

## **1.0 Preamble**

The 2014 edition of the Oloibiri Lecture Series and Energy Forum was held at the Shehu Musa Yar Adua Conference Centre, FCT, Abuja, on the 13th of March 2014. This is an annual event organized by the Society of Petroleum Engineers (SPE) Nigeria Council, and this year, in collaboration for the first time with the Nigerian Society of Engineers (NSE), Council of Mining Engineering and Geosciences (COMEG), National Association of Petroleum Explorationists (NAPE), Nigeria Gas Association (NGA) and Petroleum Technology Association of Nigeria (PETAN) provided a platform for stakeholders to collectively formulate strategic solutions for the advancement of the Nigeria oil and gas industry.

This year's event was opened by the Vice President of the Federal Republic of Nigeria His Excellency Architect Namadi Sambo, GCON (represented by the Group Managing Director, Nigeria National Petroleum Corporation (NNPC) Engr. Andrew Yakubu FNSE), while the keynote address was delivered by the Honourable Minister of Petroleum Resources, Mrs. Diezani Allison-Madueke (represented by Engr. A. H. Membere, the Group Executive Director, E&P, NNPC). Other dignitaries in attendance at the event were Dr. Emmanuel O. Egbogah, former Special Adviser to the President on Petroleum Matters, The Managing Director of Shell Nigeria Exploration and Production Company (SNEPCo) –Mr. Chike Onyejekwe representing Oil Producers Trade Section (OPTS) of the Lagos Chamber of Commerce and Industry, The President of NAPE, Mrs. Adedija Ojelabi, representatives of the President of NSE, Engr. Ademola Isaac Olorunfemi FNSE, President of COMEG, Mr Chambers Oyibo, and other key management staff of National, International and Indigenous oil and gas producing and service companies. Also in attendance were industry professionals, the academia and the media. In total, there were about 250 participants in attendance.

The lecture focused on the topic: **“Oil and Gas In A Century of Nigeria’s Existence: Status and Outlook”**. Sub themes that were also discussed are **“Petroleum Industry and Nigerian Economic Transformation”**, **“Appropriate Policy Framework for a Sustainable Growth in the Oil and Gas Industry”**, **“The role and Impact of Nigerian Service Companies in the Development of the Oil & Gas Industry”** and **“Meeting the Challenges of Oil & Gas Projects Delivery in Nigeria”**.

Following the lecture and discussions that ensued, some of the observations/issues raised were:

1. Oil and Gas has played a dominant role in the economic development and transformation of our country, Nigeria, over the last century. It has enabled us to build infrastructure as well as aided in the development of other sectors of the economy and national life. We must continue to maintain focus in doing the right things to transform the industry as necessary to meet the new challenges of the next century.
2. The presence of oil and gas underneath the territory called Nigeria is much older than the nation itself, but it was not until early in the last century that the first explorers landed on our shores, in the area of present day Ondo state to begin prospecting for oil. However, only in 1956, was the first commercial quantity of oil discovered at Oloibiri, by Shell D’Arcy Petroleum Company, in the Niger Delta area of present day Bayelsa State.
3. This discovery launched Nigeria into the league of oil producing nations, leading to the first export cargo in 1958. Today, Nigeria is the 12<sup>th</sup> largest producer and the 5<sup>th</sup> largest exporter of crude oil in the world. With natural gas reserves of about 187 trillion cubic feet, Nigeria has the 9<sup>th</sup> largest gas reserves in the world and is the 25<sup>th</sup> largest gas producer.
4. The geography of global oil supply, demand and trade has changed strikingly over the last few years as a result of the increasing oil supplies from US shale areas, against a background of declining European and North American oil demand growth. Nigeria’s crude export to the US has declined over the last 7 years and has reached a point where there is now an energy import-export balance between Nigeria and the US.

