



MEMORANDUM ON THE PUBLIC HEARING ON THE

**PETROLEUM INDUSTRY BILL
(2009)**

**ORGANISED BY THE HOUSE OF REPRESENTATIVES
COMMITTEE ON PETROLEUM (UPSTREAM)**

**SUBMITTED BY THE
PETROLEUM TECHNOLOGY ASSOCIATION OF NIGERIA**



Plot 35 Trans Amadi Industrial Layout
P.O. Box 6726
Port Harcourt.

Tel: +234 84 461 178; +234 84 461 179
enquiries@petan.org
www.petan.org

POSITION PAPER OF THE PETROLEUM TECHNOLOGY ASSOCIATION OF NIGERIA (PETAN) IN RESPECT OF THE PETROLEUM INDUSTRY BILL CURRENTLY BEFORE THE HOUSE OF REPRESENTATIVE

INTRODUCTION

Thank you for the opportunity afforded PETAN to present its position on the Petroleum Industry Bill currently before the House of Representative. PETAN's comments will touch only on the issue of Nigerian Content as provided for in Part VI of the Bill. The development of Nigerian Content in the oil and gas sector is crucial to the technical and economic development of the indigenous Nigerian oil and gas business. A robust legal regime for Nigerian Content will ensure that relevant skills and composite value is made available to the local economy.

ABOUT PETAN

PETAN was founded in 1990 as an association of Nigerian owned technical service companies operating in the upstream and downstream sectors of the oil and gas industry. PETAN provides a platform for the indigenous oil and gas companies to exchange ideas on the happenings in the petroleum sector. The association has become established as a respected voice on issues of investment technology and human capacity development in the oil and gas industry.

COMMENTS/OBSERVATIONS

We have carefully considered the provisions of the Bill and our comments are as follows:

1. Sections 305, 306 and 413 suggest that the Nigerian Content Plan will be approved by the Inspectorate, Agency or Authority as the case may be.

PETAN notes that with the exception of the Inspectorate, there are no specific provisions conferring the Agency and the Authority with monitoring/supervisory functions in relation to compliance with the provisions relating to Nigerian Content.

PETAN suggests that the following provision be inserted in sections 39, 77 and 115 of the PIB in order to vest the Inspectorate, Authority and Agency with appropriate monitoring and supervisory functions.

In relation to Nigerian Content, the [Inspectorate/Agency/Authority] shall:

- a. supervise, coordinate, administer and monitor the implementation and development of Nigeria content as specified in Schedule 10 to this Act in the operations of companies that are involved in any area of the upstream, midstream or downstream petroleum industry;**
 - b. appraise, evaluate and approve the Nigerian Content Plans and reports submitted to the [Inspectorate/Agency/Authority] in compliance with the provisions of Part VI; and**
 - c. make auditing procedures and conduct regular audits for purposes of monitoring and implementing compliances with the provisions of this Act.**
- 2. PETAN also suggest the insertion of the following additional functions to those of the Nigerian Petroleum Research Centre:**
 - (a) assist local contractors and Nigerian companies to develop their capabilities and capacities to further the attainment of the goal of developing Nigerian content in the Nigerian oil and gas industry;**
 - (b) conduct studies, researches and investigations that may further the attainment of the goal of developing Nigerian content in the Nigerian oil and gas industry;**
 - (c) organize conferences, workshops, seminars, symposia, trainings, road shows and other public education to further the attainment of the goal of developing Nigerian content in the Nigerian oil and gas industry;**
- 3. Chapter II of Part VI of the Bill lumps Nigerian Content provisions, together with local social responsibility for host communities.**

PETAN suggests that Nigerian Content provisions should be separated from provisions related to host community issues. PETAN suggests that 'Local Social Responsibility for Host Communities' provisions in Section

413(5) - (7), should be moved to a separate chapter under Part VI of the Bill.

