



**UDO UDOMA &  
BELO-OSAGIE  
OIL & GAS SYNOPSIS**

**MINISTERIAL REGULATIONS-  
NIGERIAN OIL & GAS INDUSTRY  
CONTENT DEVELOPMENT ACT:  
An Overview of the Regulations  
for the Establishment of  
Operations in Nigeria**



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## Overview

Petroleum industry analysts forecast a positive turn for Nigerian oil and gas in 2023, with onshore volume recovery, incremental growth from shallow water projects, and discernible increases in onshore drilling activity set to potentially offset recent dips in oil production and concerns around energy security.

These and other trends and developments highlight the emergence of significant indigenous players, including certain strategic alliances with international partners in the Nigerian petroleum industry (the Industry).

The practical implications of implementing minimum mandatory indigenisation prescriptions under the Nigerian Oil & Gas Industry Content Development Act in April 2010 (NOGICDA) while balancing local content capacity gaps remains very topical, exacerbated by market diversification and ongoing Industry transformation.

The emerging opportunities and the structuring and compliance considerations that they raise are brought into further focus by transformative market developments, including the enactment of the Petroleum Industry Act 2021, and proliferation of regulations for its implementation that are being made pursuant to it, which introduce significant changes in the legal and governance framework, administrative processes, regulatory and fiscal terms, and host community engagements in the Industry.

Other key developments include the expected deregulation of the downstream sector; the successful disposal of 57 marginal fields; the implementation of gas policy; increasing investments in gas infrastructure; ongoing bid rounds for flare gas commercialisation; and the Nigerian Upstream Petroleum Regulatory Commission's announcement, in January 2023 of an upcoming deep offshore mini bid round for 7 offshore blocks.

This overview of the **Ministerial Regulations for the Establishment of Operations in Nigeria** is part of a 7-part series that highlights key features, regulatory compliance requirements, and business structuring, investment, contracting, transactional, and operational implications for existing and prospective participants in the Nigerian Industry.

The Ministerial Regulations were developed by and under the supervision of the Nigerian Content Development and Monitoring Board (the **NCDMB**) based on the interpretations and practical application of the NOGICDA and have been issued by the Minister of State for Petroleum Resources (**MOSPR**), with the expressed objective of clarifying and providing pragmatic strategies for consistent implementation and enforcement.

Follow #UUBOOilandGas, Udo Udoma & Belo-Osagie's social media pages, and our website at [www.uubo.org](http://www.uubo.org) for other team publications and to read our synopses of the other Ministerial Regulations:

- the Regulation for the Further Growth of Indigenous Capacity.
- the Regulation for Training in the Nigerian Oil & Gas Industry.
- the Regulation for the Registration of Oil and Gas Professionals in the Oil and Gas Industry.
- the Nigerian Oil and Gas Industry Technology Transfer Regulation.
- the Nigerian Oil and Gas Research and Development Regulation; and
- the Nigerian Oil and Gas Industry Enforcement and Compliance Regulation.

**Introduction:  
Regulations  
for the  
Establishment  
of Operations  
in Nigeria**

Further to sections 47 and 101 of the Local Content Act, the Minister of State for Petroleum Resources issued the Regulations for the Establishment of Operations in Nigeria, 2021 (the **Regulations**), which empower the Minister of Petroleum to require any operator or company in the Nigerian oil and gas Industry to invest in, or to establish any facilities in Nigeria for production, manufacturing or the provision of any services that would otherwise have to be imported into Nigeria, and to prescribe minimum standards for achieving this. Such investment excludes community development and corporate social responsibility initiatives undertaken by such operators and companies.

The Regulations aim to enhance the attainment of Local Content objectives including the facilitation of the transfer of technology to indigenous operators and companies; increased participation of indigenous companies in Industry supply chains and value chains;

the advancement of Nigeria’s industrial development through increased indigenous ownership and operation of Industry facilities and assets; and the utilisation of Nigerian goods, services, equipment, labour, and other resources to develop in-country Industry capacity and capability, all in keeping with paragraph 5.6 (*Capacity and Capability Development*) of section 4.1.2 (*Nigerian Content Plan*) of the Handbook of Operational Guidelines issued by the Nigerian Content Development and Monitoring Board (the NCDMB).

**Operator-  
specific  
Capacity  
Development  
Initiatives**

‘First consideration’ principles, as an integral element of Nigerian content, require that Nigerian companies, goods, services, and employees be prioritised and accorded preference in bids for contracts, jobs, and operations in the Industry, consistent with the minimum Nigerian content prescriptions specified in the Schedule to the Local Content Act, which the NCDMB is empowered to modify pending legislative prescription where a project description is not specified in the schedule to the statute. First consideration also means that where a Nigerian company can demonstrably provide required goods or services operators may utilise them without seeking authorisation.

Where there is inadequate local capacity for Schedule-stipulated goods and services, the Regulations state that operators and companies may develop and submit Capacity Development Initiative (CDI) plans for NCDMB review to address the local capacity gaps within an NCDMB-approved specific time frame (the **Initial Compliance Period**).

During such Initial Compliance Period, which the NCDMB may extend, the operator may import the required goods and services. In so doing, however, the operator must have first advertised its requirements for such goods and services on the NOGIC Joint Qualification System platform for at least 30 days before applying to the NCDMB for an extension, and must provide evidence of a lack of in-country capacity.

In addition to operator-specific CDIs the NCDMB is also required to undertake annual stakeholder engagement with operators and companies in the industry at the beginning of every year to determine common areas of inadequate capacity in the industry, and to agree general Capacity Development Initiatives (CDI) for the Industry, in addition to the areas of capacity development already specified in the Regulations. The Regulations identify the following areas for capacity development in respect of which Industry operators and companies are required to set up facilities for building in-country capacity:

- Fabrication and welding.

- Line pipes, pipe coating, OCTG threading.
- Painting.
- Equipment components.
- Marine equipment utilization, servicing, maintenance, or ownership.
- Shipbuilding and maintenance.
- Rig servicing and maintenance.
- FPSO integration and maintenance.

NCDMB is empowered to promote, invest in, or set up facilities for building in-country capacity in these areas or in any project connected with them either independently or in collaboration with any operator or investor.

### Fiscal Incentives

The Regulations requires that the NCDMB and operators agree on tax and other fiscal incentives to encourage operators to embark on CDIs, during the annual stakeholder engagement.

The NCDMB may seek the advice of the Attorney-General of the Federation and Minister of Justice (AGF) as to the consistency or otherwise of the proposed incentives with existing legislation. The Regulations require that the NCDMB shall incorporate the advice of the AGF in any recommendation made to the Minister of Petroleum Resources on fiscal incentives. The Minister has sole discretion to either reject the recommendations, or to proceed with the recommended incentives, and to consult with the relevant arms of government to enact the recommendations into legislation.

### Enforcement and sanctions

The NCDMB has the discretion to withhold approvals for Local Content plans and operations of any operators or companies that do not comply with the Regulations. Such persons be ineligible for the grant of a certificate of authorisation, will not be allowed to carry on operations in the industry, and shall be ineligible for continuing on the JQS or e-market. The NCDMB may also apply sanctions stipulated in its Handbook of Operational Guidelines, and any aggrieved operator may lodge a complaint with the NCDMB's Executive Secretary for a review of any sanctions imposed on the basis of its Handbook of Operational Guidelines.

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