts Ltd.

5) Predictably, it was these points that were to prove the most contentious at the Committee's hearings on Feb. 12th. In particular:

- The Petroleum Minister (and *ex officio* chairman of NNPC) was obliged to 'explain' that the kerosene subsidy had indeed been maintained⁷ – in spite of a 2009 presidential directive and a 2010 letter from PPPRA confirming its termination.
- Interrupting a spirited exchange between Sanusi and Yakubu (NNPC) over the company's obligation to credit to the account of the Federation the USD 6 billion it claimed to have transferred to its NPDC affiliate, the chair quickly ruled that the matter be referred to the Attorney-General for a decision.

6) Throughout the hearings of the Senate Finance panel on Feb. 12th, the chairman acted more like an advocate for NNPC than as the impartial head of a legislative body. This partisanship was most conspicuous in his interactions with then CBN Governor Sanusi, as described in the following account of the proceedings:

*"Mr. Makarfi said it would be wrong for Mr. Sanusi to delve into the responsibilities of other agencies. He advised the CBN governor to limit himself to what he is legally empowered to do. The comment came in respect of the PPPRA's decision to pay kerosene subsidy despite a purported presidential directive. Mr. Makarfi said it is for the PPPRA to so decide."*⁸

7) Within hours of suspending Sanusi from his post as CBN Governor on Feb. 20th, President Jonathan (GEJ) summoned to a closed-door meeting Petroleum Minister Alison-Madueke, NNPC's group managing director Andrew Yakubu and Sen. Makarfi, chairman of the afore-mentioned Senate panel. It was immediately following this conclave that the presidential spokesman announced the retirement of the PPRRA Executive Secretary, Mr. Reginald Chika Stanley⁹.

8) Given the above chronology, the only reasonable explanation for Sanusi's abrupt defenestration is that his queries and, in particular, the information emerging at the relevant parliamentary hearings, were beginning to zero in on some scandal far more sensitive than such common-or-garden offences as over-invoicing or failure to credit revenue to the account of the Federation. Hence the imperative to remove the whistleblower so as to preempt any substantive investigation.

9) What sort of scandal? It is entirely possible that at the heart of the NNPC affair lies an arrangement under which some portion of the USD 20 billion in dispute has been quietly sequestered, with the full knowledge of the Presidency – and is available for use during the 2015 election campaign¹⁰.

⁷ Given the specific information to the contrary contained in the relevant memorandum, it is worth noting that the Committee did not challenge frivolous explanation offered by the Minister, who "[...] stressed that, had government gone ahead to execute the presidential directive, the price of kerosene would have tripled and gone far beyond the reach of the common man." See 'Why we couldn't withdraw subsidy on kerosene, by Alison-Madueke' in *The Guardian*, Feb. 13, 2014

⁸ As reported in 'Missing \$20 billion oil money Senate hearing – Day Two live blog'; by *Premium Times* on Feb. 13, 2014.

⁹ As discussed more fully in Flash-note dated Feb. 20th.

¹⁰ It will be recalled that, following Pres. Yar Adua's death in 2010, the accession to the Presidency of then acting president GEJ was fiercely resisted within the PDP - by northern Governors in particular. It is generally accepted that a significant portion of the USD 7

Game theory suggests that it would have required a pay-off of this magnitude to justify the extraordinary gamble of removing an internationally respected CBN Governor at a time when the Naira was already under pressure from a reversal of portfolio flows.

10) A natural corollary of the above strategy would be an orchestrated media campaign to savage the whistle-blower's reputation, thus discrediting *ex ante* his prospective efforts to keep the spotlight on NNPC as a private citizen. As it happens:

- Two days after Sanusi's removal, there appeared in the media a copy of a June 2013 memorandum from the Federal Reporting Council accusing the CBN's senior management of "*incompetence, nonchalance, fraud, wastefulness, abuse of due process and deliberate efforts to misrepresent facts*"¹¹. The report contained several specific allegations of impropriety.
- The same day *The Guardian* of Nigeria breathlessly reported (without offering any evidence), "*Sources revealed over the weekend that the US State Department and the US Treasury Department were already aware that the CBN Governor was under investigation even before he started raising dust regarding the missing billions from the NNPC.*"¹²
- In the most farcical episode to date, media organizations in Nigeria received a story on Feb. 27th, attributing this week's spike in atrocities by Boko Haram to pro-Sanusi retribution by the terrorist group¹³. Upon investigation, the sender – identified via IP address and a careless Facebook post¹⁴ - turned out to be none other than Reno Omokri, President Jonathan's Special Assistant on New Media!

11) These efforts notwithstanding, the NNPC story has now acquired too much visibility to be swept under the rug so an investigation is now unavoidable, as promised by the Senate Finance committee. In fact it emerged on Feb. 27th that the Auditor-General of the Federation will be reviewing the NNPC accounts – an approach that is more suggestive of a white-wash than the independent forensic audit promised by the Finance Minister¹⁵.

12) Regrettably such cynicism appears entirely warranted, given the highly imaginative opinion rendered by the Attorney-General (at the request of Sen. Makarfi) on NNPC's remittance obligations, viz.:

*"[I]t is my considered view that the provision of Section 162 which requires all revenue to be remitted to the Federation Account does not preclude the deduction of NNPC'S expenditure or cost of business."*¹⁶

13) Since then the NPDC subsidiary to which NNPC claims to have transferred the USD 6 billion in question has testified that "*We did not have the money in the NPDC account; we did not receive the \$6bn from the NNPC*"¹⁷. The Attorney-General has refrained from commenting on this remarkable development, as we might have anticipated, given his refusal to consider the evidence showing that the ultimate beneficiaries of the USD 6 billion in question had in fact been the two mysterious oil companies.

billion drawn from the Excess Crude Account (ECA) during the course of that year went towards securing said opponents' acquiescence, first to GEJ completing YA's term and then to him standing for office in his own name, in the April 2011 election. With a current balance of only USD 2.1 billion, the ECA is clearly in no position to finance any such initiatives today.

¹¹ Paragraph 2(a) of memorandum addressed to GEJ by Federal reporting Council of Nigeria on June 13, 2013, under caption '*CBN Audited Financial Statements for year ended 31st December 2013*'

¹² As reported on Feb. 22, 2014 in '*Confusion in US, Others over Sanusi's Ouster*'; by *The Guardian*

¹³ i.e. '*Increased Tempo of Boko Haram/Terrorist Activity in the Wake of the Sanusi Saga*', by "Wendell Simlin", Feb. 27, 2014.

¹⁴ For details of the unmasking, see '*EXCLUSIVE: Jonathan's Media Team Allegedly Circulates press release Linking Suspended CBN Governor to Boko-Haram*', in *Nigerian Eye* (<http://www.nigerianeye.com/2014/02/jonathans-media-team-circulates-press.html>), Feb. 27, 2014.

¹⁵ "We believe we should have an independent forensic audit of these accounts. It is the only way Nigerians will be satisfied that a proper accounting is being done", as quoted by *Financial Times*, Feb. 13, 2014.

Verdict:

On the basis of the foregoing, we can predict with a high degree of confidence that **the secrets buried in the NNPC's accounts will survive the Auditor-General's 'investigation'**, and remain available for deployment at the appointed hour.

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