



# LOCAL CONTENT ANNIVERSARY

## Ten years of transformation in Nigeria's Oil and Gas Industry

Exactly on 22<sup>nd</sup> April 2010, the Nigerian Oil and Gas Industry Content Development (NOGICD) Act was enacted. The NOGICD Act established the Nigerian Content Development and Monitoring Board (NCDMB) to implement and enforce the requirements of the Act in Nigeria's oil and gas industry. This Act inaugurated an enforceable legal regime to underpin the promotion of local content practice in the industry, reverse over 50 years of total foreign dependency, which had resulted in huge capital flight of about US\$380 billion, two million job losses, and less than five percent in-country value addition from Nigeria's hydrocarbon resources.

At the onset, the NOGICD Act generated varied interests. Victor Hugo, the French writer and statesman is right, when he noted that “Nothing is more powerful than an idea whose time has come”. Since the idea of local content practice in Nigeria's oil and gas industry was long overdue, the initial concerns and hesitancy about the Act quickly fizzled out. After 10 years, the concept of local content practice has become even more appealing, fueling widespread clamor for its expansion to other sectors of the economy.

The 10<sup>th</sup> anniversary of Nigeria's local content practice in the oil and gas sector ought to be celebrated, but the outbreak of Coronavirus (COVID-19) and lockdown of activities literally eclipsed the date. Yet, the symbolism of the anniversary must not be lost on us. April 22 is reminiscent of self-emancipation; a day that Nigeria manifested the irrevocable decision to rewrite the history of its hydrocarbon development, signaling a paradigm shift from rent seeking proclivity to in-country value addition via domiciliation and domestication of oil and gas activities.

It's proper, therefore, to pay tribute to some people and institutions that contributed to the paradigm shift. The NNPC, members of the Petroleum Technology Association of Nigeria (PETAN), Senator Lee Maeba, Hon. Tam Brisibe, Mrs Diezani Alison-Madueke, former president Dr. Goodluck Jonathan, Engr. Ernest Nwapa, Arch. Denzil Kentebe and Engr. Simbi Wabote, members of the Interim Implementation Committee (drawn from Shell, Chevron, Exxonmobil, Total, Agip, Oando, NLNG and NETCO) as well as the pioneer General Managers of Nigerian Content in the International Oil Companies. Their various roles cannot slide into oblivion. They are not the only ones; there's a long line of heroes and heroines of Nigeria's local content story, even though some are unsung. It's comforting that their labors and sacrifices have endured, yielding tangible dividends 10 years down the line.

There's no argument that the noble intentions of the Act could have become futile without NCDMB. This brings to focus the pioneering role, vision, passion and patriotism of Engr. Ernest Nwapa, the first Executive Secretary of the Board and NCDMB workforce. Ralph Emerson, American poet and philosopher once said, “Nothing was ever achieved without enthusiasm”.

Indeed, without the tenacity and passion of Engr. Nwapa, sustained by successive leadership of NCDMB and the workforce, the NOGICD Act might as well have ended up as a paper tiger. To the credit of the pioneer leadership and staff (inclusive of the NNPC secondees), the Act was quickly translated into concrete reality. Till date, passion, professionalism and patriotism have remained part of the core values of NCDMB. Indeed, the Board's determination to deliver on its mandate has remained unflinching since 2010.

Thus, in everything it does, NCDMB is very intentional and focused. For example, in the first horizon of its operations, 2010 – 2013, the Board, under Engr. Nwapa, laid down a solid foundation for local content practice in the oil and gas industry. Besides staffing, the Board conducted benchmark studies, developed templates, structures and systems, processes and procedures as well as initiatives, which formed the springboard for implementation and enforcement of the NOGICD ACT. This era witnessed intensive and broad consultations, calculated to galvanize stakeholders' awareness and collaboration.

