



Nigerian Content Development as a Competitive Advantage: The Chevron Success Story

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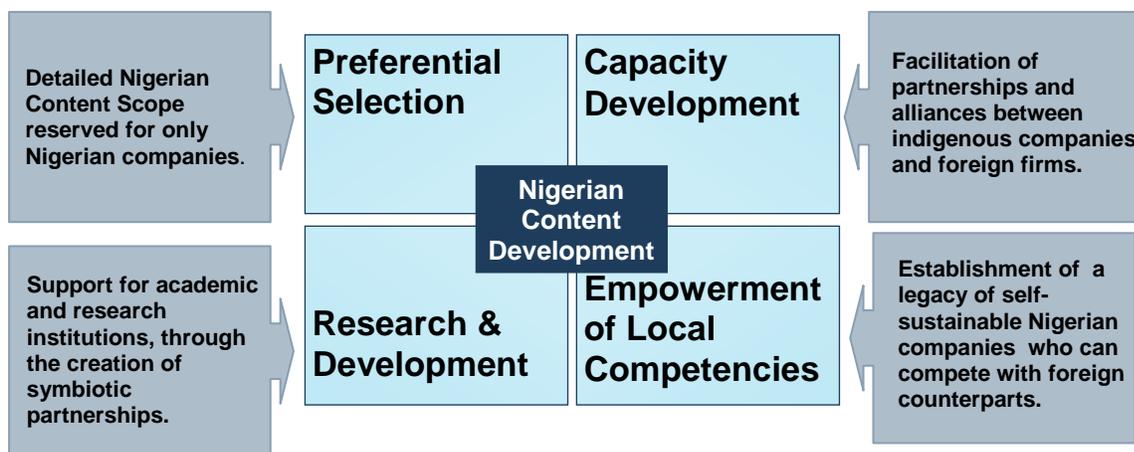
Abstract

This paper is an analysis and synthesis of the vision of Chevron, its strategies, landmarks, accomplishments and signposts within the context of Nigerian Content Development in the oil and gas industry. The paper also articulates the avalanche of opportunities as well as best practices for businesses and investors. The Chevron experience reveals the critical success factors and interplay of forces required for achieving the objectives of the Nigerian Content Development.

The Vision of Chevron Nigeria Limited is “to be recognized as the oil and gas company in Nigeria most admired for its utilization and development of Nigerian contractors, suppliers, and human resources.”

Chevron’s Local Content Strategy

Chevron’s strategy, which is utilized in all countries where we operate, falls into four categories as vividly illustrated in the diagram that follows:



Landmarks - AGBAMI FPSO

The Nigerian Content of the Agbami Floating Production, Storage and Offloading vessel includes the fabrication of about 10,000 tons of topsides, subsea manifolds, export buoy and suction piles fabricated in Nigerian yards. This is the highest Nigerian Content of any Deepwater project in Nigeria. Module 7P which weighs 1,700 tons is the heaviest and largest module ever fabricated in Nigeria. The vessel is currently moored in approximately 4,800 feet of water where it is undergoing installation and commissioning activities in preparation for first oil in the second-quarter 2008. Agbami FPSO, has a processing capability of 250,000 barrels per day of oil and a storage capacity of 2.15 million barrels of oil.

AGBAMI FPSO

The highest Nigerian Content of any FPSO Project. Over 10,000 tons fabricated in Nigeria.



Landmarks – MEJI & MEREN X

Meren X Well Platform which is being used in Meren field in Escravos Delta State was locally fabricated and has a drilling capacity of 7,000 barrels per day.

Another achievement was the in-country execution of the Meji Redevelopment Project and the Meji Production Platform (PP) Capacity Upgrade Project. The Project Management, Engineering, Fabrication, and Installation were also completed in-country.

The Meji Redevelopment Project consists of two new wellhead platforms, a riser platform (connected via a bridge to the Meji PP) and flowlines connecting the wellhead platforms to the riser platform and the Meji PP. The Meji PP Capacity Upgrade Project increased the capacity of the facility by 15,000 bopd.

- Meren X Platform was locally built and has a capacity of 7,000 barrels per day.
- Meji Riser Platform bridge fabricated locally.



Landmarks – VRMT, Ogbelle

Chevron's commitment to encouraging indigenous participation in the nation's oil and gas industry also informed the company's support for local companies such as the Vision Reservoir Management Technologies (VRMT) International which recently opened its ultra-modern Centre of Excellence Fluids Laboratory for Improving Well Productivity in Lagos. The opening of the Fluids Laboratory marked the beginning of the most effective transfer of technology in the Nigerian oil and gas industry. The facility enabled VRMT to work jointly and collectively with Nigerian oil industry professionals in the task of problem definition, solution design and corrective implementation to our oilfields."

