



A SECRET SUBSIDY

Oil companies, the Navy & the response to piracy



Authors: Emma Hughes and Mika Minio-Paluello
Design: Tim Ratcliffe

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Platform London
7 Horselydown Lane
Tower Bridge
London SE1 2LN
England

Tel: +44 (0)20 7403 3738

Summary

British oil companies are promoting a ‘fight against piracy’, and in the process gaining an unprecedented amount of influence over UK military policies. Promoting an often inaccurate trope of ‘secure energy supplies’ is used to justify the use of naval power to protect corporate oil assets in the seas and to demand increased spending on military hardware at a time of major public cutbacks. This effectively creates a hidden subsidy covered by the public purse. This briefing sets out how the seas have been militarised, who has been lobbying for this and looks at other measures that could effectively tackle piracy.

A secret subsidy has been published to coincide with the Combating Piracy Conference¹ that is taking place in London during October 2012. This industry-organised event brings together representatives from the EU navy, NATO and oil and shipping companies to discuss the response to piracy behind closed doors. The conference is a private conversation between military and corporate interests about measures that are militarising the Indian Ocean. It is a key opportunity for the oil and shipping industries to lobby for even more military resources to be spent on protecting their profits, even at a time when the cuts made in the Strategic Defence and Security Review are being implemented.

Key point's:

- The shipping industry presents itself as under attack but even at its height, less than 1% of tankers travelling through the Gulf of Aden were hijacked – the number is now much lower.
- Oil and gas companies are demanding a military subsidy to protect their profits at a time of public spending cutbacks.
- The EU's anti-piracy operation has had Merchant Navy Liaison Officers from BP and Shell seconded to it. This means oil companies are helping determine exactly where European naval resources are deployed.
- The Chamber of Shipping and Shell are lobbying the government for vessel protection detachments of military personnel to commercial ships. This would mean British naval officers acting as private security guards, while commercial vessels would be transformed into warships.
- Shell has actively lobbied for increased spending on warship construction at a time of existing cutbacks to military budgets.
- In effect, private multinationals have used their powerful position to secure a hidden subsidy from the public purse, in a context of heavy austerity measures.

1. <http://combating-piracy.com/>

Where has been militarised?

Since 2008 the north-western Indian Ocean has become increasingly militarised. In November of that year, the *Sirius Star*, a large crude carrier carrying two million barrels of Saudi oil, was captured by Somalis and held for a \$3 million ransom. Since then, tankers have been targeted by pirates, with ships from Germany, Russia, South Korea and elsewhere captured. Currently there are three international naval task forces patrolling the Gulf of Aden and the Indian Ocean: *Atalanta*, the EU's only ever naval operation, NATO Operation Ocean Shield and Combined Task Force 151 - a US-led multinational force which includes sniper Marines, SuperCobra attack helicopters and MQ-9 Reaper drones. In addition to the multinational task forces individual countries also have warships in the region including Russia, India, China, South Korea, Japan, Malaysia and Singapore. As a consequence a vast triangle of open sea between India, Madagascar and Djibouti has been heavily militarised, patrolled by warships, drones and high-flying Global Hawks.²

As a key contributor to both *Atalanta* and the Combined Task Force, Britain has sent many warships to the Gulf of Aden in recent years. These are mostly Type-23 frigates – the naval workhorse used to project UK naval power. HMS *Westminster* is typical - with special forces, a Merlin helicopter, heavy artillery and torpedoes³ it can easily over power the small and basic 'skiffs' used by Somali pirates and the, slightly larger, but equally basic, 'motherships'.

