



Change of Business Environment in Oil Downstream & Human Resources Development

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Change of Business Environment in Oil Downstream & Human Resources Development

Outline



- **Background**
 - Global Trends in Downstream Oil
 - The Business Environment of Downstream Oil in Nigeria
- **Human Capacity Development in the Nigerian Oil & Gas Industry**
 - The Petroleum Act & Human Capacity Development Under the Act
 - Focus of NNPC Human Resource Strategy
 - NNPC Transformation & Human Capacity Development
- **Concluding Remarks**



Background

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Human Capacity Development In the Nigerian Oil and Gas Industry: Recruitment & Training of Nigerian Citizens

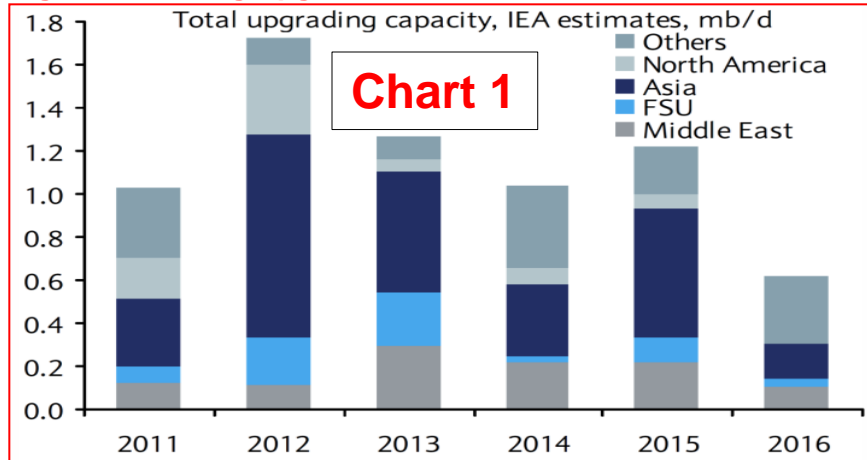
- Global crude oil demand is fast driving consumption which is estimated to hit 99.7 mil b/d by 2035, basically owing to improved consumption mainly from non-OECD countries.
- Although, OECD demand has been fairly unchanged, non-OECD demand growth continue to sustain stability in the market. India, China and members of OPEC are some of the contributors to non-OECD oil demand gains.
- Nigeria's crude oil and gas reserves is put at 36 billion barrels and 187 Tcf respectively, with current crude oil production averaging at 2.5 mil barrels per day
- The strategic focus for gas in Nigeria is to support domestic power generation and industrial projects in addition to new gas export projects, viz: BLNG, NLNG T7 & OKLNG
- Following the recent development in the Northern Hemisphere, US especially, Nigeria is developing and sustaining new markets in the southern hemisphere
- Increased domestic utilization of oil and gas is driving increase in downstream investments and activities, exposing new technical and human resources challenges.