PETAN suggests that Chapter II of Part VI should be re-titled "Nigerian Content Plan"

PETAN suggests that section 413 should be redrafted as follows (please note that new insertions are in bold fonts):

- (1) In bidding for any license, permit or interest and before carrying out any Project in the Nigerian oil and gas industry, an operator or project promoter shall submit an approved plan for Nigerian content ("Nigerian Content Plan") to the Inspectorate, Agency or Authority as the case may be, demonstrating compliance with the Nigerian content requirements of this Act.
- (2) A development plan pursuant to Part III shall not be approved or a commercial licence pursuant to Part IV shall not be granted without **a Nigerian Content Plan.**
- (3) The Nigerian Content Plan pursuant to subsection (1) hereof shall contain commitments as defined in the sections 414 through 419 of this Part with respect to:
 - (a) purchase of Nigerian goods and services;
 - (b) procurement guidelines;
 - (c) employment of Nigerian citizens;
 - (d) training and education;
 - (e) research and development;
 - (f) regular reporting on and verification of the Nigerian Content Plan to the applicable Regulatory Institution.
- (4) **The Nigerian Content Plan shall contain provisions intended to ensure that:**
 - (a) first consideration shall be given to services provided from within Nigeria and to goods manufactured in Nigeria; and**

- (b) qualified Nigerians shall be given first consideration for training and employment in the work programme for which the Plan was submitted.**
- (5) The Nigerian Content Plan shall be submitted on the basis of guidelines established by the Inspectorate, Agency or the Authority as the case may be.
- (6) The proponent of a Nigerian Content Plan shall ensure that the provisions contained in this section shall also apply to any contractors or subcontractors of the proponent.
- (7) From the commencement of this Act:**
- (a) Nigerian indigenous service companies shall be given first consideration in all projects for which contract is to be awarded, in the Nigerian oil and gas industry.**
- (b) In order for any Nigerian indigenous service company to be considered for any project in the Nigerian oil and gas industry, it must show proof of acquisition or ownership of the equipment to be utilised during the project (verifiable by satisfactory evidence of such acquisition or ownership).**
- (c) Compliance with the provisions of this Act and promotion of Nigerian Content development shall be a major criterion for award of license, permits and any other interest in bidding for oil exploration, production and development or any other operations in the Nigerian oil and gas industry.**
- (8) The Inspectorate, Agency or Authority as the case may be, shall implement the provisions of this Part VI with a view to ensuring a measurable and continuous growth in the Nigerian content in all oil and gas arrangements, projects, operations, activities or transactions in the Nigerian oil and gas industry.
- (9) As from the commencement of this Act, the minimum Nigerian content in any project to be executed in the Nigerian oil and gas industry shall be consistent with the level set in Schedule 10 by the Minister.

Where a project description is not specified in Schedule 10 to this Act, the Inspectorate, Agency or Authority as the case may be, shall set the minimum content level for that project or project item

pending the inclusion of the minimum content level for that project or project items through an amendment of Schedule 10 by the Minister.

The Minister shall have the power to make, when necessary, an upward review of the minimum content levels set for each item in Schedule 10.

PETAN suggests that section 415 should be redrafted as follows (please note that new insertions are in bold fonts):

Procurement

- (1) With the submission of the Nigerian Content Plan the proponent shall submit his procurement procedures with respect to the proposed project.
- (2) Such procurement procedures shall be designed in such a manner that the proponent complies with all provisions of section 414 hereof.
- (3) The procurement procedures shall ensure that purchases and contracts are sized, so far as technically and economically practicable, to match the capability (time, finance and manpower) of Nigerian companies supplying Nigerian goods and services.
- (4) All tenders, including those related to subsection 414(1)(c) shall be advertised in at least two major local newspapers in Nigeria.
- (5) All tenders shall be evaluated and the winning bidders shall be decided upon in Nigeria.
- (6) The proponent shall commit to give equal treatment to Nigerian companies by assuring access to all tender invitations for which they qualify.
- (7) The proponents shall commit to give assurances to Nigerian companies in respect of prompt payment for Nigerian goods and services provided, provided the Nigerian suppliers meet all conditions of the purchase and sale agreement or contract.
- (8) **The award of contract shall not be solely based on the principle of the lowest bidder; where a Nigerian indigenous company has**

capacity to execute such job, the company shall not be disqualified on the basis that it is not the lowest financial bidder, provided the value does not exceed the lowest bid price by 20 percent.