Atalanta is run out of Northwood HQ, an underground military complex in northwest London. Satellite imagery is beamed from the EU satellite centre in Madrid and combined with geospatial intelligence shared by US GEOINT staff at Fort Hood in Texas and Bethesda in Washington, DC. Real-time images are streamed from US drones scouring the waters off Somalia, remotely piloted from Creech Air Force Base in the Nevada Desert.⁴

Operation *Atalanta* has been empowered by the UN to use "all necessary means" to eliminate piracy⁵ and its commanders advise ships to travel in groups and at night as "this enables military forces to 'sanitise' the area ahead of the merchant ships."⁶ At all times *Atalanta* has 4 – 7 Surface Combat Vessels and 2 – 3 Maritime Patrol and Reconnaissance Aircraft patrolling the north-western Indian Ocean.⁷ The vast difference between the military weaponry patrolling the oceans and the equipment and vessels used by Somali pirates is vividly captured by the many videos available on the internet of anti-piracy operations.⁸

Despite the basic weaponry and ships used by pirates, the military presence in the waters off Somalia has increased, with an escalation in tactics to shore attacks. In May 2012 EU maritime aircraft attacked Handulle village in the Mudug region of Somalia, strafing the beach with machinegun fire and destroying skiffs, ladders and fishing nets.⁹ One month previously, two aircraft bombed Gumah in Puntland, injuring two civilians. A village elder described the aircraft as "coming from the sea", but none of the naval forces prowling offshore claimed responsibility.¹⁰

A Royal Navy source explained the likely consequences of such airstrikes: "However, the Somalis will certainly be better prepared next time round and are likely to defend their bases with significant anti-aircraft assets now they know that the ante has been upped. This will inevitably lead to bloodshed and escalation."¹¹

2. <http://www.wired.com/dangerroom/2012/08/somalia-drones/all/>

3. <http://www.royalnavy.mod.uk/The-Fleet/Ships/Frigates/HMS-Westminster>

4. http://www.huffingtonpost.com/nick-turse/americas-secret-empire-of_b_1016206.html

5. <http://www.eunavfor.eu/about-us/mission/>

6. <http://www.eunavfor.eu/about-us/mschoa/>

7. <http://www.eunavfor.eu/about-us/mission/>

8. <http://www.youtube.com/watch?v=dc7kpM5Tzbo&feature=fvwrel>

9. <http://gcaptain.com/somali-eyewitnesses-describe-strikes/>

10. <http://www.google.com/hostednews/afp/article/ALeqM5hrzxxYj0OfCV4sKO2oVmr-GnpOkA?docId=CNG.0c2b409de36ebf6b37fb2f632ba62d68.891>

11. <http://www.telegraph.co.uk/news/worldnews/africaandindianocean/somalia/9266849/EU-anti-piracy-force-strikes-Somali-targets.html>

Why is there piracy in the Gulf of Aden?

Somali piracy developed following the collapse of the fishing industry in Somalia. Somalia's fish stocks including lobster, tuna and shark have been illegally depleted by fishing vessels from Europe and Asia. Estimated annual losses to Somalia from illegal fishing range from around \$90 million to \$300 million.¹² Fish stocks were also harmed by the dumping of toxic chemical and nuclear waste by European companies in Somali waters since the late 1980s. When civil war began in 1992, waste exporters made weapons-for-waste deals with warlords. The UN and World Bank both recognise that a clean-up of toxic materials in Somali waters is necessary, yet dumping continues, with serious consequences for both human health and fisherfolk's livelihoods.¹³

Initial pirate activity grew out of Somali fishermen's efforts to repel illegal trawlers from Somali waters. Sometimes such trawlers were seized and ransoms extracted from fishing companies for their release. As Somalis attempted to defend their livelihoods, some saw a surer way to make money and began deliberately capturing ships in order to recoup a ransom rather than deter illegal trawlers.¹⁴

Since the civil war in 1992, Somalia has suffered continued violence and many humanitarian disasters. Last year conflict and food shortages led to 2.5 million Somalis being internally and externally displaced. Such events can not be divorced from the ongoing militarisation of the country. Since the Cold War, billions of dollars worth of weapons were poured into Somalia and neighbouring countries by western governments who used warlords, militias and governments as proxies. The US-backed invasion of Somalia by Ethiopia attempted to displace the Islamic Courts Union in 2006. CIA black ops have been back working with warlords and renditioning individuals since 2003, followed by ongoing air assaults and bombing raids since January 2007.¹⁵ The ongoing interventions by outside forces has contributed to the rise in piracy.



Suspected pirates being detained by EU military forces, somewhere off Somalian coast, April 2012.

12. Endicott, Neil 2010 Military Responses to Energy Security Problems: What role for Common Security and Defence Policy? The Quaker Council for European Affairs.

