



Definition

Nigerian Content is the quantum of composite value added or created in the Nigerian economy through the utilization of Nigerian human and material resources for the provision of goods and services to the petroleum industry within acceptable quality, health, safety and environment standards in order to stimulate the development of indigenous capabilities.

Despite huge investments made by the Federal Government of Nigeria in the oil and gas sector of the economy, an average of \$10 billion USD per annum, its contribution to GDP growth has been minimal. This is largely due to low Nigerian Content in the industry, evident from the over 80% of work value carried out abroad. This has led to a dearth in jobs, skills development, capacity building / utilization and lack of sustained national economic development.

To address the situation, the Federal government has set Nigerian Content targets for the oil and gas industry of 45% by 2006 and 70% by 2010 respectively. In addition, presidential directives have been issued with the aim of domesticating a significant portion of economic derivatives from the oil and gas industry. To deliver on these directives and targets, the Nigerian National Petroleum Corporation (NNPC) has put in place a comprehensive Nigerian Content development strategy currently being rolled out in the industry.

NNPC's Vision for Nigerian Content

NNPC's "Nigerian Content" vision is to transform the oil and gas industry into the economic engine for job creation and national growth by developing in-country capacity and indigenous capabilities. In this way a greater proportion of the work will be done in Nigeria with active participation of all sectors of the economy and ultimately Nigeria will be positioned as the hub for service delivery within the West African sub-region and beyond.

The Thrust of the Nigerian Content Policy

The Nigerian Content Policy seeks to promote a framework that guarantees active participation of Nigerians in oil and gas activities without compromising standards. The policy also focuses on the promotion of value addition in Nigeria through the utilization of local raw materials, products and services in order to stimulate growth of indigenous

capacity. The Federal Government is optimistic that its policy will result in steady measurable and sustainable growth of Nigerian Content throughout the oil and gas industry.

Key Levels for Successful Nigerian Content Implementation

Short term directives have been issued by the NNPC to all stakeholders in the industry indicating the scope of work on all E&P projects that must be executed in Nigeria.

These are as follows:

1. FEED and detailed engineering design for all projects is to be domiciled in Nigeria.
2. Project Management Teams and Procurement Centres for all projects in the Nigerian Oil and Gas industry must be located in Nigeria.
3. Henceforth, all operators and project promoters must forecast procurement items required for projects and operational activities and forward the Materials List NCD on or before 31st January of every year. Also, a Master Procurement Plan (MPP) for ongoing and approved projects should be submitted to the Nigerian Content Division of NNPC on or before 31st January of every year.
4. Fabrication and integration of all fixed (offshore and onshore) platforms weighing up to 10,000 Tons are to be carried out in Nigeria. For the fixed platforms (offshore and onshore) greater than 10,000 Tons, all items in directive 5, pressure vessels and integration of the topside modules are to be carried out in Nigeria.
5. Henceforth, fabrication of all piles, decks, anchors, buoys, jackets, pipe racks, bridges, flare booms and storage tanks including all galvanizing works for LNG and process plants are to be done in Nigeria.
6. Henceforth, all flow-lines and risers must be fixed and must be fabricated in Nigeria except for special cases to be demonstrated and approved by NCD.
7. Henceforth, Assembling, testing and commissioning of all Subsea valves, Christmas trees, wellheads and system integration tests are to be carried out in Nigeria.
8. All FPSO contract packages are to be bid on the basis of carrying out topside integration in Nigeria. A minimum of 50% of the total tonnage of FPSO topside modules must be fabricated in Nigeria.
9. All third party services relating to fabrication and construction including but not limited to NDT, mechanical tests, PWHT as well as certification of welding procedures and welders must be carried out in Nigeria. Nigerian Institute of Welding must certify all such tests in collaboration with international accreditation bodies.

