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Local Content an Introduction

1.1 What Is Local Content?

Developing Sub-Saharan African countries have been the supplying hydrocarbons for over thirty years. Most of Sub-Saharan Africa has, incorporated standards for “local content” into the regulatory system regulating the production of natural resources. The goal is to create employment opportunities, facilitate the growth of businesses and acquire new skills and technologies. Achieving such objectives weighs on the investor with increased costs and poses a threat for further investment. For example, oil and gas companies can face nationalistic demands that are unreasonable or deadlines from host governments or communities seeking fast outcomes; rewards come from long-term strategies focused on helping to grow local businesses and employees. Given the value of local content, several companies consider the idea a strategic one that can directly influence a variety of core business functions,

1Ablo, Austin Dziwornu, 2015. Local Content and Participation in Ghana’s Oil and Gas Industry: Can Enterprise Development Make a Difference? In The Extractive Industries and Society.
including market growth, acquisition and operations. Besides, investors have begun developing creative technologies and methods to meet the requirements of local content and contribute to sustainable economic development.

Local content is the added value brought to a host nation (and regional and local areas in that country) through the activities of the oil and gas industry. This may be measured (by project, affiliate, and/or country aggregate) and undertaken through workforce and local supplier development.

Local content emphasises on value addition, or what is known as in country value addition that develops other sectors of the economy. The competing interests of regional and/or local areas that are host communities of oil and gas resources have brought about major debates. That we clarify using justice as an analytical framework for local content implementation. The fundamental principle behind adopting a local content policy is cracking through the enclave of the oil and gas sector by developing the local population. Little is being mentioned on what metric is most suitable for developing, growing nascent oil and gas producers, such as Liberia, Tanzania, Kenya, Uganda and Mozambique. Local content has been pivotal in transforming oil and gas resources into drivers of economic prosperity.

1.2 Why Is Local Content Important?

Regardless of boom and bust cycles, market fluctuations, uncertain pandemic outbreaks such as COVID-19 and other factors, the many new oil and gas producers in Africa will take advantage of these policy’s

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2Ibid.
3UNDP, 2012. *UNDP’s Strategy for Supporting Sustainable and Equitable Management of the Extractive Sector for Human Development*. New York.
potential benefit and relevance for strategies to offer resource-rich developed countries petro-development.\textsuperscript{4} While local content policies are only one component of a more holistic natural resource-based development system, they are extremely significant. For local content to thrive where previous efforts of resource nationalism have failed, actors writing, advising, controlling and implementing these policies must learn from the shortcomings of those earlier policies. Both modern and old local content strategies need to be updated to resolve crucial issues surrounding the meaning and evaluation of local content.\textsuperscript{5} While those creating newer local content policies need to continue to pursue a balance between strict regulation and promoting investment to ensure the best possible outcome.\textsuperscript{6} Financial capital and local leaders must also align their interests with the needs of ordinary people as well as societies that host oil and gas operations. Host governments and international oil companies must connect local content to governance, anti-corruption policies and meaningful transparency by all parties—while donor agencies and international institutions may assist them. Local content policies can be transformative, with the right synergy with other policies and participation of all stakeholders. Development policies-based solely on oil rents have, in every case disappointed Sub-Saharan Africa. However, local content provides new opportunities to make oil and gas work for twenty-first-century African production.

### 1.3 Channels of Local Content Policies

Local content policies are found in policy statements, legislation, oil and gas contracts and legislation. But local content policies can only be implemented through three channels, namely national, regional and local

\textsuperscript{4}Ovadia, Jesse Salah, 2012. The Dual Nature of Local Content in Angola’s Oil and Gas Industry: Development vs. Elite Accumulation. \textit{Journal of Contemporary African Studies}, 30(3), pp. 395–417.

\textsuperscript{5}Ovadia, J.S., 2015. The Role of Local Content Policies in Natural Resource-Based Development. \textit{Rohstoffe und Entwicklung}, 37.