13. http://www.theecologist.org/News/news_analysis/268581/somalia_used_as_toxic_dumping_ground.html

14. <http://www.guardian.co.uk/commentisfree/2008/nov/19/piracy-somalia>

15. <http://www.thebureauinvestigates.com/2012/02/22/get-the-data-somalias-hidden-war/>

What is the risk from piracy and who is at risk?

Piracy in the Gulf of Aden and the Indian Ocean presents a danger to ships travelling in the region. However, vessels and crew are usually released unharmed once a ransom is paid. As the House of Lords EU committee acknowledges, “Generally, hostages had been well treated notwithstanding the psychological impact.”¹⁶ The shipping industry is keen to present itself as under attack, yet even at its height, less than 1% of tankers travelling through the Gulf of Aden were hijacked – the number is now much lower.¹⁷

An article published by Maritime Executive in June 2012 claimed that “pirate attacks against commercial ships, especially by Somalia and Africa’s east coast, are becoming increasingly violent and frequent.”¹⁸ But NATO figures, published in January 2012, show a drop in successful attacks with pirates capturing just four vessels off Somalia last year, compared with 26 in 2010, and the same number in 2009. In addition pirates managed one hijack further north in the Gulf of Aden, compared with twelve in 2010. In the waters of the Arabian Sea, they captured 19 ships.¹⁹ Piracy off the coast of Somalia has so far affected very few British citizens. Since 2007 only three British owned and registered ships have been hijacked.²⁰ The threat to British vessels travelling through the Gulf of Aden is therefore very small.

The reason the Shipping Industry so heavily promotes the spectre of piracy is because of its financial impacts. Hijacked vessels mean a late delivery of goods and despite the low levels of successful pirate attacks, insurance premiums on ships traversing the area have more than doubled.²¹ For companies like BP and Shell, whose vessels regularly traverse the Gulf of Aden and surrounding waters, this is an irritating cost. Unsurprisingly, it is these companies who have been lobbying for more naval resources to be deployed to the coast of Somalia.

What influence do oil and gas companies have over naval operations in the Gulf of Aden?

Oil and gas companies have played a notable role in promoting the militarisation of the Indian Ocean. Companies like BP and Shell play a significant – and at points dominant – role in associations like the Chamber of Shipping. Company officials delegated to the Chamber will lobby government ministers and give media interviews, using both their “Shipping” and “Oil” hats.

The power exerted by oil companies within the British body politic, combined with the creeping militarisation of the oceans, has given oil and gas companies increased access to UK military personnel and influence over military policies. Mark Brownrigg, Director-General of the Chamber of Shipping, boasts: “the industry has had close contact with the FCO, the MOD, the Navy, the Department for Transport and all relevant Government engagements here. It has had very close contact also with the European Union Naval Force, the EUNAVFOR”.²²

16. House of Lords, EU Committee, Combating Somali Piracy: the EU’s Naval Operation Atalanta.

17. Brown, James 2012. Pirates and Privateers: Managing the Indian Ocean’s Private Security Boom. Lowy Institute for International Policy.

18. <http://www.maritime-executive.com/article/somali-pirate-attacks-become-more-frequent-and-violent>

19. <http://www.guardian.co.uk/world/2012/jan/13/somali-pirates-thwarted-international-crackdown>

20. <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmfaff/1318/1318.pdf>

21. <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmfaff/1318/131807.htm#a6>

22. <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmfaff/1318/11062202.htm>

Since 2008 Merchant Navy Liaison Officers (MNLOs) have been seconded from companies (not all of them UK based) to work in Northwood alongside the Navy.²³ In November 2010 twelve MNLOs were awarded European Defence medals for their role with the Royal Navy as part of Operation Atalanta. Of these twelve merchant navy officers, nine worked for oil and gas companies like BP, Shell and Chevron or in oil and gas transportation companies (which are often owned by particular oil companies, e.g. ExxonMobil).

The companies boast of their generosity in providing staff free of charge,²⁴ but the industry reaps huge rewards from these secondments as their employees have unprecedented influence over deployment tactics, ensuring the British Navy are always correctly positioned to protect their ships.