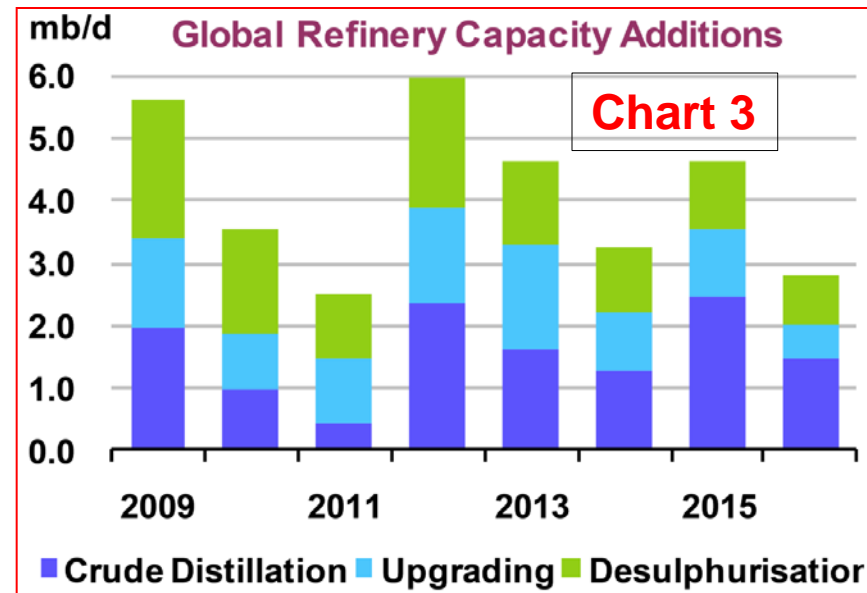
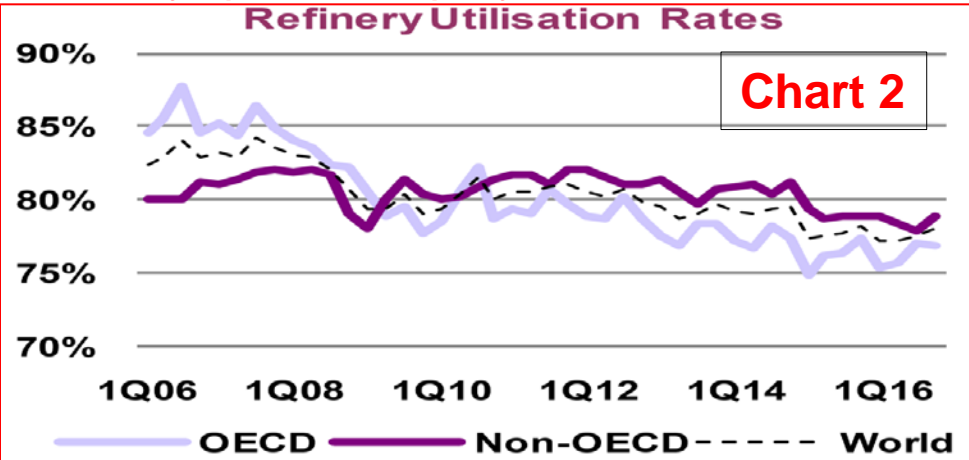
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Background: Regional Refinery Operations

Regional Refining Upgrades



Refinery Operations & Capacity Utilization



- Global Refining Capacity is increasing (Chart 3), utilization rate is however decreasing (Chart 2)
- Over 95% of expansions planned in the non-OECD (Middle East & Asia) (Chart 1)
- Non-OECD Asia to account for about 50% of refinery expansion.
- China to add about 3.3mb/d of distillation capacity in 2015
- New refining capacity addition in other regions to affect OECD refining operations in the medium term
- Refinery Investments in M.E. and Latin America also significant
- Globally, petroleum product demand will increase due to
 - ✓ increase in industrial activities and
 - ✓ positive China, India and European diesel oil demand

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Background: European Refinery Margins (\$/bbl)



