

2.0 INTRODUCTION

Let me start by thanking the organizers of this event for the opportunity to address this “learned” assembly on the topical issue of Nigerian Content Development.

In the short time allocated to Panelists, I shall attempt to cover some grounds on the key thrusts of the Nigerian Oil and Gas Industry Content Development (NOGICD) Act. I will also review the implementation road map to achieve the aspiration of transforming the Nigerian Oil and Gas industry from a major importer of goods and services to an industry with capacity to source goods and services locally.

2.0 BACKGROUND

The NOGICD Act was signed into Law on the 22nd of April 2010 by His Excellency, Dr Goodluck. Ebele. Jonathan, heralding a new implementation framework for the Nigerian Content Policy of Government. The concurrent establishment of the Nigerian Content Development and Monitoring Board (NCDMB) with a clear mandate to superintend over all matters pertaining to NC development in the Nigerian Oil and Gas industry provides unfettered impetus for addressing the challenges of promoting indigenous participation in industry activities.

To appreciate the significance of the Board’s mandate towards realization of Government’s economic reform agenda, with the Oil and Gas industry as launch pad, it is important to highlight these challenges under the following broad perspectives;

- (i) Excessive importation of goods and services at the expense of local participation resulting in otherwise avoidable impoverishment and alienation of the people.- A major contributor to the Niger Delta situation;
- (ii) Performing the mega-projects of the industry abroad eliminates opportunities to develop human and infrastructural capacity in Nigeria. - Capacity constraints in turn, limit the industry’s ability to perform sufficient work scope in Nigeria when designing, procuring and fabricating facilities, plants and assets or for after-sales support in the operations and maintenance phase;
- (iii) Over 150 times more jobs are created in other countries than in Nigeria on the back of Nigerian projects at the expense of National development. Apart from the

unemployment on the economy, the nation is denied
ation and technology transfer;

- (iv) In absolute terms, less than 20% of 18bn average annual industry spend is retained in Nigeria.- such prolonged capital flight is a major factor for low economic performance, insignificant impact of the sector on national GDP and poor levels in local infrastructure investment despite heavy government expenditure in the sector.

Therefore the mandate of the Honorable Minister of Petroleum Resources, Mrs Deziani Alison Madueke to ensure that Nigerian Content counts in all industry activities has raised public expectation that the Board's implementation programs will translate into measurable impacts to improve cost effectiveness, create genuine employment opportunities, promote social benefits to indigenes in support of Government's post-amnesty program and prepare local capabilities for industry operations post-PIB.

3.0 KEY THRUST OF THE NOGICD ACT

The overarching concept of the Law is to have a single stand-alone legislation that covers all activities pertaining to NC development in the Nigerian Oil and Gas industry. Under the law, the Board is the only Government agency with the responsibility to develop, monitor and implement programs to ensure a steady growth of Nigerian Content.

The key thrusts of the ACT can be categorized into four (4) segments;

A. ORGANIZATION AND IMPLEMENTATION FRAMEWORK

- i. Creates a robust Nigerian Content Development & Monitoring Board (NCDMB) empowered to enforce compliance with elaborate structures including a professional Governing Council, Nigerian Content Consultative Forum, (NCCF) and the Nigerian Content Development Fund (NCDF).
- ii. Integrates NCDMB into planning and contracting process to ensure Nigerian Content COUNTS in all industry operations and considerations.

utilize an electronic platform for efficient implementation
of industry - upstream, midstream, downstream,
independents etc.

- iv. Requires increased stakeholder engagements in the Nigerian Content Consultative Forum to create linkages to other sectors and makes provisions that mandate involvement of professional services.

B. INDIGENOUS AND COMMUNITY PARTICIPATION

- i. Requires increased participation by indigenes-Defines Indigenous company.
- ii. Creates opportunity for integrating oil producing communities into mainstream industry activity.
- iii. Enlightenment and awareness programs.

C. DEVELOPMENT AND UTILIZATION LOCAL CAPACITY

- i. Promotes Education, Employment, Training, Research and Development.
- ii. Requires multinational to Domicile proportion of assets in Nigeria-Promotes Indigenous Ownership of Equipment
- iii. Mandates local capacity development.- Gap analysis; design and implement interventions.
- iv. Provides dedicated NC Development Fund for capacity building.