Vessel Protection Detachments

Recently the shipping industry has been lobbying for even more influence. The Chamber of Shipping has called for the UK navy to provide teams of naval or military personnel, called Vessel Protection Detachments (VPDs), to be placed on board their commercial vessels.²⁵ In effect the industry wants the navy to act as private security guards.

While VPDs are not yet used in the UK, some other countries have begun renting their military personnel out to private corporations. The Dutch government has been providing units to escort ships for the last year, but plans to increase this service by deploying 100 teams of ten people this year. Total costs for the Dutch teams are estimated at US\$29m but the shipping companies are only expected to pay half of this, leaving the Dutch government to make up the US\$14.5m shortfall.²⁶ Hiring out navy personnel to private companies at a reduced fee, or even for free, means the public sector is subsidising corporations' security costs at a time of spending cutbacks. Companies' private use of military personnel raises a range of legal and political questions. As James Brown, military fellow of the Lowry Institute, observes, putting national military personnel under the control of a commercial ship captain "essentially makes a commercial vessel a warship".²⁷

Although the use of VPDs is fairly new, there has already been one incident demonstrating the potential dangers. In February 2012 two Italian marines were placed as VPDs on board oil tanker MV *Enrica Lexie*. While serving on the tanker they shot, and killed, two Indian fishermen that they incorrectly suspected of piracy. The incident sparked a diplomatic row between India and Italy. Both of the Italian marines were arrested by the Indian police and are now being held in a southern Indian jail awaiting trial for murder.²⁸

The lack of transparent information on VPNs means that exact figures are hard to get, but Brown estimates that there are plans for more than 2,000 European military personnel to be privately hired to shipping as vessel protection detachments. If governments continue to hire out, or simply gift, their national military to act as security guards, such international disputes, with serious implications for the military personnel involved, will undoubtedly increase. It also means that naval deployment is increasingly led by the interests of those corporations best connected with the establishment, or most able to pay.

23. http://www.britishshipping.org/News/hot_off_the_press/merchant_navy_seafarers_awarded_piracy_medal_by_royal_navy/

24. <http://eunavfor.eu/2009/11/eu-navfor-merchant-navy-liason-officers-mnlo-commend-mv-bw-lions-actions/>

25. <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmfaff/1318/1318we02.htm>

26. <http://www.safety4sea.com/page/12491/21/defence-organisation-makes-security-for-merchant-shipping-cheaper>

27. Brown, James 2012. *Pirates and Privateers: Managing the Indian Ocean's Private Security Boom*. Lowry Institute for International Policy.

28. http://en.wikipedia.org/wiki/2012_Italian_shooting_in_the_Arabian_Sea

How have oil and gas companies secured this influence?

Since the Sirius star was hijacked in 2008 and insurance premiums began rising, the shipping industry has presented itself as under attack. Previous Vice-President of Shell Shipping Jan Kopernicki, who was simultaneously president of the British Chamber of Shipping, argued that there was a “gaping hole in the UK’s defence strategy” and demanded that David Cameron increase naval spending to bring forward the acquisition of a new generation of warships currently scheduled for 2020.²⁹ Shell’s public interventions – meant to embarrass and pressure the Ministry of Defence - came in the context of public austerity cuts hitting millions of people. Kopernicki was in effect demanding a reallocation of funds from schools, the NHS, or other parts of the military, to the sector most important to Shell’s profit margin.

Jan Kopernicki was succeeded by Dr Grahaeme Henderson as the Director of Shell’s International Trading and Shipping company. His career with Shell has included posts in Syria and Nigeria; countries where Shell’s support for repressive regimes has resulted in increased human rights abuses.³⁰ Henderson describes himself as ‘a leading industry spokesperson on piracy’. In addition to working for Shell, he is also Chair of the British Chamber of Shipping’s Defence and Security Committee and Co-chair of the UK’s Shipping Defence Advisory Committee, a joint industry and government committee that coordinates military and commercial interests. Henderson, like Kopernicki, occupies a number of positions that mean he is assured access to government ministers and senior military personnel.