(9) Goods and services delivered in the Nigerian oil and gas industry shall be of a prescribed uniform internationally acceptable standard and no Nigerian indigenous service company shall be disqualified from a bid on the basis that its goods or services do not meet an oil company's internal standards.

4. The threshold for Nigerian Content in relation to employment contained in section 416(2) and 420(1) appear conflicting.

PETAN suggests that they should be harmonised.

SCHEDULE 10

PETAN INDUSTRY CAPACITY ANALYSIS		CONTENT CAPACITY ANALYSIS BY PETAN/NCD	REMARKS/JUSTIFICATION	
CATEGORY	DESCRIPTION			
FEED AND DETAILED ENGINEERING & OTHER ENGINEERING SERVICES	FEED & Detailed engineering on Onshore facilities, including pipeline	90		
	FEED & Detailed engineering on Offshore facilities - Shallow Water	90		
	FEED & Detailed engineering on LNG facility	80		
	FEED & Detailed engineering on Gas gathering facilities	90		
	FEED & Detailed engineering on Deep offshore facilities – Hull & topside modules	80		
	FEED & Detailed engineering on Deep offshore floating concrete structure	80		
FABRICATION AND CONSTRUCTION	Terminal/Oil Movement Systems/production process facilities	80		
	Drilling Modules/Packages	80		
	Piles, Anchors, Bouys, Jackets, Bridges, Flare Booms, Storage Tanks, Pressure Vessels	80		
	Umbilical	60		
	Topside module (process modules & storage modules)	50		
	Accommodation module	70		
	Subsea systems	60		
	Pipeline systems, Flowlines, TrunkLines of all sizes, Land and swamp	100		
	Risers	100		
	Pump skids	40	Omitted form schedule	
	Control Panel and Enclosures	100	Omitted form schedule	
	Utilities module / packages	65		
	Materials & procurement	Steel plates, Flat sheets, sections	75	
Steel pipes		55		
Low Voltage Cables, Panels and Accessories		90		
High Voltage Cables, Panels and Accessories		45		
Valves		90		
Drilling mud - Baryte, Bentonite, drilling mud chemicals		100		
Cement (Portland)		80		
Cement (Hydraulic)		60		
Heat exchangers		50		
Steel ropes		60		
Protective paints		60		
Glass Reinforced Epoxy (GRE) pipes		60		
Well & Drilling Services / Petroleum Technology		Reservoir services	75	
		Well completion services (permanent gauges & intelligent wells)	90	
	Wire line services (electric open holes,)	45		
	Wire line services (electric cased hole)	100	These are different services that should not be lumped together	
	Wire line services (slickline)	100		
	Logging While Drilling (LWD) services	60		
	Measurement While Drilling (MWD) (direction and inclination / Gamma ray)	100		
	Drilling Mud, Solids Control and Centrifuge Services	100	Omitted from schedule	
	Production drilling service	100		
	Performance services (T&P)	90		
	2D Seismic data acquisition services	85		
	3D and 4D Seismic data acquisition	45	omitted from shedule	
	Drilling mud engineering and supply	100	omitted from shedule	
	Well Overhauling/Stimulation Services	85		
	Wellhead Services and control panels	90		
	Directional Surveying Services	100		
Cutting Injections/Cutting Disposal Services	100			
Recutting Inspection Services	85			

