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BELO-OSAGIE  
OIL & GAS SYNOPSIS

## MINISTERIAL REGULATIONS ON NIGERIAN CONTENT: An Overview of the Regulation for the Further Growth of Indigenous Capacity



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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.

Key developments also 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.

The emerging opportunities raise important investment, structuring, fiscal and compliance issues for consideration with the legal, governance, administrative and community engagement reforms introduced by the Petroleum Industry Act 2021 (PIA) and its proliferation of implementing regulations.

These, and other recent and ongoing Nigerian petroleum industry (the **Industry**) legislative and regulatory reforms, trends, and transformative market developments highlight the emergence and increasing participation of indigenous players, independent as well as those in strategic alliances with international partners.

This reaffirms the topicality of balancing the practical implementation of minimum indigenisation (Nigerian Content) prescriptions of the Nigerian Oil & Gas Industry Content Development Act 2010 (the **Local Content Act**) against improved but continuing, local capacity gaps.

This overview of the **Ministerial Regulations for the Establishment of Operations in Nigeria** is part of a 7-part series that highlights key features, and regulatory compliance requirements that have business structuring, 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 its interpretation and practical application of the Local Content Act. They 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.

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- 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

The Regulations for the Further Growth of Indigenous Capacity implement section 41 of the Local Content Act by prescribing targets for the full utilisation and steady growth of indigenous companies that are engaged in the exploration, seismic data processing, reservoir studies, manufacturing, and fabrication of equipment and other facilities, as well as in providing other support services in Industry.

The objective of the Regulations is to promote indigenous ownership of companies and assets and to boost the employment of Nigerian citizens and incremental growth of indigenous capacity in the Industry in all projects, activities, and operations of foreign and local operators, alliance partners, licensees, lessees, contractors, and service providers participating in the Industry.

**Targets for the Growth of Indigenous Capacity**

The schedule to these Regulations prescribe the following targets and achievement timelines for Industry participants, including foreign and local operators, alliance partners, licensees, lessees, contractors, and service providers:

Item	Local Content Target	Timelines commencing 26/02/2021	Annual Incremental Targets commencing 26/02/2021
All land and swamp work and activities	100% indigenous ownership	3 years	30%
Ownership of all rigs deployed in land, swamp, and shallow water exploration	100% indigenous ownership	10 years	10%
Ownership of rigs deployed in deepwater	100% indigenous companies	20 years	5%
Feed and detailed engineering services for all projects.	100% COREN-registered engineering companies	1 year	100%
Materials and procurement.	100% produced in Nigeria, with first consideration accorded to indigenous companies that demonstrate manufacturing capacity	3 years	30%
Fabrication and integration of all fixed (onshore and offshore) platforms weighing up to 10,000 tonnes	100% indigenous companies	5 years	20%
Fixed platforms (onshore and offshore) greater than	100% indigenous companies	5 years	20%

Item	Local Content Target	Timelines commencing 26/02/2021	Annual Incremental Targets commencing 26/02/2021
10,000 tons, pressure vessels and integration of topside modules			
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	100% indigenous companies	7 years	15%
Fabrication and fixing of all flow lines and risers.	100% domiciliation (60% indigenous companies)	3 years	30%
Assembling, testing, and commissioning of all subsea valves, Christmas trees, well heads and system integration tests.	100% domiciliation	1 year	100%
Fabrication and integration of FPSO topside modules.	50% of total tonnage	5 years	20%
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.	100% domiciliation, and NIW shall certify all such tests in collaboration with international accreditation bodies.	3 years	30%
Fabrication of carbon steel	100% indigenous and domiciliation	2 years	50%

Item	Local Content Target	Timelines commencing 26/02/2021	Annual Incremental Targets commencing 26/02/2021
pressure vessels.			
Fabrication of all concrete barges and concrete floating platforms.	100% indigenous companies	1 year	100%
All seismic data acquisition projects, all seismic data processing projects, all reservoir management studies and all data management and storage services.	100% indigenous companies	2 years	50%
Supply of barite and bentonite, 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)	100% indigenous companies and 100% domiciliation	1 year	100%
Coating of line pipes and threading of all oil country tubular goods (OCTG).	100% indigenous companies or in an approved alliance with non-indigenous companies.	2 years	50%
Operation and maintenance of offshore production	100% domiciliation	1 year	100%

