

INTERIM REPORT THE HARLIBURTON/TSKJ/NLNG INVESTIGATION

SUMMARY OF FACTS.

An investigation by French authorities on alleged corrupt activities of the French Oil Company ELF, triggered off an investigation into the activities of the Nigeria LNG project. The allegations emerged, after Mr. Georges Krammer, former director of TECHNIP, (a French company and a member of the TSKJ consortium) turned a state witness in the ELF corruption probe. In October 2002, the Paris Prosecutor then launched a preliminary enquiry into allegations by Krammer, that TECHNIP and the three other members of the TSKJ consortium set up a \$180 million fund to make corrupt payments to persons and firms linked to the NLNG project.

From the preliminary enquiry, facts began to emerge on how the TSKJ consortium incorporated a subsidiary company called LNG services in Madeira (Portugal) through which illegal payments were allegedly made to Tristar in Gibraltar and to other persons linked to the LNG project. Jeffery Tessler, a British lawyer and Gabriel Fatri, who runs G.K commerce & finance (Geneva) appear to be the beneficial owners of Tristar. About \$150 million has been traced to Tristar accounts at UPB Geneva, HSBC Monaco among others. The central issue is: what project did Tristar execute for TSKJ to receive \$150 million?

HISTORY OF THE NLNG PROJECT

Nigeria LNG limited was incorporated on 17 May 1989 with Shell, ELF, AGIP and NNPC as shareholders. Shell Gas Nigeria BV. The Hague was appointed the Technical Advisor to the project

In 1990, the NLNG Board agreed that the contracting policy for the project would be a single engineering and construction contract on a Turkey basis. Invitation to bid were prepared on this basis and contractor selection originally based on shareholders approved long list resulted in the formation of 2 consortia:

1. Bechtel, Chiyoda, Spibat and Ansaldo (BCSA)
2. Technip, Kellog, Snamprogetti and Japanese gas corporation (TSKJ)

After the bids were submitted in May 1992, the tender evaluation team comprised of the Technical Advisory Committee and Shell Gas BV, the technical advisor, found that BCSA bid was slightly cheaper than that of TSKJ but recommended that TSKJ be chosen because of its 'TECHNICAL SUPERIORITY' and earlier completion date.

The NLNG Board meeting on 2nd October 1992 discussed the recommendation and considered the possibility of merging the 2 consortia of opting for BCSA on the basis of cost alone as advised by then Minister for Petroleum resources. At the end, the board opting for TSKJ for the reasons aforementioned. Therefore, on 21st October 1992, the NNPC Directors on the NLNG Board were withdrawn and all further action on contractor selection was suspended.

In August 1993, the New Government under Chief Ernest Shonekan agreed to a reconfiguration of equity holdings of NLNG, which now gave the foreign shareholders – Shell, ELF & AGIP managerial control and 51% of the equity while NNPC'S holding was reduced to 49%. TSKJ and BCSA were once again invited to re-submit bids. Irked by this action of the Government of chief Shonekan, the late Dr. Plus Okigbo promptly resigned as chairman of the NLNG Board.

The NLNG Technical Advisory Committee once again evaluated the bids and found that both bids met the required technical quality. But this time around, TSKJ bid was lower at \$1.928m and BCSA \$2.069m. So once again, the committee recommended to the NLNG Board to approve the TSKJ bid, a recommendation the Board accepted at its Board-meeting on the 24th September investigation 1994.

Before the Board meeting Officials of BCSA has complained to the then Petroleum Minister, DON ETIEBET, that Shell Gas B.V, the technical Advisor, had colluded with TSKJ on pricing information, alleging other breaches of confidentiality. Infact, the Minister tried unsuccessfully to stop the meeting of the NLNG Board scheduled for the 24th of Sept. 1994, a letter from Alhaji M.D Yusuf, the chairman of the NLNG Board of the time to the Minister refusing to reschedule the meeting is attached and marked Annexure B. An interesting feature of the letter dated 23rd Sept. 1994 appeared to be that a decision had been taken even before the Board meeting of 24th Sept. 1994. The TSKJ consortium won the contract for Train 1 and 2, and went ahead to wing train 3, Train 4 and 5 and now Train 6.

