

**MEMORANDUM SUBMITTED ON THE NIGERIAN PETROLEUM
INDUSTRY BILL (PIB) TO THE NATIONAL ASSEMBLY JOINT
COMMITTEE ON PETROLEUM RESOURCES ON MONDAY-
~~FRIDAY~~, 27-~~31~~ JULY 2009 AS AN INCLUSION ON THE
PUBLIC HEARING OF THE BILL**

Presented By,

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We Think, We Work, We Care

OIL AND GAS SERVICE PROVIDERS ASSOCIATION OF NIGERIA (OGSPAN)

MEMORANDUM SUBMITTED ON THE NIGERIAN PETROLEUM INDUSTRY (REFORM) BILL

A BILL FOR

An act to establish the Legal and Regulatory Framework, Institutions and Regulatory Authorities for the Nigerian Petroleum Industry, to Establish Guidelines for the operations of the Upstream and Downstream Sectors and for purposes concerned with the same

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Submitted by the Oil and Services Providers Association of Nigeria, OGSPAN as an Inclusion to the Petroleum Industry Bill (PIB), National Assembly Joint Committee on Petroleum Resources on Wednesday, July 29, 2009, during Public Hearing on the Bill

OIL AND GAS SERVICE PROVIDERS ASSOCIATION OF NIGERIA (OGSPAN)

MEMORANDUM SUBMITTED ON THE NIGERIAN PETROLEUM INDUSTRY (REFORM) BILL TO THE NATIONAL ASSEMBLY JOINT COMMITTEE ON PETROLEUM RESOURCES ON WEDNESDAY, JULY 29, 2009 AS AN INCLUSION ON THE PIB DURING PUBLIC HEARING

A BILL FOR

An act to establish the Legal and Regulatory Framework, Institutions and Regulatory Authorities for the Nigerian Petroleum Industry, to Establish Guidelines for the operations of the Upstream and Downstream Sectors and for purposes concerned with the same

Purpose:

1. This memorandum is presented by OGSPAN for inclusion in the Petroleum Industry Bill (PIB) for the following reasons:
 1. That we have gone through the Petroleum Industry Reform draft Bill as Proposed by the Executive arm of the Federal Government of Nigeria;
 2. That there is no Part, Chapter or Section of the said Draft Bill that mention is made of Indigenous Oil and Gas Service Providers or Petroleum Industry Service Providers for that matter as part and parcel of the Industry and therefore the ongoing reform;
 3. That we believe that this omission in the PIB was an oversight by the drafters of the Bill that should be corrected at this public hearing;
 4. That this omission if allowed could mark the beginning of the failure of the reform being envisaged by the Government and the administration of President Umaru Musa Yar'dua.
 5. That all the Technologies, Machineries, Technical and Intellectual Skills, Knowledge, Competencies and Funds to finance projects and services in the industry are owned and provided by Service Providers without which nothing functions in the industry;
 6. That the interests, the critical and vital role of Service Providers in the industry should be straightened and be completely reinvigorated to the advantage of the Nigerian Petroleum Industry, the Nigerian economy, the oil bearing communities and generations of Nigerians yet unborn;
 7. That all over the world; in all Petroleum Producing Countries that the Petroleum Industry carry out three principal functions thus:

- a. Produce the crude oil and natural gas;
 - b. Process it (manufacturing) and
 - c. Market it;
8. That without the technologies, skills and knowledge and services of Oil and Gas Service Providers these three principal functions would be impossible to perform;
 9. That the foreign domination of service provision in Nigeria is the principal cause why the petroleum industry failed to impart positively on the economy of the nation and the social, economic, industrial and cultural lives of oil bearing communities; therefore raging unemployment and poverty and the Niger Delta crises;
 10. That the whole concept of the Nigerian Content is to empower Indigenous Service Providers to take over the operations of the Nigerian Petroleum Industry.
 11. That if the Petroleum Industry(Reform) Bill as proposed by the Executive is designed to reform and reinvent the industry in Nigeria and steer the country on the part of prosperity, that service providers should be given prominence in the Bill as given Indigenous Oil Exploration Companies;
 12. That **Oil and Gas Service Providers Association of Nigeria {OGSPAN}** Incorporated, with over 5,000 memberships and over 20,000 potential members should be encouraged by the Federal Government as active participants in the industry to bridge the technology gap and capital flight in the country.
 13. That there are over [500] five hundred services being provided in the industry by members of the Association.
 14. That without these Services being on the firm grip of Nigerians, the Nigerian Petroleum Industry Reform would be meaningless;

INCLUSION IN THE DRAFT BILL (PIB)

2. Indigenous Service Providers

1. An indigenous oil and gas service provider is a company wholly owned by Nigerians which is offering services in the petroleum industry, which shall be registered with the Petroleum Inspectorate and the Nigerian Content Division for the purposes of providing services and award of contracts to be executed in the Nigerian Petroleum Industry.
2. Participation in the Nigerian Petroleum Industry by Indigenous Service Providers is for the purpose of acquiring and developing indigenous technologies, expertise, skills, knowledge and competencies and providing same to the industry locally and internationally