10. All operators and project promoters must ensure that recommendations for contract awards in respect of all major projects being forwarded to NNPC/constituted boards of such oil and gas companies for approval must include evidence of binding agreement by the main contractor with Nigerian Content Subcontractor(s). Such agreements shall indicate the cost and detailed scope including total man-hours for engineering, tonnage and man-hours of fabrication and relevant defining parameters for materials to be procured locally as well as other services.
11. Henceforth, all low voltage Earthing cables of 450/750 V grade and Control, Power, Lighting Cables of 600/1000 V grade must be purchased from Nigerian cable manufacturers.
12. Henceforth, all Line-pipes, sacrificial anodes, Electrical switchgear paints, ropes, pigs, heat exchangers and any other locally manufactured material and equipment must be sourced from in-country manufacturers.
13. All carbon steel pressure vessels shall be fabricated in Nigeria.
14. All seismic data acquisition projects, all seismic data processing projects, all reservoir management studies and all data management and storage services are to be carried out in Nigeria.
15. Henceforth, all waste management, onshore and swamp integrated completions, onshore and swamp well simulations, onshore fluid and mud solids control, onshore measurement while drilling (MWD), logging while drilling (LWD) and directional drilling (DD) activities are to be performed by indigenous or indigenous companies having genuine alliances with multinational companies.
16. Henceforth, coating of all Line-pipes and threading of all oil country tubular goods (OCTG) are to be carried out in Nigeria.
17. Henceforth, all concrete barges and concrete floating platforms are to be fabricated in-country.
18. Henceforth, operation and maintenance of offshore production units, FPSO and FSO in particular, are to be performed by Nigerian companies.
19. All international codes and standards used in the industry are to be harmonized to support utilization of locally manufactured products such as paints, cables, steel pipes, rods, sections, ropes etc and to improve capacity utilization in local industries. Clauses that create impediments for/exclude participation of local companies should not be included in any ITT
20. Operators and project promoters must ensure that recommendations for contract award for all drilling contracts shall include a binding agreement at Technical Evaluation stage for the sourcing of Barite and Bentonite from local manufacturers.

21. Henceforth, all projects and operations in the Oil and Gas industry must demonstrate strict compliance with provisions in the insurance Act 2003 and submit a certificate of compliance issued by NAICOM to NCD as part of technical evaluation requirements for insurance or reinsurance Contracts.
22. In this respect, NAICOM verified Gross underwriting capacity of Nigerian Registered Insurance companies must be fully utilized to maximize Nigerian Content before ceding risk offshore.
23. Henceforth, all projects and operations in the Oil and Gas industry must demonstrate strict compliance with provisions of the Cabotage Act.
24. All operators and service providers must make provisions for targeted training and understudy programs to maximize utilization of Nigerian personnel in all areas of their operations. All operators must therefore submit detailed training plans for each project and their operations

Implementation Framework

A number of key initiatives have been put in place to coordinate national efforts to achieve the Government's Nigerian Content targets and objectives, these include:

A draft Nigerian Content Development Bill has been submitted by NNPC to the Federal government. The regulation which is the responsibility of the Directorate of Petroleum Resources (DPR) will be in place once the bill is enacted.

An organizational framework that will ensure the implementation of the policy:

The Nigerian Content Division (NCD) is headed by a Group General Manager and was set up in March 2005 under the NNPC Group Managing Director's (GMD) office. The division is sufficiently empowered to work with industry stakeholders and relevant arms of government to develop strategies, drive implementation and ensure compliance with directives by the oil companies.

The Nigerian Content Consultative Forum (NCCF) was also inaugurated with 8 sectoral working committees covering the fabrication, engineering, manufacturing, petroleum engineering & subsurface banking & insurance, and shipping & logistics, sub sectors.

The Joint Qualification System (JQS) is being introduced to facilitate the E&P contracting process in the oil and gas industry. JQS will provide a databank of available goods and services suppliers to the Nigerian petroleum industry and streamline the prequalification process. The system will be launched early 2006 and open up genuine opportunities for qualified local contractors to participate in the oil and gas sector.