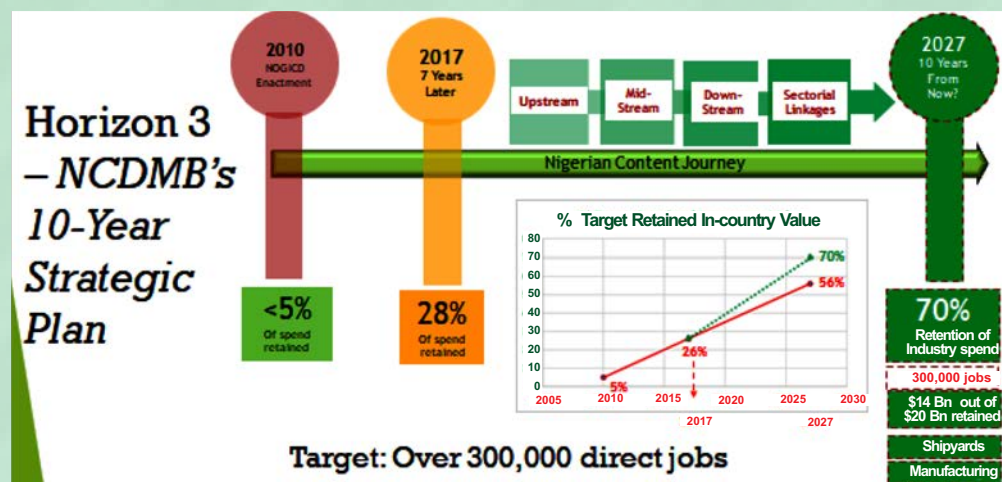
From 2013 – 2017, the Board started vigorous implementation of capacity development interventions (CDIs) and compliance enforcement, including issuance of requisite approvals and certificates, like Certificate of Authorization, Nigerian Content Compliance Certificate (NCCC), Nigerian Content Equipment Certificate (NCEC). The NOGIC JQS was set up to manage Expatriate Quota, Vessel Categorization and citizenship oversight through whistleblowing.

From the last quarter of 2016, local content practice moved into a much higher crescendo and the rhythm changed completely. The phenomenal change was triggered by the appointment of Engr. Simbi Kesiye Wabote as the Executive Secretary in the last quarter of 2016. Engr. Simbi Wabote came on board with so much energy, vision and dynamism, which greatly accelerated NCDMB's service delivery. Drawing from a rich pedigree of cross-functional abilities and wide-breadth of experience spanning over 20 years in Shell Petroleum Development and Production Company, Engr. Wabote began to initiate and drive rapid changes. He started by resetting, simplifying and automating the internal processes. He took down unnecessary bottlenecks and red tapes. He introduced business agility to propel speed in service delivery.

Within the first one year in office, he had reorganized and repositioned NCDMB for higher efficiency and productivity with full automation and optimization of the Board's processes and implementation tools. He insisted on simplifying reporting templates and shortened the turnaround time for all the Board's touchpoints in tendering process. He initiated the use of Service Level Agreements (SLAs), way ahead of many federal government agencies to drive ease of doing business. He developed a 10 year strategic roadmap designed to increase Nigerian content level to 70% by 2027, with clear performance indicators that include the creation 300,000 jobs, retain at least \$14 billion of annual industry spend and activate manufacturing of critical oil and gas tools and spare parts in Nigeria by 2027. In less than four years, Engr. Wabote has not only increased the momentum of local content practice, but also completely transformed the Nigerian oil and gas landscape and raised the bar of local content performance in the industry.

Thus, local content practice under the current wave, from 2017-2027, is underpinned by the Board's 10 year strategic roadmap. The 10 year roadmap has five strategic pillars and four enablers. The five pillars are Technical Capability Development, Compliance and Enforcement, Enabling Business Environment, Organizational Capability and Sectorial/Regional Market Linkages. The four enablers are: Funding, Regulatory Environment, Collaboration and Stakeholder Engagement, Research and Development (R&D).

*Below is a pictorial representation of the Board's targets in the Ten Year Strategic Roadmap.*



In pursuance of the targets in the 10 year roadmap, every activity of NCDMB derives or reinforces the following key strategic intervention: Local Supply Chain Development, Human Capacity Development, Infrastructure Development, Funding and Resource Utilization. Accordingly, the achievements of the Board are demonstrated by the positive outcomes from these key strategic interventions.