\textsuperscript{6}Kolstad, I. and Kinyondo, A., 2017. Alternatives to Local Content Requirements in Resource-Rich Countries. \textit{Oxford Development Studies}, 45(4), pp. 409–423.
channels of implementation, in Sub-Saharan Africa leading local content regimes in Nigeria and Angola.\(^7\) Have adopted the national content policy; of local content implementation. New oil and gas producers like Mozambique, Tanzania, Kenya, Uganda and Liberia have also followed suit. Without an in-depth analysis of what would work for their circumstances. We advocate for the implementation of the regional content policy. The regional channel of implementation seems more viable for nascent oil and gas producers. Currently, the global oil and gas industry has faced the ramifications of the COVID-19 pandemic and the oil price shocks of 2020. These challenges have disrupted global value chains and investments in the oil and gas industry. Several countries have signed the Paris Agreement, gearing the wheels of the energy transition. Global consumers of fossil fuels moving to cleaner sources of energy with strict time-lines of 2030, 2040, 2050, etc. Sub-Saharan new oil and gas new participants do not have the luxury of time to develop the skills, capital, absorptive capacity, and technology transfer, as well as an adequate supplier base to crack through the enclave and integrate the oil and gas industry. Through regional integration countries in the Gulf of Guinea, in East Africa, in Southern Africa can pool resources, create clusters, develop regional training facilities and provide regional financing mechanisms that can facilitate local integration into the oil and gas value chain with massive linkages to other regional sectors of the economy.

1.4 Purpose of the Book

Since the African nationalisation wave of the 1980s, Sub-Saharan Africa has struggled to transform our vast natural resources into vehicles of economic development. Several studies have been undertaken explaining the paradox of plenty, trying to assess as to why Sub-Saharan Africa a rich region, with a growing young population is still deep into poverty. Several countries adopted the “one-size fits all” approach addressing this challenge in Sub-Saharan Africa. Without considering the pre-existing

\(^7\)Nwapi, C., 2016. A Survey of the Literature on Local Content Policies in the Oil and Gas Industry in East Africa. SPP Research Paper, (9/16).
circumstances to make these “solutions” and policy options thrive in our continent. This book offers novel ideas as to how policies such as the local content policy can be adopted and implemented in Sub-Saharan Africa and avail real solutions to local integration in the oil and gas industry. The use of regional integration as a problem-solving tool has been used in Sub-Saharan Africa in issues of politics, economics, and trade but not specifically in the oil and gas industry. Making it easy for multinational oil and gas companies have higher bargaining power in Sub-Saharan Africa. The oil and gas industry in Sub-Saharan Africa has brought about corruption, income inequality and built an indigenous capitalist elite class. The growing inequality, lack of transparency and negative impact of the oil and gas industry in Sub-Saharan Africa motivate the research done in this book to merge local content policies and energy justice. Having the right procedures, recognising marginalised communities, ensuring equitable distribution of the benefits and ills of the oil and gas operations with the right time and location.

1.5 Methodology

This book analyzes the adoption and implementation of local content regimes in Sub-Saharan African oil and gas countries. It is essentially an examination of how developing nations and developed nations have approached, or are likely to approach the process under which local content policies have been implemented. This study is doctrinal research (with certain non-doctrinal elements) that utilises the comparative case study methodology. Kaarbo and Beasley define comparative analysis as “the systematic comparison of two or more data points (‘cases’) obtained through use of the case study method”. They also confirm that case studies can be both qualitative as well as narrative, and do not necessarily need to rely on multiple sources of evidence to function. The functionalism in comparative law places emphasis not only on legal