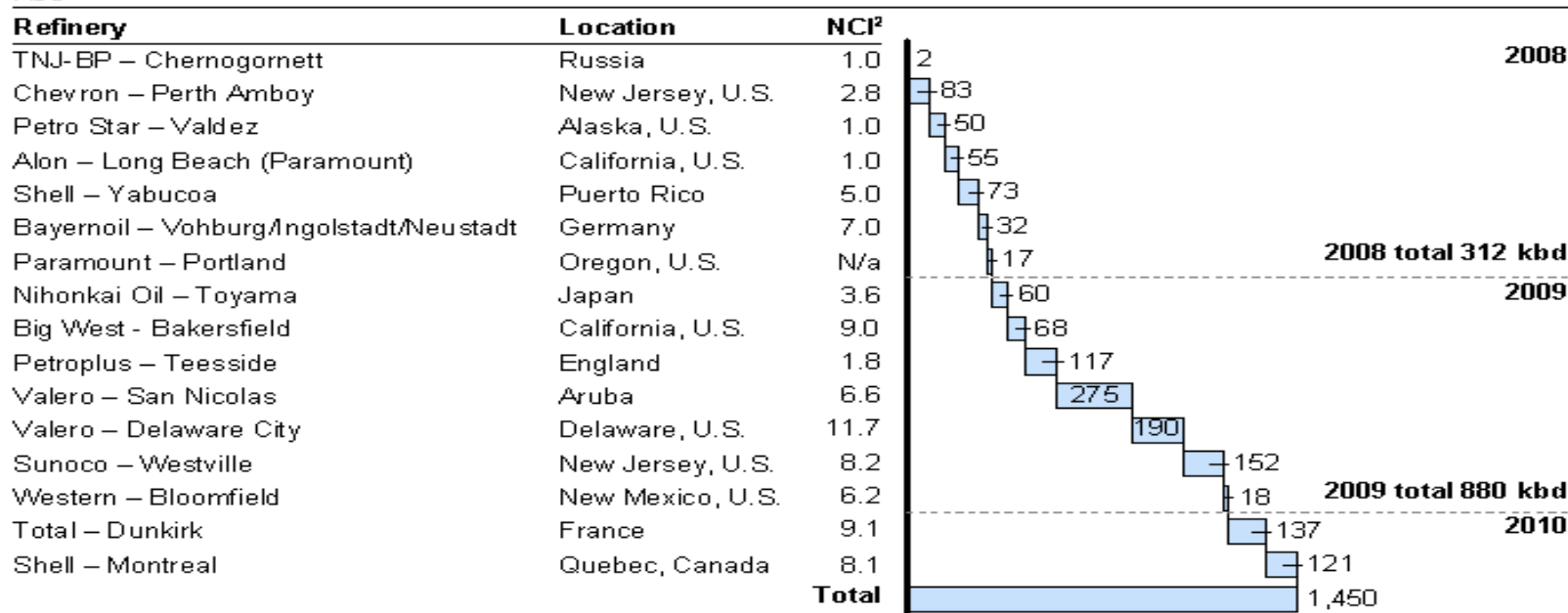
Although European refining capacity is shrinking and utilisation rates are down, non OECD Asia, Middle East, Africa and South America are building additional capacities for refining.

2010

More than 1.4 mbd of relatively simple refining capacity globally has already been shut down since 2007

Worldwide refining capacity shutdown, 2008 to current¹

Kbd



¹ Performance of shutdown based on McKinsey view

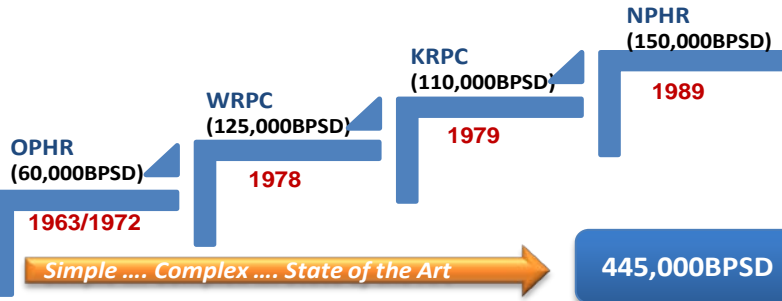
² Nelson Complexity Index – a composite complexity index based on individual unit complexities and capacities in a given refinery

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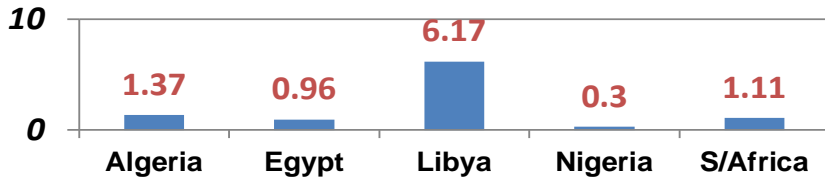
Domestic Refining Capacity & Downstream Infrastructure



Refining Capacity



Refining Capacity Per Capita, %



New Refineries



Bayelsa Refinery



Kogi Refinery



Lagos Refinery

0.81%

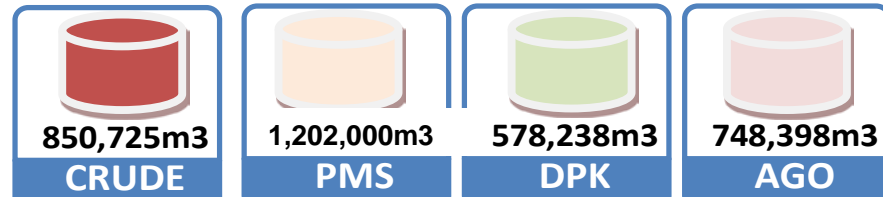
TOTAL PROPOSED NEW CAPACITY

750,000BPSD

Current NNPC Supply & Distribution Infrastructure

- 5,120 kilometers Of Pipeline Network
- 21 Petroleum Products Depots
- 9 LPG Depots
- Atlas Cove Terminal
- PPMC Escravos Terminal
- Bonny Export Terminal
- MT Oloibiri/MT Tuma

NNPC Current National Holding Capacity



Linkage To Existing Backbone Mandatory

Significant growth expected in Nigeria's domestic refining capacity and upgrade/expansion of its infrastructure.