Chevron Nigeria Limited will also continue to hand over oil fields the Company is not in the position to develop or create value from, in line with its Nigerian Content/Local Business Development philosophy. Chevron pioneered the marginal field initiative by voluntarily farming out the Ogbelle Field to Niger Delta Exploration and Production (NDEP) an indigenous company. That landmark gesture made CNL the first major operator in Nigeria to hand over a marginal field to a Nigerian firm.

- Empowered VRMT by providing financial aid and equipment to set up Nigeria 1st Advanced Fluid Laboratory.



- Pioneered the marginal field initiative. Farmed out Ogbelle to Niger Delta Exploration and Production. First oil was produced in 2005.



Landmarks – Business Skills Development

260 community contractors from Delta, Rivers, Bayelsa and Ondo States attended a two-day Colloquium on Nigerian Content organized by the company in partnership with the Lagos Business School (LBS) to explore how to develop a viable Nigerian Content in the oil and gas industry.

The colloquium which was in is part of the on going efforts by Chevron Nigeria Limited to develop and sustain the managerial capabilities and competences of local contractors in the oil and gas sector of the Nigerian economy, In addition, it would enable them derive full benefit from the Nigerian Content initiative of the Federal Government. Chevron also exposes local business entrepreneurs to competences that will increase their management skills in the Nigerian oil and gas industry and exposes the various opportunities available to local businesses to better position themselves in the industry.

- 260 Contractors from Niger Delta area were empowered to take advantage of Nigerian Content opportunities.
- Entrepreneur Development Course conducted for over 60 contractors from all over Nigeria.



Landmarks – Human Resources Development

A total of 210 young Nigerians are being trained in Sasol plants in Sasolburg and Secunda in South Africa with skills that will enable them manage the company's Gas to Liquids project. 105 Engineers drawn from 21 Engineering Companies in Nigeria were trained in South Korea and USA to improve their engineering skills over an 8-month period. 288 young Nigerians have undergone a technical skill acquisition training program initiated and being executed by Chevron Nigeria Limited in collaboration with Celgelec – Prime Atlantic Nigeria Limited. The program which is being run at The Training and Conference Centre, Ogere, Ogun State, is aimed at helping the trainees acquire the requisite competencies for future responsibilities in the oil and gas sector. The 52 weeks training will focus on the practical aspects of operation, electrical, instrumentation and mechanical issues. The first stage is in the classroom/workshop while the second stage will be on the job training at Chevron's facilities.

- Focused effort to develop Nigerian HR. Total of 210 trainees in South Africa, 288 in Ogere and 105 in South Korea and USA.



Landmarks – Attracting Foreign Investment

As a result of the consistent drive for increased Nigerian Content in the oil and gas industry, Chevron has facilitated a flow of foreign investors which have established quite a number of production platforms, thereby creating and multiplying employment opportunities for Nigerians.

Oil Country Tubular Goods: Buoyed by encouragement from Chevron, Oil Country Tubular Goods (OCTG), a global player established a threading plant (Tenaris Global Services Nigeria Limited) in Nigeria. This project was worth over \$20m and it provided employment opportunities to more than a hundred Nigerian citizens. Tenaris Global Services Nigeria Limited is currently exploring heat treatment as a product line in Nigeria, although this initiative is being delayed by the erratic power supply in the country.

Valves: Chevron was instrumental to the setting up of a valve assembly plant in Nigeria by Dresser Flow Controls Inc. (now Cameron Valves & Measurement West Africa Limited). The assembly plant is currently operating from the Onne Free Trade Zone.

Gaskets: Chevron supported Flexitallic Inc. to establish a production plant in Nigeria in partnership with Special Piping & Materials Nigeria Limited. The plant is situated in Warri and will be commissioned soon.

Solar Turbines: Chevron positively impacted the Solar Turbines Nigeria Limited to stock up parts initially and establish a world class repair center for solar turbines in-country.

Engine Overhaul: Through the help of Chevron, Universal Compression Inc. set up a world class engine repair center in Nigeria, in partnership with Excel Energy Nigeria Limited. This initiative promotes technology transfer for large scale engine repairs and creates opportunities and retention of funds in-country.



Tubular technologies. Innovative services.