5. With the current United States of America (USA) - Nigeria energy supply/demand parity, limited relief on offer from Europe and Asian consumers waiting for a crash in price differentials before boosting the slim volumes they currently purchase, our industry and indeed our nation, has never been more challenged to seek alternative strategies for a sustainable oil and gas industry future.
6. The industry is currently regulated with more than a dozen uncoordinated laws, rules and regulations that often conflict and do not sufficiently address today's industry challenges. The Petroleum Industry Bill (PIB) is expected to reflect government policy and determination to address some of these challenges and put in place a solid foundation that would energize Nigeria's oil and gas sector, grow production capacity, reform institutions, and enhance linkage of the industry to the broader economy. However, the industry is concerned that the current version of PIB before the National Assembly would neither address many of the challenges faced by the industry nor effectively position the sector for the envisaged growth.
7. The bureaucracy that plagues many of our institutions and agencies today is staggering, for example the length of time it takes for new oil and gas development project to be approved in Nigeria is much longer than global industry average. Simple procurement contracting approvals can take up to 36 months, while in other countries, similar processes take an average of 6 months. This result in significantly higher project management costs, lost project value, deferred production and reduced government revenues. From 2015, The Nigerian Petroleum Exchange (NipeX) is targeting to complete tenders for small projects in 6 months and major projects in 9 months.
8. Lack of synergies between operating companies remains one of the major causes of high cost of projects delivery e.g. two operators, laying two pipelines side by side, rather than sharing one.
9. Community challenges and related security issues have over the years grown into major barriers to achieving world class project delivery cycles in Nigeria.
10. The implementation of the Nigerian Content Development Fund (NCDF) is yet to be well articulated - as the "modus operandi" for disbursing funds to qualified Nigerian companies, to assist them in executing projects is lacking.
11. Collaboration is key to articulating and addressing the Oil and Gas industry challenges; hence SPE has pioneered this collaboration amongst key stakeholder societies with the Oloibiri Lecture Series & Energy Forum.

## **2.0 Recommendations**

- i. Nigeria is heavily dependent on the oil and gas sector for its growth and development and to achieve its Vision 20:2020 aspirations, the country must put appropriate legislative and fiscal framework in place for the Oil and Gas sector. The forum fully supports the institutional framework which the PIB seeks to establish, but recommends that issues being raised by stakeholders be addressed in order for Nigeria's oil and gas industry to remain globally competitive in the face of changing energy supply/demand landscape.
- ii. There is an urgent need to refocus on building engineering capacity in the universities. This effort must be structured to fit the emerging requirements of the industry. The curriculum for the universities should be re-visited for relevance to include such areas as: Process and Design Engineering, Materials Engineering, Project Management etc. currently being handled as professional certifications.
- iii. The National Content law has significantly enhanced in-country capacity both in engineering and fabrication. There is need to further utilize this law to grow capacity, for example, there is need for more centres of fabrication excellence in the country. The industry may consider funding a few

of such centres through a form of endowment that allows world scale equipment and machines to be installed, such that the most sophisticated fabrications can be done locally.

- iv. Collaboration is required amongst professional associations such as NSE, SPE, COMEG, NGA, PETAN and NAPE to review oil and gas industry standards to achieve “ONE Standard” for Nigeria Oil and Gas industry.
- v. Challenges relating to community and security must be confronted. Enforcement of law in the areas of operations of the sector is paramount. The current trend of restiveness must not be allowed to continue as it renders ineffective all efforts being made to improve project delivery efficiency.
- vi. Petroleum Technology Development Fund (PTDF) and National Content Development and Monitoring Board (NCDMB) should harmonize their mandates and establish a joint committee that would harness their massive resources to identify and address skills gap in the industry. NCDMB should increase its level of surveillance in the industry through the conduct of routine compliance audits.

### **3.0 Conclusion**

The Oil and Gas Industry has played a major role in the development of our nation, in the last century of our history, and it is expected to continue to remain relevant in the future.

The challenges facing our industry today and the rapidly changing global energy landscape, call for close partnership amongst all stakeholders.

There is hope that the current drive by NCDMB will ensure that by 2020, the level of participation by Nigerian companies in the sector; in particular contract service retention in-country will be in excess of \$10 billion per annum, with over 350,000 employment and training opportunities.

Whilst Government has done a lot to encourage indigenous participation in the petroleum industry in Nigeria, more still needs to be done to close the value gap. Enabling legislation, fiscal and labour solutions will be needed to increase the impact and value from indigenous companies’ participation in the sector

SPE Nigeria Council and all the collaborating societies, expressed their gratitude to all who responded and participated with enthusiasm at the event – co-hosts, sponsors, resource persons, industry captains, professionals, academia and the media. We look forward to the same level of support and partnership in the coming years as we work together to increase and improve the delivery of the oil and gas sector objectives.

Signed

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