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Background: Downstream, Refining & Petrochemicals Industrial Park / Gas Hub Concept

Petrochemicals
Ogidigbe, Delta State
(2018)



Fertilizer
Ogidigbe, Delta State
(2016-2017)



Private Power Plant (PPP)
Ogidigbe (2016)



- Nigeria is aggressively pursuing the development of infrastructure to grow the midstream and downstream.
- This will lead to the roll out of 3-Industrial Parks, beginning with Ogidigbe Industrial Park viz.: South West, East Niger Delta & Northern Area.
- Each facility to be an independently owned Venture



Human Capacity Development in the Nigerian Oil & Gas Industry

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Human Capacity Development In the Nigerian Oil and Gas Industry: Recruitment & Training of Nigerian Citizens

- Nigeria is currently adding capacity through rehabilitation of existing facilities and development of new projects in the downstream
- Human capacity demand is expected to grow and Nigerian oil and gas industry is investing in human capacity development
- Development of human capacity within the Nigerian Oil & Gas Sector is prescribed by legislation under the Petroleum Act as amended
 - The Petroleum Act focuses on 2 major Areas;
 - Recruitment & Training of Nigerian Citizens Section 26-29
 - Employment of Nigerian Citizens (Paragraphs 17)
- This is further strengthened by the National Content Act which deals with ownership and participation of Nigerians in the Oil and Gas business

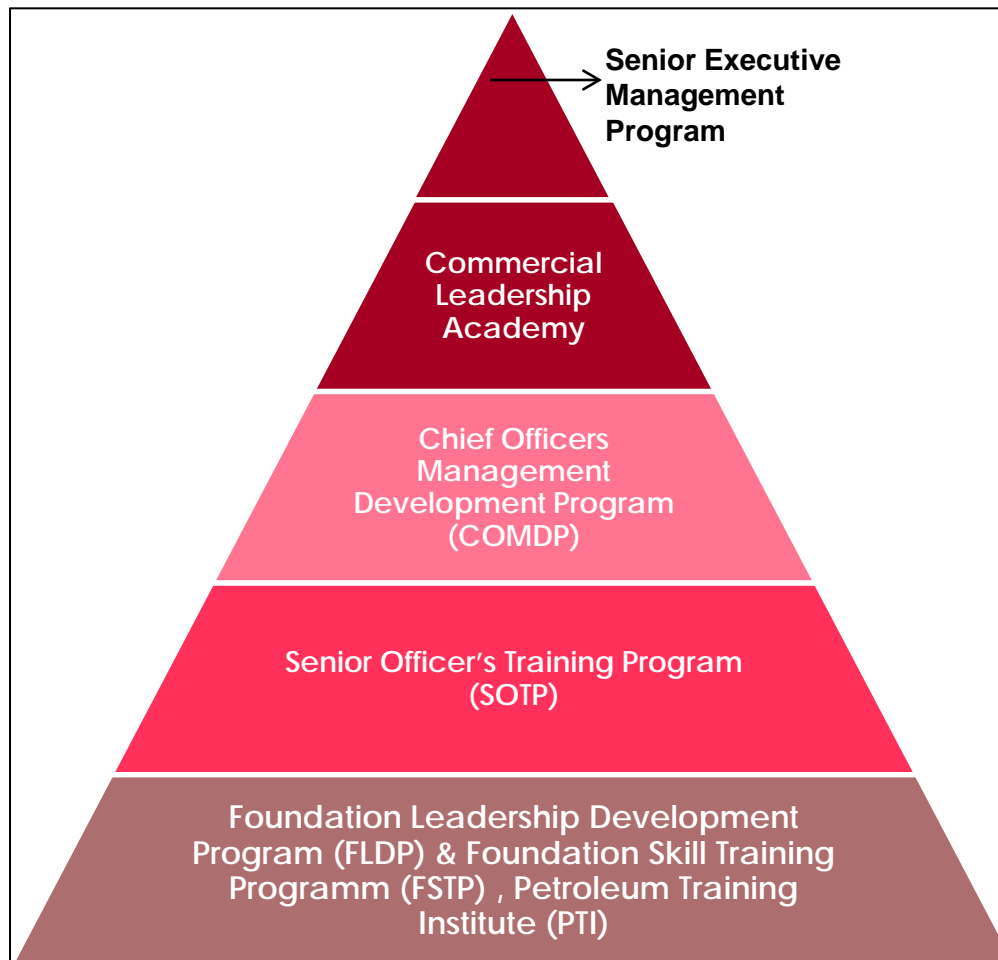
NNPC has since inception in 1977 complied with the provisions of the law and in some cases surpassed the requirements

