



THE NIGERIA CONTENT PROGRAMME IN THE OIL AND GAS INDUSTRY

– IMPLEMENTATION DYNAMICS & CHALLENGES AS IT
RELATES TO ENGINEERING CONSULTANCY AND PRACTICE

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1.0 PREAMBLE

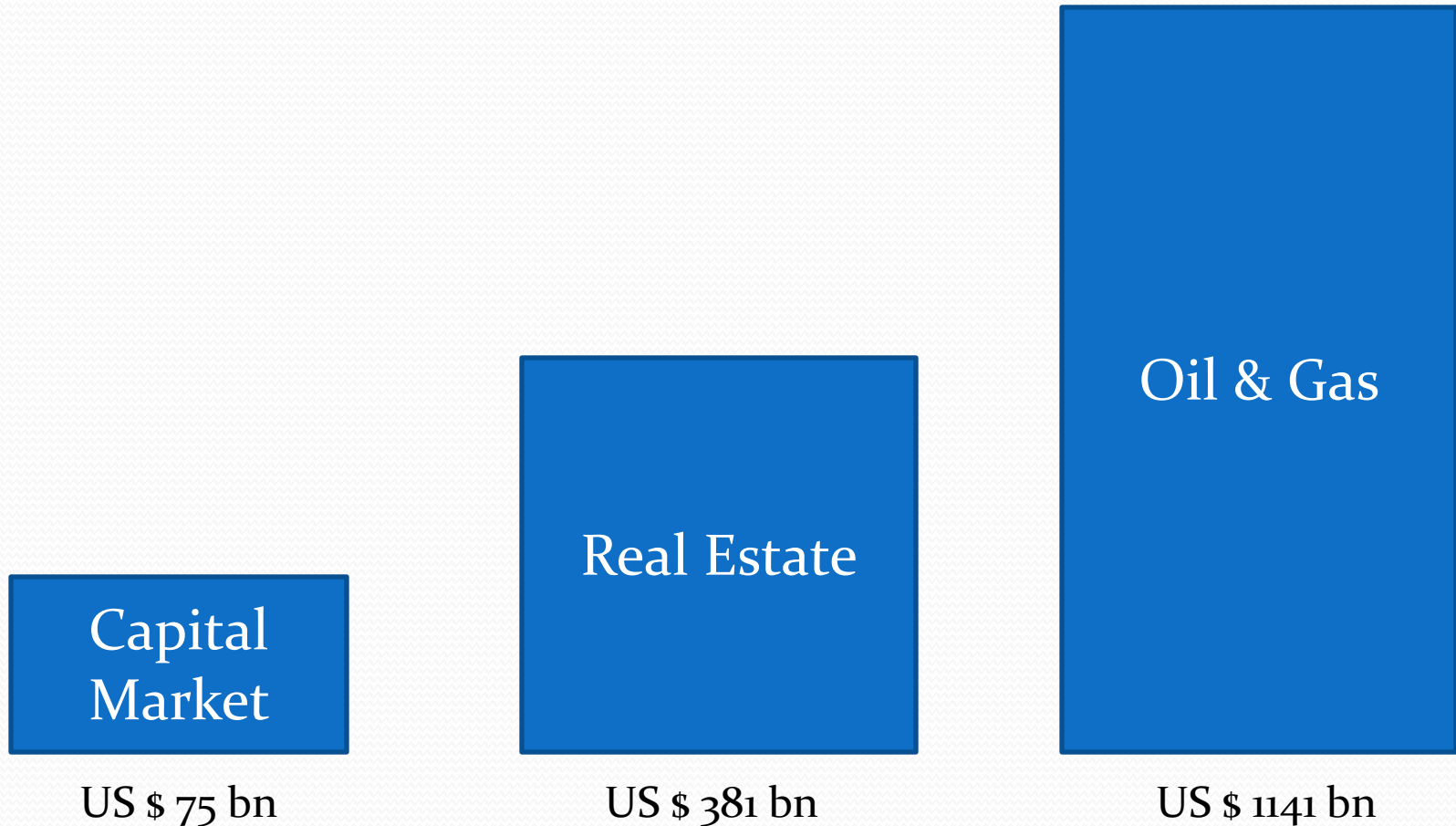
- Initial Interests in Income/Resources for Development
- Recognition of other Throw-backs, e.g. employment, generation, technology transfer, etc.
- Preaching/Exhortations to Foreign Operators
- Initial Attempts at Diversification/Local Involvement in Minor Ownerships
- 2010 Nigerian Content Bill