Item	Local Content Target	Timelines commencing 26/02/2021	Annual Incremental Targets commencing 26/02/2021
units on FPSO and FSO in particular.			
Cabotage services.	100% indigenous companies except as exempted by NCDMB/NIMASA harmonized cabotage act implementation framework pursuant to section 105 of the act	1 year	100%
Marine services	100% indigenous companies except as exempted by NCDMB/NIMASA harmonized categorization scheme.	1 year	100%
Location of the project office, project management teams and procurement centres.	100% location in Nigeria of which 50% is to be sited in the project catchment area or community.	2 years	50%

**Description of Indigenous Companies and Nigerian goods and services**

The Regulations define an “Indigenous Company” as a Nigerian company that is formed and registered under the Company and Allied Matters Act 2020 with no less than 51% of its shares *beneficially* owned by Nigerians. This definition extends the definition of a ‘Nigerian company’ in the Local Content Act from one in which Nigerians own not less than 51% equity, to require that direct and indirect, legal, and beneficial ownership of such companies, must be predominantly Nigerian in an Indigenous Company.

In addition, the NCDMB is empowered to request an operator, alliance partner, or contractor to depose to an affidavit confirming the structure of beneficial ownership of any company, for purposes of the Regulations. listing the beneficial shareholders of at least 51% of the actual shareholding of such companies, including names and countries of origin, which must be updated whenever there is a change in the beneficial ownership structure of such shares. The NCDMB can also carry out independent verifications to ascertain the veracity of any affidavits of beneficial ownership of the shares.

**Description of Nigerian goods and services**

The Regulations define “Nigerian-made goods and services” as materials, items, commodities, or services provided, produced, manufactured, or assembled in Nigeria by an Indigenous Company or by the Nigerian subsidiary of a multinational company in which Nigerians beneficially own not less than 51% of its shareholding.

**Waiver of the requirement to utilise Nigerian**

Where any Industry operator, alliance partner, or contractor, is of the opinion that the goods and services required are not available locally, or cannot be produced by any Indigenous Company, they are required to apply to the

### goods and services

NCDMB for a waiver to procure the goods or services from alternative vendors or suppliers. The application for waiver in such circumstances is required to demonstrate the following:

- (a) efforts made to procure the goods locally and evidence affirming that the goods and services are not available or produced in-country; and
- (b) how long the goods and services would be required, and what Capacity Development Initiatives (CDIs) the applicant has put in place to promote the development and provision of such goods or services in-country.

The NCDMB is required to review applications for the waiver in line with the Nigerian Content Plan of the relevant applicant and to verify from the applicant's list of registered companies, or other means, that the goods or services cannot be procured locally. The regulator must also confirm that the applicant has demonstrated legitimate plans and satisfactory commitment to promoting the development and production of such goods and services in-country, and is required to communicate its decision to approve or deny the waiver within one (1) month of receipt of the waiver application.

### Enforcement and sanctions

The NCDMB may conduct routine site visits to the facilities and offices of any operator, alliance partner, or contractor to investigate, assess, verify, or substantiate any matter or information relating to compliance or non-compliance with the Regulations. It may also impose sanctions for breaches in accordance with the Enforcement and Compliance Regulations, including the omnibus sanctions of administrative fines, punitive capacity development initiatives, and the suspension or cancellation of certificates, approvals, or permits, which are applicable generally for any contraventions of any provision of the Local Content Act or any Regulations, where the Enforcement and Compliance Regulations do not stipulate specific sanctions for a particular matter. We review the Enforcement and Compliance Regulations in our final publication in this series of Synopsis of the Ministerial Regulation.

*This update has been provided by [Folake Elias-Adebowale](#), [Elo Adhekpukoli](#), and [Markanthony Ezeoha](#) of the Oil & Gas team at Udo Udoma & Belo-Osagie. For more information about our Oil & Gas practice group offerings, please visit our website at [www.uubo.org](http://www.uubo.org) or email us at [ogteam@uubo.org](mailto:ogteam@uubo.org).*

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