INVESTIGATION

On Tuesday, 10th of February 2004, the House of Representatives mandated the public Petition committee to investigate allegations of bribery against TSKJ, consortium, the main contractor liquefied Natural Gas (NLNG) project, pursuant to a petition presented to the House of Representatives by a firm of Legal Practitioners.

We commenced investigations on the 17th of March 2004 by inviting Harliburton Energy Service Ltd. The KBR a member of the TSKJ consortium is alleged to be the prime motivator of LNG services, which is a subsidiary of TSKJ. The representatives of Harliburton Energy Services led by the Executive Director, claimed that KBR is not a subsidiary of Harliburton Energy Services. This claim may be right but it is contrary to a publication made by the same company in this Day Newspaper, Annexure A. In that publication, Harliburton Energy Services Ltd specifically referred to KBR as its subsidiary.

Nevertheless, we obtained from Harliburton Energy Services Ltd the address of KBR Oil & Gas Services Ltd, which proved somewhat useful. The managing director of KBR Oil & Gas Services Ltd, Mr. John Ayiward again claimed that his own KBR was not the same with the KBR in the TSKJ consortium but promised to get TSKJ to appear before the committee to respond to our enquiries. We fixed 28th April 2004 for the next Hearing but received a letter from Mr. James .P. Oppenheim, the Executive Project Manager of TSKJ (Nig) Ltd, asking for another date since he was at the time, outside the country. Interestingly, Mr. John Ayiward's name appeared on the letter head of TSKJ as one of the Directors. The rigmarole and hide and seek games being played by these Harliburton

companies in Nigeria makes it absolutely necessary for the House to summon the parent company to make necessary clarifications.

In the meantime, the Managing Director of the NLNG, Mr. Andrew Jamieson and the NLNG management appeared before the committee on the 28th of April 2004.

We sought to know from the Managing Director of the NLNG the basis of the award of the base contract (Trains 1 and 2) and how competitive it was. He explained that the NLNG relied on the advice of the Technical Adviser, Shell Gas BV (The Hague) who had the expertise having been involved in other LNG projects in other parts of the world and who had scrutinized the cost elements of the project, benchmarking the cost against international prices. He explained further, that Nigeria's LNG remains one of the most successful LNG projects in the world and that all the shareholders have a technical Advisory Committee that was in a position to advise the various shareholders of the NLNG on the above claim.

We again sought to know what the NLNG management did when allegations of bribery and corruption against TSKJ, their main contractor became public knowledge. He explained again that the NLNG management checked to ensure that due process was followed in the award of the contracts and being satisfied that due process was followed there was nothing more to do.

On why TSKJ is the main contractor for all the projects from Train 1-5 and possibly Train 6, he pointed out that after winning the base contract, the 3rd train was an expansion project, which TSKJ was in the best position to execute. By the time the NLNG was ready for train 4 and 5, other competitors had lost interest and the NLNG had tried everything possible to encourage other companies to bid to no avail. The same situation exists in the case of train 6. This claim needs further scrutiny.

One major issue that arises from the foregoing is, whether a company facing a worldwide investigation on allegations of bribery and corruption should be patronized by the NLNG, from whose coffers the funds were taken in the first place. From all indications, TSKJ is once again set to clinch the contract for Train 6.

TSKJ (Nig) Ltd project manager, Mr. Pete Oppenheim finally appeared before us with their solicitors (Templars). Oppenheim described himself as a technical man and could not explain in detail the complex structure of the TSKJ consortium.

Put simply, the TSKJ consortium is a joint venture vehicle with three different companies. TSKJ (1), which deals with offshore procurement. TSKJ (2), which deals with onshore construction and TSKJ (3) otherwise called LNG services, which deals with offshore Engineering and management services.