2.0. BACKGROUND/GROWTH OF THE NIGERIA OIL & GAS SECTOR

A. HISTORY

- 1958 Oil Discovered at Oloibiri in Commercial Quantities
- 1958-72 All Activities Handled by Foreign Companies
(Production at Approx. 1.6 – 1.7 Mn BOPP)
(Operating Companies Mainly American and European)
- 1973 – 99 More Foreign Firms Join the Group
(Now Mostly from SE Asia & China in Ownership)
(Industry Expertise Mostly from Asia)
(Local Production at Around 2.0 Mn BOPD)
- Post 2000 Some Nigerian Entry into Ownership: Approx 5-10% of Total
(Industry Expertise still mostly from Asia)
(Very few Nigerians in spite of FG effort at Indigenisation)
(Local Production at about 2.3 – 2.4 Mn BOPD)

B. Relative Economic Size of Sector (Market Size)



Source: CBO Capital

3.0. THE NIGERIAN OIL & GAS INDUSTRY CONTENT DEVELOPMENT BILL (2010)



- First Real Attempt to Get Nigerians Involved
- “Nigerian” vs. “Local”/“Indigenous”
- Main Essence
 - provide for the development of Nigerian Content in the Oil & Gas Sector
 - Supervision and monitoring of Nigerian Content Implementation
 - promote universal/continuous drafting of Nigerian content plan by operators and performance assessment
- Main Objective is Domestication
- ... my belief in the concept of local content is NOT in contracts awarded to Nigerians. The oil and gas sector is the driving force of our economy. If we can set up companies that produces components and other requirements of the oil industry locally, that will be the beginning of our industrialization.
 - **President Goodluck Jonathan**
- Technical Focus
 - engineering
 - fabrication
 - supplies
 - manufacturing

4.0. ACHIEVEMENTS SO FAR

- By NCMMB measures (?)
- Achievements
 - engineering 90%
 - fabrication 50%
 - manufacturing 10%
- Role of ACEN very low and poor
- “Partial” results (in terms of contracts awarded) 70 – 75 %
“Real” results (in value of Nigeria made goods) 12 -16 %
- Effective local financial support heavy

5.0. CHALLENGES

- Objectives – indigenisation rather than domestication
- Compliance by sector operators
 - early retirement of top-level technical personnel (becoming an opportunity)
 - casualisation of mid-level positions
- Weak and loose penalties for non-compliance
- Skills gap
- Infrastructures deficit (not encouraging manufacturing)
- Use of local materials
- No clear transition arrangements to gravitate to full indigenisation

6.0. FUTURE PROPOSALS

- Establish a Transitional Arrangement for Realistic Phased and Steady Movement Towards Full Indigenisation; study how it has been done in other countries
- Arrangement should be sectoral
 - assuming FEED is now 90%
 - next, separate Engineering and Procurement from EPC
 - encourage continued and stronger Financial Sector Support
- Priority to Nigerian Indigenous Consultants to determine when and where Foreign Firms are Needed
- Massive, Continuous and Regular Training at All Levels
 - % of Profit Before Tax to be Legislated for Technical Training (Exempt or Restructure Oil & Gas Operators a.f.a. 5% education tax is concerned)
 - top level college education should have sharper focus and incentives and preferences for training in engineering, especially in petroleum engineering
 - mid level technical training should be for the WHOLE ECONOMY, in schools and centres established, run and maintained by Oil & Gas Operators
 - establish tax incentives for Operators Excelling in Training and Development

- Legislate that positions manned by foreign staff in each company must be localised within defined time targets, and introduce stiff penalties for non-compliance
- Encourage the establishment of industry-wide and industry funded R&D operations, focused on use of local materials
- Contract bid premium which is now 10% should be moderated and/or scrapped; to be replaced by effective contract type/value categorization, as follows:
 - those that must be done by only indigenous Nigerian firms
 - those that can be done by JV's led by Nigerian firms
 - others which are complex and very highly technical, for now
- Government adopting various new models such as PPP, BOT, etc; must invest massively and continuously in infrastructures to promote manufacturing locally.

7.0. CONCLUSION

- Good Start

- Great Room for Improvement

- Stronger “Actual” Enforcement of Provisions
 - Engineering regulation bodies to be involved

- Lessons for Other Sectors & Other Regions

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