Kopernicki’s argument for deploying more troops to the seas off Somalia was that “the UK’s economic security depends on energy security: without enough energy, the economy simply cannot keep going.” This is a purposeful distortion in relation to Somalia, as it relies on flawed assumptions as to the source of Britain’s energy, the types of energy required to keep the economy going, how the economy functions – and even the direction of Shell’s shipments passing Somalia. In November 2010 Kopernicki said, “I don’t want to be alarmist but I provide transport for essential oil and gas for this country and I want to be sure that the lights are on in Birmingham, my home city”.³¹ This argument was disingenuous as very little of the oil and gas moved through the Gulf of Aden is destined for Britain. Disruptions in the flow of crude will not affect the lights in Birmingham, as oil is not converted into electricity in Britain. In addition gas transported by sea – Liquefied Natural Gas (LNG) - currently only makes up one per cent of Britain’s energy mix and is therefore unlikely to provide much in the way of ‘security’ should other sources become temporarily scarce or compromised. While Shell shipments of oil and gas passing Somalia do not play a significant role in Britain’s energy mix, they are highly relevant to Shell’s positioning as a global oil trader.

29. <http://www.express.co.uk/posts/view/210035/Piracy-will-lead-to-power-cuts>

30. <http://platformlondon.org/2011/05/29/shell-supports-syrian-regime-with-55-million-during-crackdown-one-out-of-six-syrian-tanks-runs-on-shell-oil/>
<http://platformlondon.org/2012/08/19/data-leak-reveals-shell%E2%80%99s-deep-financial-links-to-human-rights-abusers-in-nigeria/>

31. <http://www.express.co.uk/posts/view/210035/Piracy-will-lead-to-power-cuts>



HMS Westminster Merlin fires at skiff, somewhere off Somalian coast, April 2012

Private Military Security / Mercenary Companies:

Private military and security companies (PMSCs) – mercenaries – have jumped at the commercial opportunities presented by the situation off Somalia. As with VPNs, the deployment of private armed guards on commercial ships raises many concerns.

Maritime military service companies are estimated to take \$52.2mn per month for militarising approximately 1500 journeys.³² This growth has led many to raise concerns about the quality of contractors, with even the shipping industry acknowledging the ‘significant competence and quality variations...across the spectrum of contractors’.³³ Some of the companies involved have track records that demonstrate that they should not be trusted with these private military contracts. G4S has described piracy-related maritime military services as a ‘big commercial opportunity’³⁴ and are now maritime military providers.³⁵ The company infamously failed to provide the required number of security staff for the London 2012 Olympics. It has a record of more fatal behaviour, including allowing multiple detainees to die in its custody.³⁶ In 2009 it hired Danny Fitzsimmons to work as a member of military staff in Iraq despite receiving warnings about his mental health. Within hours of arriving in Iraq Fitzsimmons killed two other colleagues.³⁷ Such a liturgy of mistakes demonstrates that G4S are not a suitable provider of maritime security.

The legal status of armed PMSCs is unclear. British private military companies ignore UK laws to exploit this business opportunity.³⁸ Rather than prosecuting these companies the government has chosen to try to legalise the use of private armed guards. In 2011 it was announced that the government would legalise the use of Private Armed Security Guards (PASGs) on ships travelling through the Red Sea or Gulf of Aden, even though this may break the laws of the countries the ships are travelling through; Egypt and South Africa have already objected.³⁹

The Foreign Affairs Committee concluded that allowing armed guards on ships could escalate violence as it may encourage an arms race with pirates, increasing the weapons they carry to match the armed guards.⁴⁰ For vessels transporting flammable material, like LNG carriers and oil tankers, having armed guards is a huge risk.

32. <http://www.somaliareport.com/index.php/post/3380>

33. www.intertanko.com/upload/92299/NAPPiracy312.pptx 34<http://in.reuters.com/article/2011/11/21/idINIn-dia-60647820111121> 35<http://www.g4s.uk.com/en-GB/Media%20Centre/Case%20Studies/Ports%20and%20airports/Maritime%20security/>. 36<http://www.opendemocracy.net/ourkingdom/collections/g4s-securing-whose-world>

37. http://www.huffingtonpost.co.uk/2012/10/01/g4s-warned-danny-fitzsimmons-security-iraq-emails-_n_1928041.html.

