

WHAT DICHOTOMY?

A STATEMENT BY A MAJOR STAKEHOLDER

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Let me begin by expressing my profound concern about the on-going public controversy over the Bill passed by the National Assembly to remove the on-shore/off-shore dichotomy regarding the issue of derivation from petroleum resources of the country.

As a major stakeholder in Ondo State, I am aware that indigenes of my State, as much as those of other littoral States would want a quick solution to a matter on which their economic fortune so seriously depends. My involvement in the details of this issue dates back to my days as Deputy Governor of Ondo State, when, together with officials from other littoral States, we campaigned to eliminate the on-shore/off-shore dichotomy. It will be recalled that in those days littoral State obtained no revenue from off-shore petroleum, in spite of the fact that they were exposed to adverse environmental consequences of oil and gas exploitation. Akwa Ibom and Ondo States were particularly deprived in this regard as they had no on-shore operation and therefore earned no revenue to mitigate the effects of environmental degradation arising from petroleum exploitation.

We aimed to change the situations in two ways. One, we wanted to have our circumstances acknowledged for the purpose of receiving revenue on the basis of derivation in so far as we were affected by the off-shore oil and gas activities. Secondly, we made a case for the amendment of the revenue allocation formula in order to increase the revenue from derivation from the meagre four per cent it was at the time.

As a result of these efforts, the Military Regime began to pay derivation for off-shore production to Ondo and Akwa Ibom States. Derivation was increased to 13 % in the 1999 Constitution which the Obasanjo regime began to implement.

This was the situation that prevailed until the onset of the present democratic dispensation when some states began agitation on the control of natural resources in the country. The agitation, though understandable, however assumed violent dimensions with consequences for national security. Consequently the Federal Government was constrained to seek Supreme Court interpretation regarding the control of natural resources.

While upholding Federal Government's status to control all natural resources within the country, the Supreme Court also ruled that derivation on petroleum resources could only be paid on on-shore production, thus terminating off-shore revenue from derivation to littoral states. Akwa Ibom and Ondo States were particularly affected. I share with citizens of these two states the hardship brought about

by this Supreme Court Ruling which severely impaired the ability of the Governments to meet their fiscal obligations.

Out of sympathy and concern for the plight of affected States, the Federal Government set up the **Presidential Committee on Political Consensus on Ways and Means of Implementing Derivation Aspects of the Supreme Court's Judgement on the On-shore/Off-shore Suit**. This Committee, made up major stakeholders, consulted with Governors of the nine littoral/oil producing States, namely Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers, in a bid to seek their views on the way forward for a political solution to the legal problem. There had been an earlier twelve-man Committee, chaired by the Attorney General & Honourable Minister of Justice that examined the detailed implications of the judgement of the Supreme Court.

The **Presidential Committee On Political Consensus** recommended that as a solution a Bill be sponsored by the Federal Executive for a law to remove the dichotomy and bring succour to affected states. The main justification for this Bill, is that some compensation ought to be considered for the adverse impact of off-shore production on the environment as well as on the economic activities of littoral States.

With all due sense of responsibility, I am convinced that the boundary of 24 nautical miles spanned by the 'Contiguous Zone' (approximately 45 kilometers) being proposed in the Bill would go a long way in addressing the critical concerns that make the bill justifiable. My grounds for holding this conviction include the following:

- ◆ **1]** Economic activities within the littoral states hardly extend that far;
- ◆ **2]** Virtually all of the oil and gas currently produced are found within the contiguous zone proposed;
- ◆ **3]** Records of environmental impact on littoral economic activities show that mining activities beyond the contiguous zone will not adversely affect littoral communities.

My immediate concern is the fact that controversy aroused by the passage of this Bill is raising political temperature over a process that requires national compromise in order to be workable.

It is clear from the above that insistence on 200 nautical miles limit has no tangible advantage to any of the affected States. On the other hand, if we allow rationality to prevail, and if we do not allow sentiment to blunt the good intentions inherent in the Bill as proposed by the President, we in the littoral states stand a better chance of immediately claiming our entitlement to nature's gift to this great nation.