### ACHIEVEMENTS

In 10 years of its existence, NCDMB has recorded a litany of groundbreaking achievements, which can be summarized under the following heading:

#### 1. Development of Infrastructure

##### 1.1 Completion of 17-Storey Head Office Complex

The Nigerian oil and gas industry, like other sectors, faces the double challenge of inadequate and decrepit infrastructure. Yet, availability of infrastructure is a crucial parameter for successful local content practice. As a newly created federal government agency, getting a befitting office structure in 2010 to operate from in Yenagoa was a herculean task. But the Board resolved not to relax in a rented apartment. In a space of five years, NCDMB was able to complete a 17-storey eye-popping office complex in Yenagoa, which was executed by an indigenous civil construction company, **Megastar Technical & Construction Limited**.



Front view of the newly completed NCDMB Office Complex in Yenagoa

Engaging an indigenous firm demonstrates what NCDMB preaches. It evinces leadership by example of using indigenous service providers and sourcing all materials used for this complex locally. The building project generated 250 direct and indirect jobs, as well as huge opportunity for artisanal skills development and utilization. This head office complex is supported with a 10mw independent gas-powered-plant, jointly owned by NAOC and NCDMB, which will provide 24/7 electricity supply to the office and other users in Yenagoa on pay-as-you-go basis.





### 1.2: Establishment of an FPSO Integration Facility

In line with the Board's commitment to build or facilitate critical oil and gas infrastructure on the back of big oil and gas projects, NCDMB insisted on the development of a legacy project from the Egina Floating, Production Storage and Offloading (FPSO) integration. This gave rise to the construction of an FPSO integration quay by Samsung Heavy Industries Limited (SHI-MCI) in LADOL, Lagos, where the topsides of the Egina FPSO modules were integrated.

Below is the aerial view of the SHI-MCI FPSO Integration facility in LADOL, offshore Lagos.



Six of the modules were, for the first time, fabricated and integrated in Nigeria. Also, the Offshore Loading Terminal (OLT) Buoy was fabricated by a Nigerian indigenous company. Similarly, all the paints used for the FPSO were made in Nigeria and shipped to South Korea, where the FPSO was completed and painted before sailing back to Nigeria.

The SHI-MCI FPSO integration facility is the first of its kind in Nigeria and the entire Gulf of Guinea. This facility has the capacity to fabricate 60,000 metric tonnage of steel and is available for future FPSO construction, integration and maintenance.

### 1.3: Establishment of World-Class Pipe Mills

Within this first 10 years, two world-class pipe mills have been established in Nigeria to manufacture HSAW line pipes, which are in high demand in the industry. One is located in Abuja, the SCC Pipe-Mill with an installed capacity of 270,000 MT per annum; and the second in Lagos, Yulong Pipe-Mill with capacity to manufacture 400,000MT HSAW line pipes per annum.

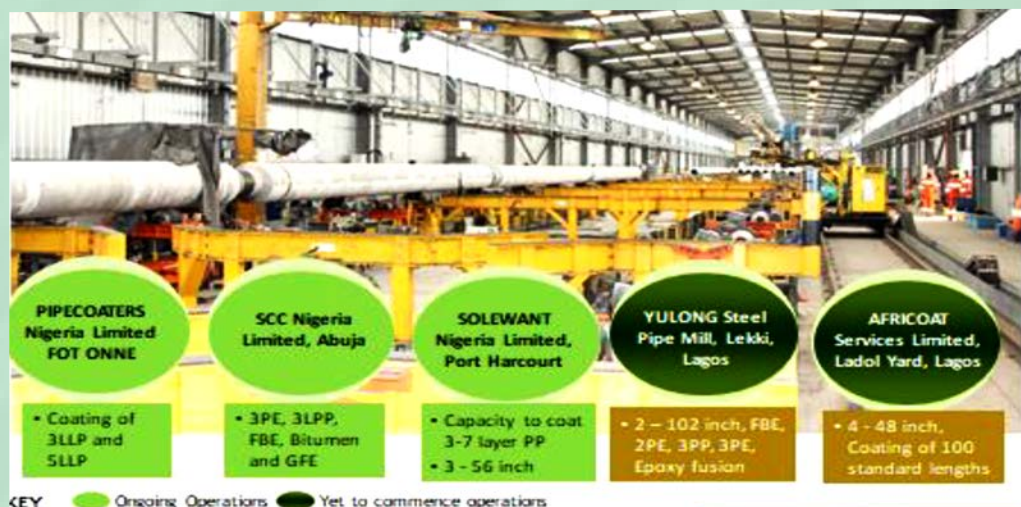
See the picture of the two factories below.



