

The challenge

Disrupted operating conditions

- Nigeria's oil production in 2016 was severely impacted by elevated levels of militancy targeted at key export infrastructure throughout the Niger Delta, and in particular the export terminals that the onshore producers have relied upon to monetise their production.
- Seplat was significantly impacted by this and, like many other producers, was forced to halt exports via the Forcados terminal when the terminal operator, Shell Nigeria, declared force majeure on 21 February 2016 following disruption by militants to the terminal subsea crude export pipeline. The terminal remained under force majeure for the remainder of the year meaning operators reliant on that system were faced with an unprecedented level of disruption in 2016.



Chief Executive Officer's
statement

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Our solutions

- ▶ **Establishment of an alternative crude export route**
- ▶ **Strong community and stakeholder relations**

Crude exports via the Warri refinery export route

We are actively pursuing alternative crude oil evacuation options for production at OMLs 4, 38 and 41 and potential strategies to further grow and diversify production in order to reduce any over-reliance on one particular third-party operated export system in the future. In line with this objective, we successfully implemented an alternative export solution during the second quarter of 2016 whereby crude oil production from OMLs 4, 38 and 41 is sent via the JV owned 100,000 bopd capacity pipeline to available storage tanks at the Warri refinery and sold Free On Board ('FOB') to Seplat's off-taker Mercuria at the Warri refinery jetty, from where the oil is then transported by barge to a mother-tanker positioned offshore. At 31 December 2016, a gross volume of 3 million barrels had been evacuated via the Warri refinery route, with the target being to stabilise exports at an average 30,000 bopd on a gross basis.

52,000 boepd
Seplat's working interest production prior to Forcados shut-in

3 MMbbls
gross volume exported via Warri refinery in 2016

A successful model for community and stakeholder engagement

We have built strong relationships with our host communities since inception, promoting trust and confidence amongst the various stakeholders, ultimately resulting in a stable environment at our operated facilities and infrastructure. In December 2010, we entered into a Global Memorandum of Understanding with the host communities within OMLs 4, 38 and 41 and established a trust fund structure for projects based on sustainable development principles. These initiatives seek to support capacity building, community participation and enhance quality of life through provision of high-standard healthcare, education and development programmes. Since 2011, we have not suffered a single day of production downtime due to disruption at our operated facilities and infrastructure. It is this successful model of engagement that also forms the basis of our community engagement activities at our other operated assets.

Investments in our communities (2010-2016)