3. The Federal Government and Agencies shall at all time in accordance with the provisions of the proposed Act or any other Law in force applicable to the petroleum industry shall not restrict the participation of indigenous service providers in the award of contracts and service delivery.
4. Oil and Gas contractors, or international prospecting, exploration companies or international oil companies be allowed to place hindrance or restrictions in the form of advertised pre-qualifications or bid with intent to bar, restrict or void the participation of indigenous service providers in such pre-qualification or bid based on value of the contract or bidding exercise in the Nigerian Petroleum Industry.
5. Where an International Company/s is awarded a contract to be executed in the Nigerian Petroleum Industry, the Petroleum Inspectorate and relevant Nigerian Content Agencies in concert with OGSPAN shall constitute a committee to screen Indigenous Service Providers who shall be attached to the International Service Company for the execution of the said contract, for the purposes of enhancing the skill, knowledge, competencies and technologies of the Indigenous service providers in that area or division of services for which the contract is awarded.
6. Where a contract is awarded to an Indigenous Service Provider/s by an Oil and Gas exploration and production company, in the upstream or oil and gas processing and manufacturing and marketing company in the downstream, or the National Oil Company, and it is known, that the indigenous company need to upgrade its competence for the purpose of safety, quality and international best practices, the contracting firm and the Petroleum Technology Development Fund (PTDF) shall provide the sponsorship for such upgrade before the commencement of the execution of the contract.

3. APPOINTMENT OF OGSPAN REPRESENTATIVES IN THE FOLLOWING AGENCIE'S BOARDS

Reasons for OGSPAN Representative

1. Because of the vast and broad-based nature and activities of OGSPAN's membership and specialized knowledge and experience covering various fields in the industry such as seismic, well drilling, exploration and exploitation, petroleum technology, petroleum engineering, marine operation and logistics, production and processing, marketing and transportation, engineering technology and design, health, safety and environment, banking and finance, drilling, project management and consultancy services, civil engineering and building construction, insurance, information technology and communication, telecommunication, catering and hospitality services, quality assurance, quality control and inspections, testing and certification, public communication and advertising, and

construction, security, procurement, surveying, town planning and urban development, training and manpower development, legal and regulatory services, maritime and shipping and host of other services, etc;

2. We propose to be include in the Bill the appointment by the President representatives of Oil and Gas Service Providers Association of Nigeria [OGSPAN] in each of the following Boards or Governing Councils of the Agencies as contained in the Act thus:
 - a. **The Nigerian Petroleum Directorate, NPD**
 - b. **The Nigerian Petroleum Inspectorate, NPI**
 - c. **The Petroleum Products Regulatory Authority, PPRA**
 - d. **The National Petroleum Assets Management Agency, NPAM**
 - e. **Nigerian National Petroleum Company Ltd, NNPC LIMITED**
 - f. **The Nigerian Petroleum Research Centre, NPRC**
 - g. **National Frontier Exploration Services, NFES**
 - h. **The Petroleum Technology Development Fund, PTFD**
 - i. **The Nigerian Content Development Initiative, NCPI**
 - j. **Any other such Agencies, Boards or Committees or the Nigerian Petroleum Industry Inter Agency Projects and or related operations and activities in the petroleum industry in Nigeria.**

4. EFFECTIVE REGULATION OF THE INDUSTRY BY THE NIGERIAN PETROLEUM INSPECTORATE

1. Having read the Draft Bill particularly Chapter 3, The Nigerian Petroleum Inspectorate, being the successor to the assets and liabilities of the Petroleum Inspectorate of the NNPC and the Department of Petroleum Resources (DPR) of the Ministry of Petroleum, being the regulator of technical activities of the Nigerian Petroleum Industry,
2. OGSPAN contends that with this provisions in the proposed Bill, we are expecting a new and or vibrant Nigerian Petroleum Industry in the making;
3. There should be no reason why the proposed Nigerian Petroleum Inspectorate should be allowed to combine both Technical and Commercial Regulatory services in the Industry for the purposes of effectiveness, transparency, due diligence and corporate governance
4. The Commercial Regulatory Services as proposed in the original copy of the Petroleum Industry Bill by the Executive is adequate and should be adopted as proposed with or without amendments.

5. Any other counter proposal should be rejected by the National Assembly and all well meaning Nigerians, because to do otherwise would make the Petroleum Inspectorate lose focus of its principal objects and resilience it has acquired and perfected over the years;
6. OGSPAN therefore rejects any proposal intended to assign Commercial Regulatory services to the Nigerian Petroleum Inspectorate. NPI, because it is intended to create confusion, anarchy, and make the new Inspectorate impotent.

5. "OPERATORS" IN THE PETROLEUM INDUSTRY SHOULD BE EXPUNGED

1. In the Nigerian Petroleum Industry the word "operators" is often used to refer to Oil and natural Gas contractors such as Shell, Chevron, ExxonMobil, and Total-Elf etc. This is wrong and misleading.
2. In the Petroleum Industry "operators" are the technicians who operate machines and plants such oil platforms, refineries, LNG plants, petrochemicals plants and truck operators often called Tanker drivers in Nigeria.
3. Therefore the operators as reference to such companies mentioned above should be expunged from the Bill. The Bill should identify these companies by what they are doing in the industry;

From our own experience and analysis of their style of operations and activities in Nigeria they better known as "Oil Contractors", no more no less and should be referred to as such by the Petroleum Industry Bill.



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