38. <http://www.bbc.co.uk/news/uk-15510467> 39<http://www.telegraph.co.uk/news/worldnews/piracy/9219410/David-Cameron-anti-piracy-operation-hits-a-snag.html>

40. <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmfaff/1318/1318.pdf>

What would make the seas safer?

The Foreign Affairs Committee has acknowledged that the militarisation of the coast of Somalia risks increasing violence, as pirates start carrying more weapons, yet still presents militarisation as the only option – largely because the oil and shipping industries have so effectively framed the response to piracy.

In actuality there are ways of tackling piracy that are both more cost effective and peaceful. Best Management Practices (BMP) have significantly reduced pirate attacks. BMP are guidelines that ships follow to avoid, deter or delay piracy attacks. They include recommendations on speed, information on typical pirate attacks, and ‘self protection measures’, including watch-keeping, manoeuvring practice, water spray and foam monitors. They also include the installation of technical safety equipments such as motion detection sensors, vessel tracking systems, CCTV, alarms and access control systems.⁴¹

The establishment of BMP guidance has contributed to the reduction of successful attacks. In 2008, ships targeted by pirates managed to avoid a boarding half the time. Now, more than three quarters of the assaults end in failure.⁴² UN Secretary General Ban Ki-moon observed in his October 2010 report on piracy that ships following BMP had a significantly lower risk of being hijacked.⁴³ Even Major General Buster Howes, EU Operation Commander of Atalanta, has criticised the shipping industry for not taking adequate measures to protect themselves. The military should not be used to protect commercial vessels if companies are not even ensuring their ships are adapted to better withstand attacks. Enforcing best management practices should have been the first response to piracy rather than rapid militarisation.



Merlin 502 & burning skiff, somewhere off Somalian coast, April 2012

41. <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmaff/1318/1318.pdf>

42. Piracy: No stopping them”, Economist, 3 February 2011]

Conclusion:

Oil and gas companies have responded to piracy by influencing specific military operations and spending priorities. Yet the role of oil and gas companies in the militarisation of the Gulf of Aden has received little attention. Events like the Combating Piracy Conference (<http://combating-piracy.com>) taking place in London in October 2012, further this influence. The conference has a specific 'Oil and Gas stream'; with almost half of the sessions focussed on the oil and gas sector.

The situation off the coast of Somalia has led to both sailors and pirates being killed and millions of pounds worth of cargo being stolen. Yet the reality is that attacks are comparatively few and the equipment and weapons used by pirates are basic – ladders and light weapons.

Corporate and media depictions of piracy usually obscure the underlying causes, and present pirates as a pernicious evil that threatens vital national interests – in particular the supply of oil and gas. Because of this frame, almost any response to piracy is deemed acceptable. This forecloses a debate about what is actually an appropriate response. It ignores the consequences of the vast militarisation of a large portion of the Indian Ocean, presenting it as the only option available.

The shipping industry is lobbying for further military assistance in the form of VPDs, and ever greater deployment and commissioning of naval vessels. These demands should be carefully scrutinised and the risks and costs of such assistance weighed up carefully – especially given the current success of oil companies at presenting their private interests as a public concern. The militarised response to piracy in effect functions as a hidden subsidy – tax-payers covering the security demands of multinationals.

There are now increasing demands for the militarisation of the seas seen in the Indian Ocean to be expanded elsewhere – especially to the Gulf of Guinea, off West Africa. Oil corporations, mercenary outfits and governments have already begun discussing a military deployment that would rival the Gulf of Aden's.⁴⁴ Past history and the present situation in the Niger Delta bears a strong warning of how greater militarisation leads to escalating violence and human rights abuses.⁴⁵

43. UNSC, Report of the Secretary General Pursuant to Security Council Resolution 1897 (2009), S/2010/556, 27 October 2010]. 44. <http://www.guardian.co.uk/world/2012/oct/19/piracy-west-africa>

45. <http://platformlondon.org/2011/10/03/counting-the-cost-corporations-and-human-rights-abuses-in-the-niger-delta/>