### 1.4: Pipe Coating Capacity in-country

Prior to the NOGICD Act, line pipes used in Nigeria's Oil and Gas Industry were all imported into the country, fully coated. But this has stopped. Sequel to the establishment of many world-class pipe coating plants in Nigeria, NCDMB had to issue a circular banning further importation of coated pipes, which has led to the establishment of pipe coating plants/factories and also resulted in capital retention, job creations and skill enhancement for Nigerians.

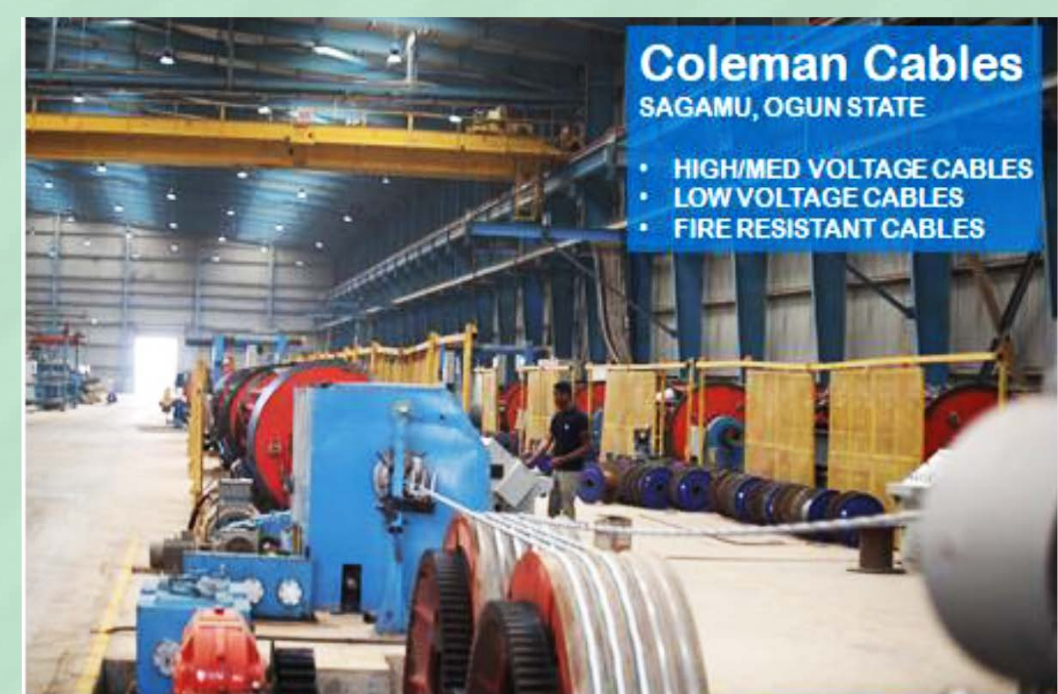
Below is a panoramic view of pipe coating companies in Nigeria with their installed capacities.



### 1.5: Manufacturing of Electrical Cables

Prior to 2010, all electrical cables used in the Nigerian oil and gas industry were imported. This too has stopped. Currently, all electrical cables required both for marine and onshore oil and gas operation are manufactured in-country.

Below is a side view of Coleman Cables factory in Ogun State, a leading indigenous company in cable manufacturing in Nigeria.



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### 1.6: Establishment of Oil & Gas Parks Scheme

In order to tackle the perennial problem of importing every oil and gas tools and spare parts, NCDMB has embarked on the construction of oil and gas parks. The goal is to spur and incentivize domiciliation of manufacturing of critical oil and gas tools, equipment and accessories in-country, particularly within the shop floors to be provided in these parks. The parks will operate as a site and service centers, with 24/7 gas-powered electricity supply for companies located therein. The oil and gas parks will significantly promote in-country manufacturing and technology transfer from original equipment manufacturers (OEMs) to their local partners.

Civil construction works have reached advance stages in the three pilot locations - Odukpani (Cross River), Emeyal-1 (Bayelsa State) and Ikwe, Onna LGA of Akwa Ibom State. These sites are expected to come on stream in 2023, and have the potential to create about 2000 jobs each when fully operational.