PETAN INDUSTRY CAPACITY ANALYSIS			
CATEGORY	DESCRIPTION	CONTENT CAPACITY ANALYSIS BY PETAN/NGD %	REMARKS/JUSTIFICATION
	Cased Hole Logging Services (Gyro, Perforation, Gauges, Gyro, PLT, Perforation, PLT, Gauges)	90	
	Nitrogen Services	90	Omitted from schedule
	Well Wash Services	80	
	Cement services/Accessories	80	
	Coiled Tubing Services	90	
	Pumping Services	95	
	Fluid/Bottom Hole Sampling Services	100	
	OCTG Services (Cleaning, hardbanding, recutting, rethreading, storage)	95	
	WILD WELL CONTROL SERVICES	45	Omitted from schedule
	Well Crisis Management Services	90	
	Other Drilling fluids Services/Filtration services /Liner hanger services	80	
	Petrophysical Interpretation Services	100	
	Extended Well Test/Early Production Services including Provision of Floating or Jackup Production Unit	60	
	WILD WELL FIRE FIGHTING SERVICES	50	Omitted from schedule
	Provision of Catering, Cleaning, Office and Security Service at Location/Platform	100	
	Pipe Bucking Services-Make up- Breakdown	100	Omitted from schedule
	Rental of Drill Pipe	75	
	Wellhead safety panel	100	Omitted from schedule
	Permanent Downhole gauges	100	Omitted from schedule
	Directional Drilling services	100	Omitted from schedule
	Chemicals: drilling, process, maintenance Etc.	90	Omitted from schedule
Research & Development Services	Engineering Studies - Reservoir, Facilities, Drilling, system integration, etc.	100	Completely domiciled in the Universities
	Geological and Geophysical Services	100	
	Safety and Environmental Studies	100	
	Local Materials Substitution studies	100	
Exploration, Subsurface, Petroleum Engineering & Seismic	3D Seismic data acquisition services	100	
	4D Seismic data processing services	55	
	2D Seismic data processing services	100	
	Geophysical interpretation services	90	
	Geological evaluation services (Organic Geochemistry, Petrology, Diagenesis, Biostratigraphy, Fluid Characterization, PVT, Core Analysis, Flooding)	100	
	Mud logging services	90	
	Coring services	90	
	Well testing service	90	
	Drilling rigs (swamp)	60	
	Drilling Rigs (Semi submersibles/Jack ups/Others)	55	
	Drilling Rigs (Land)	70	
	Work-over Rigs (Swamp)	75	
	Snubbing Services	80	
	Liner Float, Hangers and Running Equipment Services	100	We have unused capacity
	Field Development Plan	100	
	2D Seismic Data Interpretation Services	100	
	3D Seismic Data Interpretation Services	100	
	4D Seismic Data Interpretation Services	100	
	Drilling rigs (land)	70	
	PVT Analysis	100	Omitted from schedule
Transportation/Supply/Disposal Services	Tugs / Remotely Operated Vehicle (ROV) support / diving support vessels	65	
	Barges	95	
	Accommodation platforms / vessels	90	

PETAN INDUSTRY CAPACITY ANALYSIS			
CATEGORY	DESCRIPTION	CONTENT CAPACITY ANALYSIS BY PETAN/NCD %	REMARKS /JUSTIFICATION
	Disposal / distribution and waste transport services	100	
	Rental of Cranes and Special Vehicles	80	
	Freight Forwarding/Logistics Management Services	70	
	Wire Ropes	70	omitted from schedule
	Supply Base/Warehouse/Storage Services	75	
	Truck Package/Product Transportation Services	100	
	PORTABLE WATER TREATMENT AND SUPPLY	100	
Health, Safety &Environment	Site clean up service	100	
	Pollution control	60	
	Waste Water Treatment Services	65	
	Fire and Gas Protection System Services	70	
	Ventilation/Heating/Sanitary Services	85	
	Waste Disposal/Drainage Services	100	
	Industrial Cleaning Services	100	
	Disposal/Distribution and Waste Transport Services etc.	100	
	Safety/Protection/Security/firefighting System Services	90	
	Preservation of Mechanical and Electrical Components Services	95	
	Equipment brokerage services	100	
	Temporary Accommodation/Camp Services	80	
	Catering Services	100	
	Cleaning and Laundry Services	100	
	Security Services	95	
	Medical Services	60	
	Equipment Brokerage Services	100	
	Other Supporting Services	85	
Pollution Control	90		
INFORMATION SYSTEMS/INFORMATION TECHNOLOGY/COMMUNICATION SERVICES	Process Automation/systems Telemetry Integration	100	omitted from schedule
	Software Development and Support Services	45	
	Computer Based Modeling Services	51	
	Computer Based Simulation/Training Programs Services	70	
	CAL/CAP Services	51	
	Hardware Installation Support Services	50	
	Operating System Installation/Support Services	50	
	User Support/Help Desk Services	60	
	Library Services	70	
	IT Management Consultancy Services	50	
	Data Management Services	80	
	General IS/IT Consultancy Services , process automation and general integration.	50	
	Telecommunication Installation/Support services	60	
	Data and Message transmitting Services	60	
	Rental of Telecommunication Lines	75	
	Telecommunication Subscription Services	85	
	Public Address System Services	95	
	Other Information Systems (IS)/Information Technology (IT) Services	75	
MARINE, OPERATIONS & LOGISTICS SERVICES	Telecommunication Services	90	
	Supply of crew men for domestic coastal services	80	
	Diving/ROV/Submersible operations	70	

