

INTRODUCTION

1.1 Background of the Study

The need for resource-rich Nigeria to assume control of the exploration, exploitation and production activities in the oil and gas sector and to harness the potentials of this most strategic industry in order to generate more value-added, seems to be receiving much desired attention from all the stakeholders. This need is equally expressed in Nigeria's desire to domicile a substantial amount of the average \$18 billion per annum exploration and production spending and stem the tide of capital flight which, over the years, has made Nigeria a junior partner in her joint venture arrangements with the International Oil Companies (IOCs). For a country with over four decades' experience in oil and gas exploration and production activities and proven recoverable reserves of about 37 billion barrels, her inability to use the resource wealth as a means for national development and poverty reduction has perhaps been the greatest challenge facing successive administrations. These challenges have their expression in how Nigeria can derive maximum benefits from oil and gas operations through optimal use of local competences and resources as practiced in Indonesia, Brazil, Norway and Venezuela, for example. Although these countries started oil exploration and production activities after Nigeria they have largely recorded remarkable success in their efforts to grow the local content in this strategic industry. The question is: why has Nigeria been unable to surmount her own challenges?

The Nigerian Oil and Gas Development Law 2010 defines local content as "the quantum of composite value added to or created in Nigeria through utilization of Nigerian resources and services in the petroleum industry resulting in the development of indigenous capability without compromising quality, health, safety and environmental standards". It is framed within the context of growth of Nigerian entrepreneurship and the domestication of assets to fully realize Nigeria's strategic developmental goals. The scheme, which has the potential to create over 30,000 jobs in the next 5 years, is geared to increasing the domestic share of the \$18 billion annual spending on oil and gas from 45% to 70%, in addition to enhancing the multiplier effects on the economy, through refining and petrochemicals. The local content policy action started in 1971 through the establishment of the Nigerian National Oil Corporation, (NOC). NOC was established as a vehicle for the promotion of Nigeria's indigenization policy in the petroleum sector. It later became Nigerian National Petroleum Corporation (NNPC) in 1977 through NOC's merger with the petroleum ministry. NNPC flagged off the actual local content initiative through acquisition of interests in the operations of the IOCs. These interests grew to about 70%, with the responsibility of controlling all acreages and other activities. Although conscious efforts were made in the past through Regulation 26 of the 1969 Petroleum Act, enforcement of local content policy, the springboard for sustainable economic transformation of Nigeria, was mere paper work. For an industry that contributes 80% of Nigerian government revenues and 95% of its foreign exchange this is entirely unacceptable to the Nigerian government hence the clamor for change.

1.2 Statement of the Problem

Nigeria's rising profile in oil and gas production was rather fast and steady such that she soon became a formidable force within OPEC. Oil exploration, which started onshore has tremendously improved the nation's daily production capacity to about 2.3 million barrels per day, and raised her proven reserves to about 37 billion barrels. However, despite Nigeria's ever-growing profile and wealth, the country remains one

of the poorest, and technologically backward, nations in the world. This is basically because the much-taunted wealth has not translated into improved welfare. One reason for this is that over 90 percent of the yearly industry expenditures escape the domestic economy as capital flight.

1.3 Objectives of the study

There is no doubt that the ultimate objective of any oil-producing, developing country is to control and operate all phases of its industry. This explains why successive governments since the country's return to democracy have deemed it an urgent need to positively develop the level of participation of Nigerians in the oil and gas industry. Indeed, the Federal Government of Nigeria have initiated several policies and enacted some legislations towards the statutorization of such golden initiative. This paper critically examines the various local contents in the petroleum industry in Nigeria, particularly the key statutory and/or policy framework regulating same.

1.4 Research questions

1. What are local contents in the petroleum industry in Nigeria?

1.5 Significance of the study

Despite the ever growing number of local oil service companies the latter's annual gross earnings still account for less than 5 percent of the sector's aggregate annual contracting budget. Even the local media has been denied the much desired opportunity to advertise the activities of upstream companies in Nigeria. Some of these companies, including Nigeria LNG prefer to spend huge media budgets running into millions of dollars on foreign media like CNN, upstream journals and magazines. They hardly spend 20 percent of such annual budget on Nigeria media.

1.6 Scope/Limitations of the study

This study on immorality in churches will cover all forms of immoral activities that exist in churches today with a view of finding a lasting solution to the problem.

Limitations of study

- 1. Financial constraint-** Insufficient fund tends to impede the efficiency of the researcher in sourcing for the relevant materials, literature or information and in the process of data collection (internet, questionnaire and interview).
- 2. Time constraint-** The researcher will simultaneously engage in this study with other academic work. This consequently will cut down on the time devoted for the research work.

1.7 Definition of terms

Local Content:Is the development of local skills, oil and gas technology transfer, and use of local manpower and local manufacturing. For a more practical definition, one could say that local content is building a workforce that is skilled and building a competitive supplier base (Oil and Gas, 2010).

Oil and Gas industry:A company that participates in every aspect of the oil or gasbusiness, which includes the discovering, obtaining, producing, refining, and distributing oil and gas. An integrated organization usually organizes its different tasks and operations into the categories upstream and downstream.

LOCAL CONTENT IN THE OIL AND GAS INDUSTRY OF NIGERIA: CHALLENGES, PROSPECTS AND THE WAY FORWARD

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