### 2. Development of Local Supply Chain

NCDMB has significantly raised the capacity of the local supply chain in the oil and gas industry through creation of business opportunities, involving companies in the execution of major projects previously reserved for international service companies. Similarly, the Board has boosted the financial capacity of indigenous companies through the launch of a \$200 million Nigerian Content Intervention (NCI) Fund, managed for the Board by Bank of Industry (BoI). NCI Fund provides low interest capitalization for indigenous service companies, which aims to drive down cost and enhance local supply chain efficiency and competitiveness. Also, the Board's insistence on first consideration for indigenous service providers has helped to prove the mettle of indigenous service companies.

Unlike before the Act, indigenous services providers now dominate services in Nigeria's oil and gas industry, including the Egina FPSO integration. This is evidenced by the proliferation of fabrication yards in Nigeria, with the attendant benefits of job creation and capital retention. Another evidence of the impact of local content is the continuous growth in the number of indigenous service companies. Prior to the Act, there were only 44 registered PETAN companies, the association of leading indigenous service companies in Nigeria. Currently, the number of PETAN companies alone has risen to 93, which adds to over 8,000 other Nigerian oil and gas service companies captured on the NCDMB's JQS portal.

Consequently, almost all services in the industry which used to be performed by foreign companies, most times overseas, are now handled by indigenous companies who execute them in-country, including all engineering designs – Conceptual, Front-end and Detail engineering.

### 3. Increase in Oil and Gas Asset Ownership

Another crucial area of the industry that has been positively impacted by the work of NCDMB is asset ownership. Before 2010, rigs and marine vessels owned by Nigerians were less than five percent. In 10 years, this has increased to 40 percent. This is a huge leap in view of the volume of industry spend on rigs and marine vessel support services in Offshore and Deepwater oil and gas operations.

The increase in the ownership of marine vessels by Nigerians was sped up by NCDMB's Marine Vessel Categorization initiative, which gives priority to ownership rather than mere charter party arrangement.





**Below are some spectacular marine vessels acquired by Nigerians under the local content regime.**



Similarly, following the rigorous enforcement of the provision of the Act, which stipulates that oil and gas drilling operations on land and swamp should be reserved exclusively for indigenous service companies, there has been an astronomical increase in the number of rigs acquired by Nigerians since 2010. NCDMB is fast concluding harmonization of marine vessel categorization standards with NIMASA, which would further expand indigenous participation, manning and ownership of assets deployed for marine support services to the oil and gas industry.

#### 4. Launch of \$50m Research and Development (R&D Intervention Fund)

NCDMB has developed an R&D framework and launched a \$50m (USD) Nigerian Content Research & Development Fund to drive the development of indigenous technology and innovation. To drive R&D, NCDMB established an R&D Council made of critical stakeholders from the industry, academia and R&D ecosystem. The essence of this initiative is to rekindle interest in R&D, develop and deploy homegrown solutions and lead innovation.

#### 5. Human Capacity Development (HCD) Initiative

NCDMB recognizes the primacy of human capital as the most important resource of a nation. Thus, the Board gives priority to capacity development of its own workforce as well as other Nigerians. The Board's HCDI is designed to close identified critical skills gaps in the industry. This is part of a broad strategy to reduce reliance on expatriates, stop capital flight and to create jobs for Nigerians.

The Board's HCDI runs on two tracks. The first is on the back of ongoing projects; the second is direct interventions. In 10 years, NCDMB has successfully achieved over nine million training man-hours for Nigerian youths. Through direct interventions and strategic partnerships, NCDMB has generated over 198,000 direct and indirect jobs for young Nigerians.

More specifically, the Board collaborates with industry stakeholders to address identified critical skills gap. For example, in conjunction with Charkins Maritime & Offshore Services, the Board sponsored the training of 20 Nigerians as Marine Cadet for 12 months in the USA, Australia, Singapore, Malaysia and China, giving them international sea time experience required to qualify Nigerians to man vessels. The goal, ultimately, is to reduce reliance on foreign marine cadets. Plan is afoot to sponsor another 40 marine cadets next year to gain international sea time experience.