PETAN INDUSTRY CAPACITY ANALYSIS				
CATEGORY	DESCRIPTION	CONTENT CAPACITY ANALYSIS BY PETAN/NCD %	REMARKS/JUSTIFICATION	
	Hook-up and Commissioning including Marine Installation Services	75		
	Dredging Services	55		
	Gravel and Rock Dumping Services	65		
	Floating Storage Units (FSU)	45		
	Subsea Pipeline Protection Services	55		
	Installation of Subsea Packages	60		
	Mooring System Services	50		
	Other Installation Services	85		
	Ship Chandler Services	55		
	Moving Services	100		
	Supply Vessels	45		
	Stand-by Vessels	55		
	FINANCE & INSURANCE	General Banking Services	100	
		Monetary Intermediation Services	70	
Credit Granting Services		50		
Security Broking and Fund Management Services		100		
Financial Management Consultancy Services		90		
Accounting Services		90		
Auditing Service		100		
Life Insurance Services		100		
Pension Funding Services		100		
Non-Life Insurance Services		70		
Insurance Broking Services		75		
INSTALLATION, HOOKUP & COMMISSIONING	Surface treatment, sandblasting, painting, coating & fire proofing services	80		
	Subsea construction services	45		
	Hookup & commissioning including marine installation services	90		
	Installation of subsea packages	45		
	Electrical/Instrument Services	45		
	Insulation Services	50		
	Diving/ROV/Submersible operations	75		
	Subsea Construction Services	45		
	Pipe Cutting and Bending Services	100		
	Catalyst Handling/Regeneration Services	85		
	Bolt Tensioning Services	75		
	Rope Access Services	70		
	Welding and Jointing Services	70		
	Maintenance and Modification of Pumps and Rotating Equipment	65		
	Heat Treating and Demagnetising Services	80		
	Tank Bottom Sludge Treatment Services	85		
	Valve Management Services including testing and repair	85		
	Crane Management Services	80		
	Other Construction/Maintenance Services	80		
	Pipe laying/Cable Laying Services	50		
	Trenching and Excavation Services	100		
	Cranes/Crane Barges/Heavy Lift Vessels	100		
	Marine Services	65		
	Subsea Services	45		
	Well Services	100		
	Cutting Services	100		
	Site Services	100		
	Other Decommissioning and Abandonment services	90		
	Service station tank maintenance / services	75		
	Electrical/Electronics system integration/process automation	55	omitted from shedule	
INSPECTION, TESTING & CERTIFICATION	Material Technology/Anti-Corrosion/Surface Protection Services	85		
	Non-Destructive Testing (NDT) Services	60		
	Pipeline Flushing, External/Internal Inspection Pigging Services	85		