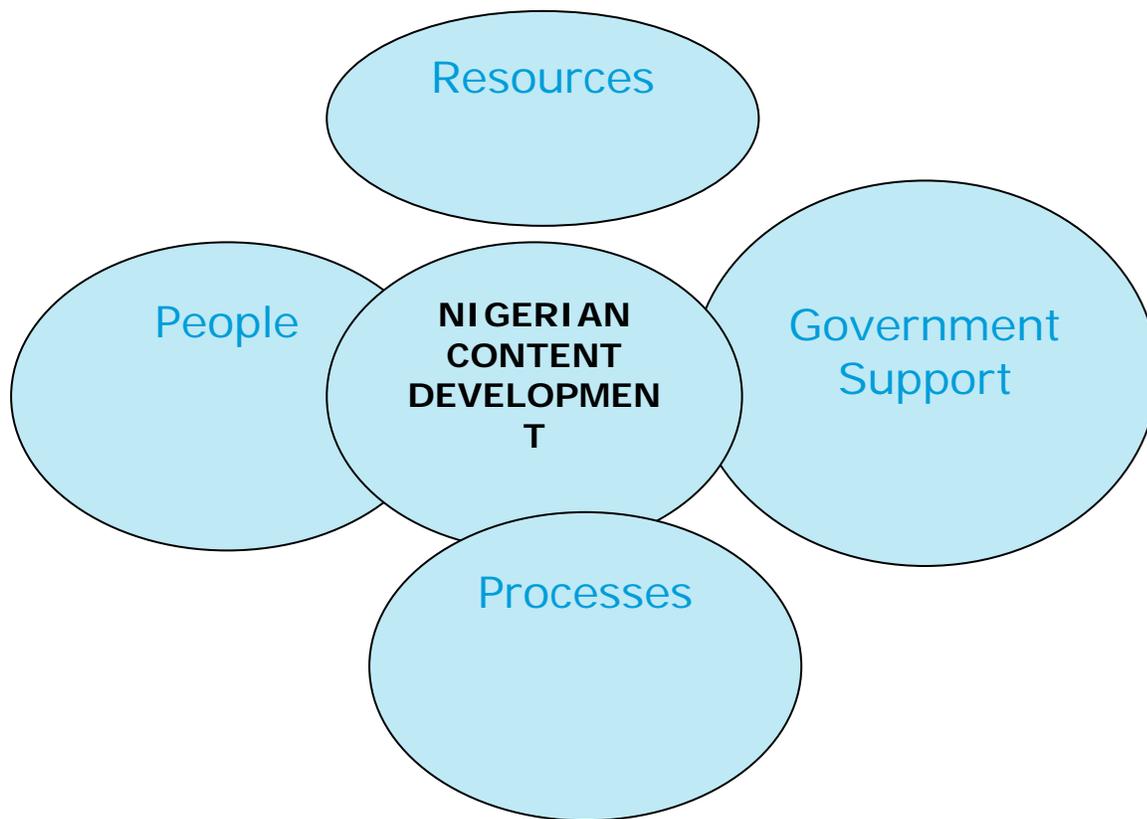


Lessons Learnt – It takes all stakeholders

The Federal Government of Nigeria has set a target of a Nigerian Content Value of 70% by 2010. This target cannot be delivered by the Oil and Gas Industry alone. For us to be successful in our aspirations there should be proper alignment in capacity building initiatives, infrastructures, regulations and policies, manufacturing base producing to international standards and an enabling environment.



A seamless system is required that will take People, Resources, Processes and Government Support to deliver Nigerian Content.



Opportunities for Businesses in Nigeria

The following opportunities currently abound in various sectors of the economy that investors can take advantage of.

- All Engineering Services.
- Fabrication Yards.
- Drilling Services.
- Non-Destructive Testing Services.
- All materials manufactured in Nigeria.
- Reservoir Management.
- Steel Plates and Pipes.
- Repairs and Maintenance
- Telecommunication Services.
- Information Technology.
- Partnership with International Companies.
- Manufacturers' agents and representatives.
- Assembling.
- Real Estate Services.
- Vocational Skills Training Services.

Contractor Best Practices

Best Practices that we have seen among contractors that are taking advantage of the opportunities include:

- Focused business niche.
- Competitive “First Cost”.
- Abreast of NC opportunities.
- Business plan addresses gaps.
- Registered in JQS.
- Attend NCCF or network with attendees.
- Is Connected – Domain name, Internet access and e-mail.
- Invests in workforce professional development and rewards high performance.
- Passionate about customer satisfaction.
- Focused on Safety.
- Has Financial capability and access to funds.
- Strives for Continuous Innovation and Improvement.
- Aggressively markets Company business.

Conclusion – The Strategy Works.

From the foregoing, there is every indication that Chevron’s strategy of preferential selection, capacity development, research and development and empowerment of local competencies works. It has given Chevron a competitive edge in delivering on its Business Plan. The challenge is for all of us as Nigerians, investors in Nigeria and Friends of Nigeria to work together collaboratively to deliver on Nigerian Content such that years from now, we will all be proud of our accomplishments and generations yet unborn will enjoy economic empowerment.