

Jonathan: local content has hit 32% in oil, gas industry

The value addition and percentage spending retained in Nigeria's upstream and downstream operations have increased from less than five per cent to 32 per cent, former President Goodluck Jonathan has said.

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He said at a conference in Houston, United States that despite some limitations, the gains from the implementation of the local content Act were visible in capacity building for upstream and downstream operations.

In his presentation entitled, "Local content as a driver for technological development," Jonathan said before the passage of the local content law, the industry projected a value addition profile, or percentage spending retained in Nigeria's oil and gas industry at less than five per cent."

He said the revenue, which came in form of taxes, royalties and rents, has now been ramped up to about 32 per cent through engineering design, fabrication, manufacturing and procurement, royalties and rents.

Jonathan said there is also an appreciable progress in skills acquisition in the industry in line with the manpower development objectives of the Act, pointing out that the pre-local content Act picture of limited skill sets, which brought about the influx and dominance of expatriates into the industry, has been positively altered.

He said: "Through training and strict adherence to streamlined regulation, there are more qualified Nigerians working in the industry now than ever before. Thousands of Nigerians have been trained in technical areas, such as geosciences, oil spill management, underwater welding, pipe mill operation, engineering design and fabrication.

"Another positive development in this area is that Nigerians have developed the capacity to carry out most onshore upstream activities, just as many Nigerian companies involved in drilling activities, are competing favourably with industry

leaders. More than 38 per cent of registered marine vessels currently belong to Nigerians, up from a time when indigenous operators could only boast of less than 10 per cent ownership of the operating vessels.

“There has also been a boost in the promotion of indigenous participation and the fostering of technological transfer as reflected in appreciable local growth in such technical areas as line-pipe mills, pipe coating, painting and cables manufacturing, as well as improved fabrication capacity. Only recently, one of Nigeria’s indigenous oil servicing firms established a \$100 million fabrication plant in the Niger Delta region.

“With this plant the local company intends to serve the fabrication and industrial needs of Nigeria and Africa, especially in the petroleum and power sectors,” Jonathan.

The former President said despite the roles research and development (R&D) played in industrial development, little or no attention was hitherto paid to this critical area in the oil and gas industry. The story changed after the R& D guideline and strategy involving the participation of industry players, academia and government was developed in the wake of the Act. Local operators are now benefitting from the prevailing order where over 90 per cent of contracts are awarded to Nigerian companies or foreign companies that are in partnerships with Nigerian firms. Before the local content law came on stream, less than 20 per cent of contracts in the industry were conceded to indigenous companies.

“Also, some international oil companies have been reviewing their interests in oil blocks and marginal fields by selling off some of their assets to Nigerian firms. It is instructive to note that the Act has ensured that no obvious gap was left in the industry because benefitting Nigerian firms have not only lived up to the task, but have greatly improved output. The outcome is that there are now more technically competent indigenous oil and gas companies with Nigerians constituting the majority of their workforce,” he stated.

According to him, although the implementation of the local content policy recorded some successes as listed above, there are still some limitations in the area of steel manufacturing for fabrication, as well as the local capacity in manufacturing for upstream and downstream operations.

“Therefore, the industry can still do with further strengthening of the capacities of Nigerian operators as well as the inclusion of more indigenes of producing

communities in the economic activities of the sector,” he said.

“The Local Content Act has galvanised and transformed the entire oil and gas industry in Nigeria into a very vibrant sector with enhanced capacities in technological development, interventions and innovations. I believe that the local skills, capacities and creativity developed for the oil industry can easily be adapted in other sectors of the economy such as ICT, agriculture, transportation, power, health and overall manufacturing,” Jonathan added.