TSKJ (Nig) Ltd is a wholly owned subsidiary of TSKJ (2) but Tesler's company, Tri-star executed a contract with TSKJ (3). Meaning that Tesler's company Tri-star has no contract with TSKJ (Nig) Limited. The Contract Agreement between Tri-star and TSKJ (3) was later handed over to the committee by their solicitors.

Meanwhile, Harliburton on the 19th of June 2004, said it was terminating all relationships with Jack Stanley who retired in December 2003 as chairman of KBR, a member of the TSKJ consortium. This was not surprising since Tesler claimed to have paid him \$5m. Harliburton also sacked William Chauden, a consultant with Harliburton and former employee of KBR for similar reasons and said it was severing ties with Tri-star, investments (Teslers company) and would pursue legal action against Tri-star.

What is the contract or ties with Tri-star that Harliburton terminated. Is it the same contract that Tri-star has with TSKJ? If it is a different one, what exactly was the contract all about? One thing is clear; Harliburton appears to be distancing itself from its employees linked to the scandal.

FINDINGS

We are currently looking into the allegation that the TSKJ consortium had a Lebanese Agent called ELY CALIL while the BCSA consortium had another Lebanese Agent called Gilbert Chagouri. Both men worked very hard to get their group awarded the LNG contract but agreed at some point to split the commission from whichever consortium won the bid. A link is yet to be established between this arrangement and the slush funds in Tristar accounts. But it remains curious that BCSA consortium that made allegations of collusion between TSKJ and Technical Advisor to the NLNG are no longer complaining. If due process was followed and the Technical Adviser to the NLNG scrutinized the cost elements as claimed by the NLNG, where then did the over \$150 million slush fund held and distributed by Tesler come from?

Our investigations further reveal that it was KBR that persuaded other companies in the TSKJ consortium to engage the services of the British Lawyer, Jeffrey Tesler, between 1994 and 1995, the nature of the work Tesler undertook for the TSKJ consortium remain a mystery. Although the four companies in the TSKJ consortium own equal shares (25% each) in the subsidiary company, LNG Services, KBR remains the main driver of the LNG services (Madeira, Portugal). Here again, the members of the TSKJ consortium would have to clarify some issues.

Are the shareholders of the NLNG connected to the owners of the TSKJ consortium in any way? We propose to examine the various relationships in detail because it appears to the committee that 'Incestuous' relationships exist which may have made it possible to create the slush funds.

Meanwhile, Jeffrey Tesler has admitted to French investigators that he indeed received about \$150 million through Tristar from LNG Services for services rendered. The nature of the services, the other shareholders of Tristar and the details of the beneficiaries of the \$150 million are yet to be unraveled.

RECOMMENDATIONS

1. It is our well-considered opinion that all companies forming part of the TSKJ consortium and all Harliburton companies in Nigeria should be excluded from new contracts and new business in Nigeria pending the outcome of the ongoing investigations.

2. That the following persons / companies be issued with a summons to appear before the House Committee on public Petition to assist the committee in the investigation.
 - a. Dave Lesar (Chairman /CEO Harliburton)
 - b. Mr. Jeffrey Tesler
 - c. Mr. Gilbert Chagouri
 - d. Mr. Eli Chalil
 - e. Alhaji M.D. Yusuf (former Chairman NLNG)
 - f. Chief Don Etiebet (former Minister for Petroleum Resources)
 - g. Mr. Dan Etete (former Minister for Petroleum Resources)
 - h. All Shareholders of NLNG (NNPC, AGIP, TOTALFINAELF, SHELL)
 - i. Shell Gas (B.V) Hague (Technical Advisor to the NLNG)
 - j. Members of the TSKJ consortium (TECHNIP, SNAMPROGETTI, KBR, Japanese Gas Co)
 - k. Apostle Hayford Alile
 - l. Dr. Udo Udo-Aka.

The decision to summon the above listed is to help the investigations and not an indictment of any of the mentioned persons.

All foreigners will be served through their Embassies/High Commissions while Nigerians will be served in the absence of their local address by advertisement in Nigerian Newspapers.