NCD Structure & Objective

The Nigerian Content Division comprises of three (3) Departments:

1. Capacity Building
2. Planning
3. Monitoring

These departments collectively are charged with the following responsibilities:

- Study best practices and advise NNPC Management on Nigerian Content.
- Obtain applicable data from industry and plan for new opportunities.
- Develop strategies for Capacity building, skill competency and supplier enhancement.
- Drive Nigerian Content implementation and monitor compliance.
- Coordinate sectoral working committees.

These primary objectives are achieved through:

Capacity building through intervention projects

The NCD is gathering data and developing interventions in consultation with the NCCF and Operators to achieve Federal government targets of 45% by 2006 and 70% by 2010. Currently the NCD has developed over 20 intervention projects to bridge local capacity gaps in the industry. These projects range from infrastructure upgrades, resource training and certification, information management and financing.

Compliance monitoring of all activities

A coordination procedure which governs Nigerian content activities of stakeholders in the industry has been put in place. In addition, the Nigerian Content Division will be actively involved in the review of ITTs, evaluation of bids, and monitoring of projects during implementation to ensure NC compliance. Provisions are also made in the draft bill for sanctions against defaulters.

Alignment of key industry stakeholders

Expectedly, the NNPC has achieved buy-in and support for the Nigerian Content programme from Operators and other stakeholders:

Oil companies are of the NCCF and actively participate in monthly meetings of the committees to discuss and review capacity building programs.

In accordance with the industry coordination procedures, dedicated Nigerian Content offices have been set up in all operator companies and managers appointed to coordinate company NC activities.

NCD action plans undertaken to build capacity include:

- Training of 1000 engineers in basic engineering design in 2006 in collaboration with PTDF.
- Current status: 300 engineers to be trained per quarter
- Facilitating certification and training of over 1000 welders.
- Current status: National welder database being set up; collaboration with PTI and global certifying bodies is ongoing.
- Working with industry stakeholders to enable local manufacture of steel plate and pipes
- Current status: A business case has been drawn up and is being presented to prospective investors
- Working with PTDF and INTSOK to commence upgrade of selected fabrication yards in readiness for increased local fabrication.
- NCD is driving the launch of the Nigerian Content Support Fund (NCSF) to make available to local service providers funds for execution of contracts at low and competitive interest rates.
- NCD is developing a Nigerian Content capacity database.

Goals & Aspirations

Expectations from the Nigerian Content Programme

In the short term, the industry directives and intervention projects are expected to create several thousand jobs for engineers, welders and other professionals as well as artisans in the Engineering, Procurement and Construction phase of projects.

With requirements for utilization of locally manufactured goods and equipment, major investments in infrastructure are expected and local manufacturing industry will be reinvigorated.

Plans for building the required capacity for the Nigerian companies in the industry

Capacity building is one of the key plans for achieving government targets and this is being pursued through:

A survey of available capacity and identification of needs for new projects and operations;

- Identifying new opportunities for local suppliers;
- Training of Nigerians in targeted areas of competency and acquisition of technological and managerial capability;
- Development of infrastructure and upgrade of facilities;
- Local business and supplier enhancement
- Project financing and funding of local businesses

Goals of the Nigerian Content Division are;

- To achieve 45% local content in oil and gas spend by 2006
- To achieve 70% local content value in the provision of materials, services and equipment to the local oil and gas industry by 2010
- To create an economic engine for growth, driving employment, wealth creation and improved linkage between the Oil and Gas industry and other sectors of the Nigerian economy
- The division is working to enable a transformed Oil and Gas industry with well-developed in-country capacity and local capabilities, a competitive supply and services sector and ultimately, the hub for energy service delivery in Africa

NCCF Groups

The Nigerian Content Consultative Forum (NCCF) comprises of representation from Oil and Gas industry, organized private sector, (MAN), Bankers Committee and Nigerian Society of Engineers amongst others.

Each forum holds monthly working sessions for respective industry sectors to obtain input and feedback for planning and implementing the Nigerian Content agenda

The sectoral committees also Interface with Nigerian companies and International Oil companies for early identification of opportunities, capacity gaps and required competencies for upcoming projects

Source: <http://www.nigcontent.com/>