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8Kaarbo, J. and Beasley, R.K., 1999. A Practical Guide to the Comparative Case Study Method in Political Psychology. Political Psychology, 20(2), pp. 369–391.
systems and rules but as well as the effects of the legal systems. The function of local content policy will be evaluated based on their functionality in the local host community of the energy resources. This book aims to unify different legal frameworks and create a new policy that can be applied in any oil and gas region, especially in regions that are struggling to crack through the oil and gas industry enclave. The analysis will examine whether the new preferable policy, institution, theory or result could work equally well in another oil and gas regions given the same circumstances. The selection process of the countries was based on the similarities of the countries. The similarities between the Sub-Saharan African countries such as Liberia, Kenya, Angola, Equatorial Guinea, Nigeria, Mozambique, Tanzania and Uganda are the following: all members of the same international agreements, namely the East African Treaty, the Economic Community of West African States, the African Continental Free Trade Area, The General Agreement on Tariff and Trade (GATT), etc. These countries have all adopted and implemented the same typology of local content policy, namely the national content policy, with similar political background and are semi-democratic countries. The enquiry and comparative method employed will examine the micro and macro comparison aspects in adopting local content policies. Hence the unification of local content requirements between the Sub-Saharan African countries will look at the economic, social, political and cultural factors in which legal rules are embedded beyond other societal preferences when implementing such production development policies.

The analysis done under a comparative enquiry is useful for observing the gaps in the adoption and implementation process of local content policies. The gap can be found not only in the adoption and the implementation process. But also in the fact that the adopted policies are not just. The analysis requires the countries to borrow a leaf from the local content poster boys on developing exemplary local content policies. But such transplantation must be done in line with the prevailing

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9 Dubber, M., Reimann, M. and Zimmerman, R., 2006. *The Oxford Handbook of Comparative Law*.
10 Dubber, M., Reimann, M. and Zimmerman, R., 2006. *The Oxford Handbook of Comparative Law*. 
circumstances of each country’s context. For instance, specific production development policies may thrive in stable political conditions, strong, self-reliant economies, technological sound environment, etc. These factors may not be readily availed in other Sub-Saharan countries. Calling for novel policy suggestions that meet the demands of the oil and gas industry and the local population. No literature creates a comparison analysis of local content policies for the sole purpose of creating a regional content policy, especially between Norway, Brazil and Sub-Saharan Africa.

1.6 Book Overview

This chapter—gives a brief overview of what the general understanding of local content is, the channels of local content implementation. The chapter also provides the methodology used and the purpose of writing this book.

Chapter 2—explains the proliferation of local content policies in numerous oil and gas countries, as a means of government intervention into the oil and gas industry to increase domestic participation. Moreover, local content policies have traditionally been seen as a tool that transforms natural resources such as oil and gas into an industry that develops the whole (national) economy. The chapter postulates that local content policies yield different results in developing countries like Nigeria, Kenya, Uganda and Tanzania, unlike in developed countries like Norway and Brazil. Using a case study approach, we analyse local content policy tools and how these tools affect local content design during the implementation of these policies. This chapter also introduces energy justice as a theory that can guide the adoption and implementation of local content policies. The purpose of having energy justice in the adoption of these policies is to shift away from the traditional political and economic justification of having local content policies and have justice as a pivotal motivator of adopting local content policies.

Chapter 3—expounds on the theory of “Energy justice” which has been a pivotal aspect in energy transitions. In this chapter, energy justice is incorporated into the adaptation of local content policies in the oil
and gas countries. The principles of energy justice, namely justice as recognition, distributive justice and procedural justice, are addressed to mediate the harm done by oil and gas operations, especially in developing oil and gas-rich countries such as Nigeria, Liberia, Equatorial Guinea, Angola, Kenya, Uganda, Mozambique and Tanzania. The main contribution is analysing whether Norway and Brazil have elements of justice in their policies and whether this is among the main factors of the policy’s success as compared to local content policies adopted in other regions. The principles of energy justice are restorative, and they enhance restorative justice in policy formulation to resolve the harm suffered by the domestic stakeholders. This poses questions about why these policies yield different results in different countries. The chapter expounds on the methodological development of the book as well as the application of local content policies and energy justice within the different tiers of energy law driving the research towards the objectives of the book.