Similarly, the Board partnered with AOS Orwell to train 50 young Nigerians in Smart Electricals Engineering at the Lagos Energy Academy and ensured that the trainees were employed. Since 2017, NCDMB operates 60:20:20 training model. This implies that 60 percent of trainings the Board provides are for specialized skills in critical demand in the industry; 20 percent for skills enrichment while 20 percent is for essential skills. The Board ensures that at least 60 percent of people trained under its HCD intervention are guaranteed instant employment upon completion of the training.

Similarly, under the current wave of local content implementation, NCDMB has continued to sponsor the training of science teachers across the federation. The target is to train and retrain 1,000 science teachers annually to support the Board's commitment towards the promotion of science, technology, engineering and mathematics (STEM) education in Nigeria. In furtherance of the Board's promotion of STEM education, NCDMB runs an annual science quiz program for secondary schools in Bayelsa. Plans are afoot to expand the contest to all the oil producing states. The Board also sponsors annual national university undergraduates' essay competition, which seeks to promote enlightened citizenry.

Other HCD programs include Graduate Agro-industrial program, Fair Chance Initiative (empowers internally displaced persons in the North East), GSM repairs and capacity development program in Kano State (under which 1,000 youths have already been trained and rehabilitated), annual youth practical Nigerian Content Workshops for young people from the oil producing states and deepening diversity in the oil and gas industry.

#### 6. Catalyzing Businesses

In the area of catalyzing oil and gas investments, NCDMB stands very tall. The Board is keen about creating the required ambience to attract investment in the oil and gas industry.

During the 2016/2017 downturn, the Board re-energized the industry by visited facilities to determine their capacities and explored opportunities to ensure business continuity. Even with the outbreak of COVID-19 and associated lockdowns, the Board has already rolled out a number of incentives and stimulus packages to engender resilience and business continuity for service companies. The objective of the stimulus package is to prevent job losses and mitigate the impact of COVID-19 pandemic on local businesses.

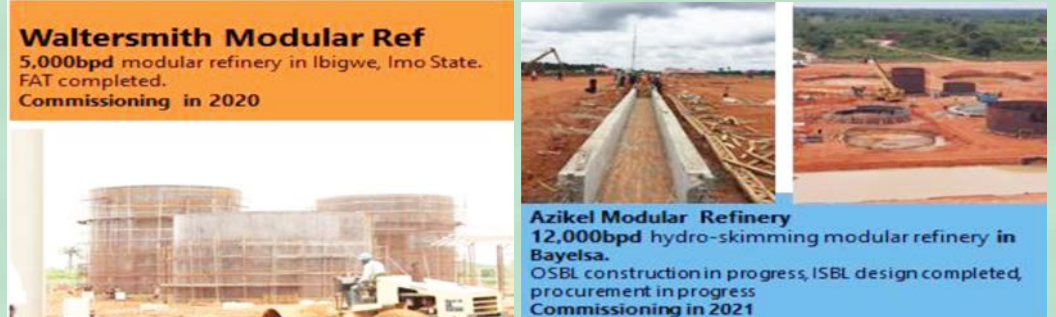
NCDMB is not keen about sealing business premises, imposing penalties or leading other forms of exaction in the name of revenue drive. It is more inclined to supporting local oil and gas businesses to survive, create more jobs for Nigerians and contribute to Nigeria's GDP. This explains why Project 100 companies, PETAN as well as other service companies and the Independent Petroleum Producers Group (IPPG) have fascinating testimonies about the range and breadth of incentives the Board is offering them to ensure their resilience post-COVID 19 pandemic.

In order to stimulate more investment in Nigeria's oil and gas industry, NCDMB came up with the seminal initiative of Nigerian Oil and Gas Opportunity Fair (**NOGOF**). The Board has so far successfully organized two editions of **NOGOF**. The second edition was held in 2019 and it culminated in the publication of a compendium of oil and gas opportunities in Nigeria. The Compendium highlights low hanging fruits and other investment opportunities in Nigeria's oil and gas industry with a five-year outlook.

In line with its catalytic role and desire to promote effective resource utilization, NCDMB took equity investment in Waltersmith and Azikel refineries with clear exit strategy. The Waltersmith Modular Refinery is expected to come on stream before the end of 2020.