PETAN INDUSTRY CAPACITY ANALYSIS			
CATEGORY	DESCRIPTION	CONTENT CAPACITY ANALYSIS BY PETAN/NCD %	REMARKS/JUSTIFICATION
	Surface Treatment Inspection Services	90	
	Pressure Testing Services	90	
	Instrument Testing/Calibration Services	85	
	Load Testing Services	75	
	Diving/ROV operations	65	
	Laboratory Testing Services	100	
	Dimensional Control/Verification Services	45	
	Third Party Measurement Services	45	
	Other Inspection Services	75	
	Quality Management Systems Certificate	75	
	Environmental Management Systems Certificate	60	
	Safety Management System Certification	45	
	Information Security Management Systems Certificate	45	
	Certification of Welders	60	
	Certification by NDT personnel	60	
	Certification of machinery & equipment	45	
	Certification on NDT Personnel	50	
	Certificate of Machinery	50	
	Certification of Cranes and Lifting Appliances	45	
	Certification of Pressurised Equipment	45	
	Evaluation and Certification of Software and Electronics (IT)	45	
	Notified Body for Machinery	45	
	Notified Body for simple Pressure Vessels	45	
	Notified Body for Telecommunication Terminal Equipment	45	
	Notified Body for Medical Equipment	50	
	Notified Body for Personal Protection Equipment	45	
	Notified Body for Lifts	50	
	Notified Body for Pressure Containing Equipment	45	
	Integrity Management Services	50	
	Other Certification Services	50	
	Other Testing Services	49	
	Process Testing including Helium & Nitrogen services		omitted from shedule
PROJECT MANAGEMENT / CONSULTING SERVICES	Construction Management and Supervision services	80	
	Project Administration services / Project Management	80	
	Quality Assurance QA / QC Consultancy	60	
	Safety, Health and Environment Consultancy	60	
	Risk Analysis Consultancy	45	
	Personnel/Training System Consultancy (For training courses select 3.99.13)	60	
	Legal Consultancy	90	
	Cost and Planning Consultancy	80	
	Material Administration Consultancy	75	
	Technical Documentation/Document Control Consultancy	85	
	Advertising/Public Affairs/Public Relations Consultancy	80	
	Marketing and Market Research Consultancy	75	
	Translation and Manual Writing Consultancy	45	
	Welding and Jointing Consultancy	45	
	Warranty Surveyors	45	
	Third Party Evaluation/Verification Consultancy	60	
	Energy Conservation Consultancy	65	

PETAN INDUSTRY CAPACITY ANALYSIS				
CATEGORY	DESCRIPTION	CONTENT CAPACITY ANALYSIS BY PETAN/NCD %	REMARKS/JUSTIFICATION	
	Decommissioning and Abandonment Consultancy	90		
	Meteorological Consultancy	55		
	Staff Search/Selection Consultancy	80		
	Sub-surface Consultancy (Geological, Geophysical, Reservoir)	90		
	Design Consultancy (Industrial Design, Web Design etc.)	85		
	Marine Consultancy	50		
	Subsea Consultancy	45		
	Career/Outplacement Consultancy	100		
	General Management and Business Development Consultancy	80		
	Other Consultancy Services	50		
	Pollution and Pollution Control Works and Consultancy	65		
SURVEYING/POSITIONING SERVICES	Soil Investigation Services	80		
	Navigation/Positioning Services	50		
	Geotechnical Services	70		
	Geophysical and Hydrographic Site Survey	100		
	Oceanographic Services	60		
	Rig Positioning Services	65		
	Photogrammetry Surveying Services	45		
	Chart and Map Production Services	45		
	Rental of Surveying/Positioning Equipment Services	45		
	Survey and Positioning Support Services	75		
		Aeromagnetic Survey	45	
MODIFICATION & MAINTENANCE	Car Wash Equipment Maintenance/Services			
	Canopy Equipment Maintenance/Services	90		
	Dredging services	90		
	Signs and Accessories Maintenance/Services	55		
	Services Station Pumps Maintenance/Services	100		
	Payment Terminal Maintenance/Services	100		
	Service Station Tanks Maintenance/Services	100		
	Subsea systems	75		
	Pipeline Systems	100		
	Risers	100		
	Umbilicals	49		
	Terminal/Oil Movement Systems	60		
	Accommodation/Office/Workshop/Storage Modules	100		
	Process Modules/Packages	80		
	Utilities Modules/Packages	65		
	Drilling Modules/Packages	80		
	Buildings including Services Stations	100		
	Engineering Modification and Maintenance Services for a Site/Platform	100		
SHIPPING	Domestic coastal carriage of petroleum products	100		
	Tow of oil & gas infrastructure & vessels conveying oil & gas products from or to any port or point in Nigerian waters	90		
	Supply of very large crude carriers (VLCC)	90		

PETAN suggests that the bench mark of \$10 million set in section 413 (1), before the Nigerian Content plan becomes applicable to a project should be deleted. The Nigerian content plan requirement should be applicable to all projects.