Chapter 4—Traverses different theoretical constructs in trying to understand local content policies. These constructs are based on a localism or a regional approach advocating for either regional integration mechanisms or local mechanisms of implementing local content policies. This is guided by the understanding that numerous factors affect local content policy success both in developing and developed oil and gas countries. Nevertheless, local content as an interdisciplinary phenomenon navigates through different economic and legal schools of thought. The interdisciplinary nature of these policies creates uncertainty on what type of local content policy should best address the needs of the oil and gas industry in a given jurisdiction. National content policies have been fundamentally the main type of local content policies implemented across the book’s case study countries. This has led to different alternatives being adopted in oil and gas countries that move away from local content policies to address the industry bottlenecks and achieve the same objectives as local content policies. A robust literature review is done in this chapter to find the gap both in literature and policy, to meet the objectives of the book and create novel solutions for developing countries when adopting local content policies.
Chapter 5—undertakes a cross-country study wherein analysis is made to determine how local content policies function in different jurisdictions: all case study countries, namely Nigeria, Tanzania, Norway, Brazil, Kenya, Angola, Mozambique, Equatorial Guinea, Liberia and Uganda have all adopted national content policies. But only the national content policies in Norway and Brazil are efficient and recommendable to other economies. This brings about the question as to whether these policies are only efficient in developed nations compared to developing nations as they yield different results. As such, the chapter provides a cross-country analysis for local content policies. Furthermore, the chapter analyses the initial government intervention mechanisms adopted by all countries, the economy before the discovery of oil and gas resources and the local content regime found in all six countries. The principles of energy justice are assessed in all the local content regimes to determine whether principles of energy justice play a role in making local content policies effective and efficient in both developing and developed countries.

Chapter 6—explains the concept of regionalism in a local content perspective and its rationale and role in achieving the development objectives of mostly the developing countries in Sub-Saharan Africa. Oil and gas countries such as Norway, Brazil and Nigeria have implemented national content policies since the discovery of their oil and gas resources. But these policies have not brought about similar results despite the similarity in implementation and adoption mechanisms of the policy, since developing countries like Kenya, Tanzania and Uganda do not have the same characteristics of developed countries like Norway and Brazil. For these nascent oil and gas countries to avoid the Nigerian route of implementing redundant local content policies, it is argued here that these countries should adopt a regional content policy. Regional content policies pool resources of the countries within a given regional economic bloc to meet the demands of the oil and gas industry and have leverage against the huge multinational oil and gas corporations—the principles of energy justice guide regional content policies. The chapter also hypothesises that as much as policymakers can implement local content policies based on economic and political reasons, the aspect of justice must be at the core centre of adopting these policies.
Chapter 7—Examines the implications of regional integration on local content policies. The chapter further illustrates how individual countries can gain from having a regional economic bloc as the centre for local content development as the chapter shows how the policy can be developed in the East African Community. The key contribution of this chapter is the analysis done of regional content policies and stakeholder engagement from the international level to the community level. Secondly, the chapter explains the role between regional content policies in achieving sustainable development goals and the implications of having energy justice within a local content framework are all illustrated in this chapter. A regional content policy is a typology of local content policy. Regional content policies are yet to be implemented in any oil and gas-rich region. The policy entails the pooling of resources by the indigenous oil and gas stakeholders of a particular regional bloc such as the East African Community to compete with the oil and gas multinational investors. The policy encompasses all stakeholders of the oil and gas industry.

Moreover, stakeholders emanate from the regional level, national level and the immediate community level. As such, the chapter construes that it is only a regional content policy that can have an impact on all levels of stakeholder engagement in any local content policy. This proves that a regional content policy has ramifications that are in line with the demands of energy justice, in that the policy recognises all stakeholders through a justifiable process that brings about an equal distribution of ills and benefits of the oil and gas industry. Furthermore, the chapter also analyses the implications of the policy on the sustainable development goals, the role of the countries in the region, the regional value chains as well as the linkage development in East Africa’s oil and gas sector.

Chapter 8—Local content policies have been identified to be weak in developing Sub-Saharan African compared to Brazil and Norway. The weakness is evident from the first stages of implementation in these developing countries, the misalignment of policies, and the heavy involvement of the political elite in oil and gas operations. The book provides ample lessons for Sub-Saharan African oil and gas countries from mature developed oil and gas economies, namely Brazil and Angola. The chapter also provides an insight into regional content policies
and uncertain global events such as the 2020 oil price shock and the COVID-19 global pandemic that disrupted global and regional value chains.

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