**Below are pictures of the construction work in the both Waltersmith and Azikel Modular Refineries.**

### Modular Refineries



The Board has also gone into similar investment with Rungas for the establishment of LPG Cylinder manufacturing in Polaku, near Yenagoa; establishment of a 168,000 MT/per annum LPGA loading and offloading terminal with Chimons Gas Limited in Koko, Delta State and establishment of a 48,000 liters/day plant in Port Harcourt for the production of base oil by Bunorr Integrated Energy Limited.

In recognition of the impact of these initiatives, NCDMB won the prestigious *Business Day Award of most transformative Government Agency of the year 2019* in the category of enabling business environment in Nigeria.

NCDMB has also successfully completed the first phase of forensic audit into the NCDF remittances, engaged third party monitors to boost its compliance monitoring and launched Adopt-a-Faculty program in collaboration with the National Universities Commission. The Adopt-a-Faculty program will drive changes in curriculum redesign for engineering and earth sciences to meet oil and gas industry demands and to deepen collaboration between the academia and oil and gas industry.

NCDMB's processes are now fully automated and the QJS optimized with enhanced capability to manage both the e-market place and the national databank for the oil and gas industry. For more acceleration, the Board launched a revised and simplified Nigerian Content Reporting template to reinforce the efficacy of the Service Level Agreements (SLAs) it executed with NLNG, OPTS and IPPG.

#### 7. Future Outlook for the Board

Going forward, NCDMB is intent on pursuing and materializing projects that will promote in-country manufacturing, domiciliation of work, employment generation, capacity enhancement and capital retention. Thus, the Board will, amongst others, speed up the completion and commissioning of the three Oil and Gas Parks by 2023; bring on stream the Rungas 400,000/year type-3 LPG cylinder manufacturing plant, ensure the take-off of Chimons Gas Limited 168,000 MT per annum loading and offloading LPG terminal and production of base oil from Bunorr Integrated Energy Ltd 48,000 liters/day plant. Also, the Board will actively pursue the completion and commissioning of the modular refineries beginning with Waltersmith, which will be commissioned this year and Azikel refinery in 2023.

The Board is poised to accelerate the incubation and maturation of Project 100 companies, and to ensure they begin to take on and deliver bigger services. Similarly, the Board will start full implementation of the harmonized framework for marine vessel categorization; commence the upgrade of more Technical and Vocational Education (TVE) centers across the country; establish additional ICT Laboratories and train another batch of 1,000 science teachers to promote STEM education nationwide. It intends to vigorously pursue research and innovation, train additional 40 Marine Cadets and provide them international sea time experience. The next wave of local content practice promises to be more intensive and more phenomenal.

#### 8. Deeper reflection on the Board's achievements

In commemoration of the 10<sup>th</sup> year anniversary, it's tempting to go on and on talking about the various accomplishments of the Board. But the successes of NCDMB must not only be viewed from the context of the medals it has won, public accolades it has received or even litany of achievements recorded. Indeed, the greatest accomplishment of the Board in the first 10 years should rightly be seen from the angle of providing the rallying point for Nigerians to recognize the imperative of local content practice, not just in the oil and gas sector, but also in other critical sectors of the economy. COVID-19 pandemic has exposed the vulnerability of countries, especially those that depend on foreign supplies. One of the lessons from the pandemic is that Nigeria needs to be serious with the idea of local content. Just as President Trump promotes the idea of "America First" and Prime Minister Narendra Modi "Make in India and Made in India" economic mantra, the work of NCDMB has to be seen as a wake-up call for Nigeria to embrace and support "Made in Nigeria" in all key sectors. This is the message that the government of President Muhammadu Buhari has been trying to pass to Nigerians, particularly the emphasis on consumption of homegrown rice and support for other sectors through executive orders. Covid-19 pandemic presents yet another opportunity to strengthen our local supply chain and activate local manufacturing.

The 10<sup>th</sup> year anniversary of NCDMB should be seen as wake-up call for Nigerians to embrace local content philosophy as an economic imperative for our national survival. Otherwise, if any other pandemic takes the world by storm like COVID-19, any nation that fails to strengthen its local supply chain and activate its manufacturing base may not fare well. This is the message that NCDMB has continued to propagate since its inception. It is a message that Nigerians can no longer afford to ignore.

Happy anniversary! Long live NCDMB, Long live local content practice. God bless Nigeria.

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