D. NC TARGETS, COMPLIANCE MONITORING AND ENFORCEMENT

- i. Sets steep targets for specific work items to be executed in Nigerian
- ii. Empowers Hon Minister to grant waiver under specific conditions
- iii. Monitoring, measurement and tracking compliance
- iv. Penalty for non-compliance



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ES & FUTURE IMPLEMENTATION

The global energy demand forecasts for the next 5 years and the consolidated terms in the impending Petroleum Industry Bill are projected to lead to capital injection in excess of 150 billion Dollars in exploration and development activities to meet national aspirations for Oil and Gas. Consequently, the industry is gearing up to invest in Drilling rigs, Marine Vessels, Barges, Crude and LNG carriers, FPSOs, LNG plants, Refineries, Pipeline systems, Pumps, Valves, Seismic Equipment, ICT hardware and Software, etc. to be deployed in Nigeria for Exploration, Production, Processing and Transportation, Operations and Maintenance.

If the country is to benefit from these activities, then the first task for the NCDMB is to address the deeply-rooted mindset governing the execution strategy adopted by major operators for past projects and entrench a New Order by ensuring strict compliance with the provisions of the NOGICD Law.

For decades, operators and planners have focused squarely on foreign sourcing of equipment, facilities and materials for speedy attainment of “First Oil” in order to accelerate exploitation of the resources for revenue streams without caring for key infrastructure and development of local capacity to support life cycle operations in Nigeria.

The unfortunate result is that after executing thousands of major projects worth trillions of dollars, there is hardly any capacity developed within the country to manufacture equipment and components for new projects or support operations and maintenance of existing facilities. Currently, whenever pipelines, valves, pumps, heat exchangers, marine vessels, Drilling Packages and other equipment need replacement or major repairs, materials, spares and sometimes expertise have to be imported.

Similarly, less than 20 out of a total of about 280 vessels operating in the Nigerian Oil & Gas industry at any given time belong to Nigerians, therefore the bulk of payments made for the services rendered by these vessel operators end up with the real vessel owners abroad.

of this phenomenon is that the construction of the pipeline in the 1980s and the more recent West African Gas Pipeline did not provide opportunity for sourcing a single joint of line-pipe from Nigeria. Neither did we manage to establish a pipe mill or facilities for manufacturing fittings and related equipment for use in successor projects, such that if urgent measures are not taken on the back of the NOGICD Act, benefits that should accrue to Nigeria from sourcing locally manufactured materials for the PIB-driven mega projects like the Nigerian Gas Master Plan infrastructure, trans Sahara Gas Pipeline and several deepwater projects will elude the country once again.

Luckily, the Act gives NCDMB the mandate to address these anomalies by designing and implementing targeted interventions.

The targets set out in the SCHEDULE to the ACT describe levels of NC that must be achieved in every aspect of industry activity. Whilst many of these targets are immediately realizable, quite a few are ambitious considering the current capabilities available in the country. In other words, unless critical infrastructure, facilities, yards and equipment manufacturing plants are established and relevant human capital developed, some targets of the schedule will not be attainable and could put operators and contractors in breach of the law from the onset.

To address this situation, clause 11 of the Act empowers the Honourable Minister of Petroleum to make regulations that will allow importation of items that cannot be procured in Nigeria at this time, subject to a maximum period of 3 years from commencement of the Act. Clause 47 also empowers the HMPR to make regulations that require operators to participate in development of identified operating or manufacturing facilities in the country.

It is therefore imperative that the Board, in collaboration with the Oil & Gas industry has up to 22nd April 2013 (ie 3 years from commencement of the Act) to bridge the identified Gaps between the Targets and current capabilities if the Laws are to be complied with.

This is a major challenge which requires an implementation cycle starting from the Bidding or license renewal stage. This is critical point to extract NC commitments from Nigerian Content Plans of bidders which must comply with the Act's provisions for



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n industry-wide Data base to be administered by the

By extracting the commitments at this stage, it is possible to identify the gaps and enable winners of blocks to plan capacity building measures into their development plans from the onset with sufficient lead time to fine-tune such plans prior to Final Investment Decision (FID).

The implication is that by the time the FID is achieved, operators and project promoters would have detailed plans for achieving the NC commitments attached to their concessions and captured in the industry wide Database as basis for compliance monitoring. These commitments would range from the location for Exploration, Design, Fabrication, R&D, Employment and Training, Procurement of materials and equipment, expatriate quota and succession, Marine service contracts, logistic support and other requirements of the ACT affecting their projects.