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Basic Human Capacity Development



NNPC's Adaptation of Basic Human Capacity Development Model

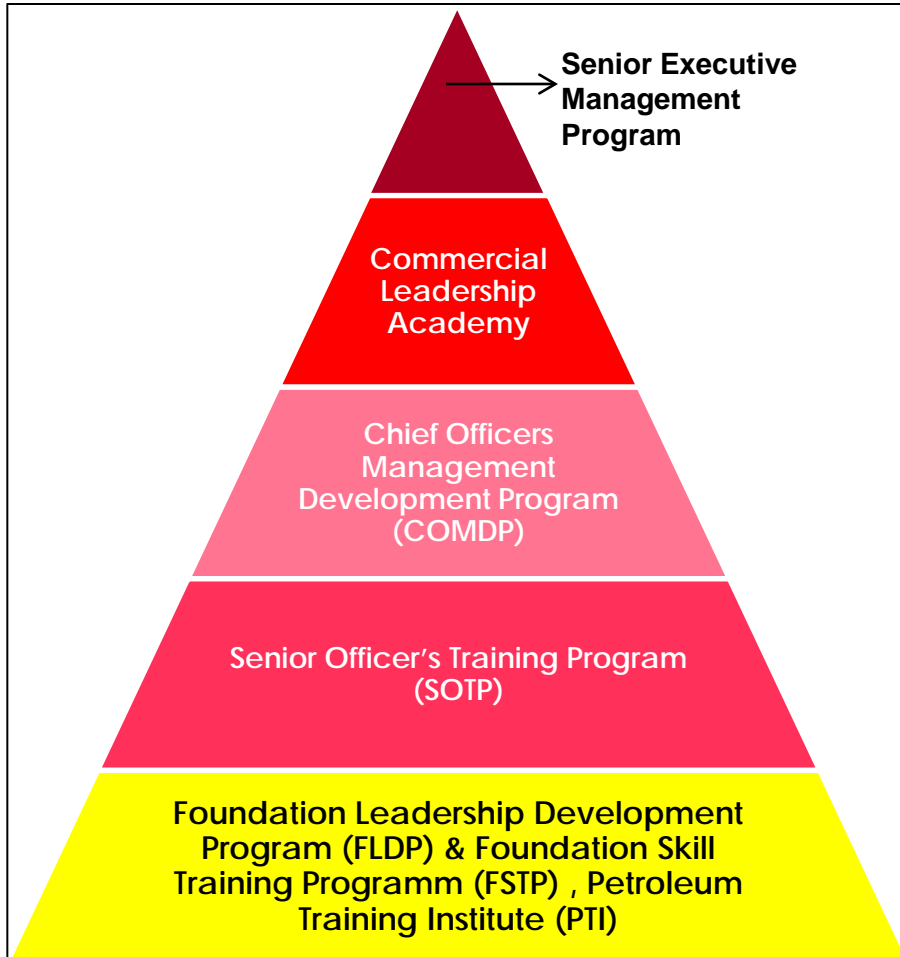


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Basic Human Capacity Development (2)



NNPC's Adaptation of Basic Human Capacity Development Model



Foundation Leadership Development Program

The FLDP is a foundation leadership Development Program that targets Young joiners. The objectives of the program are to:

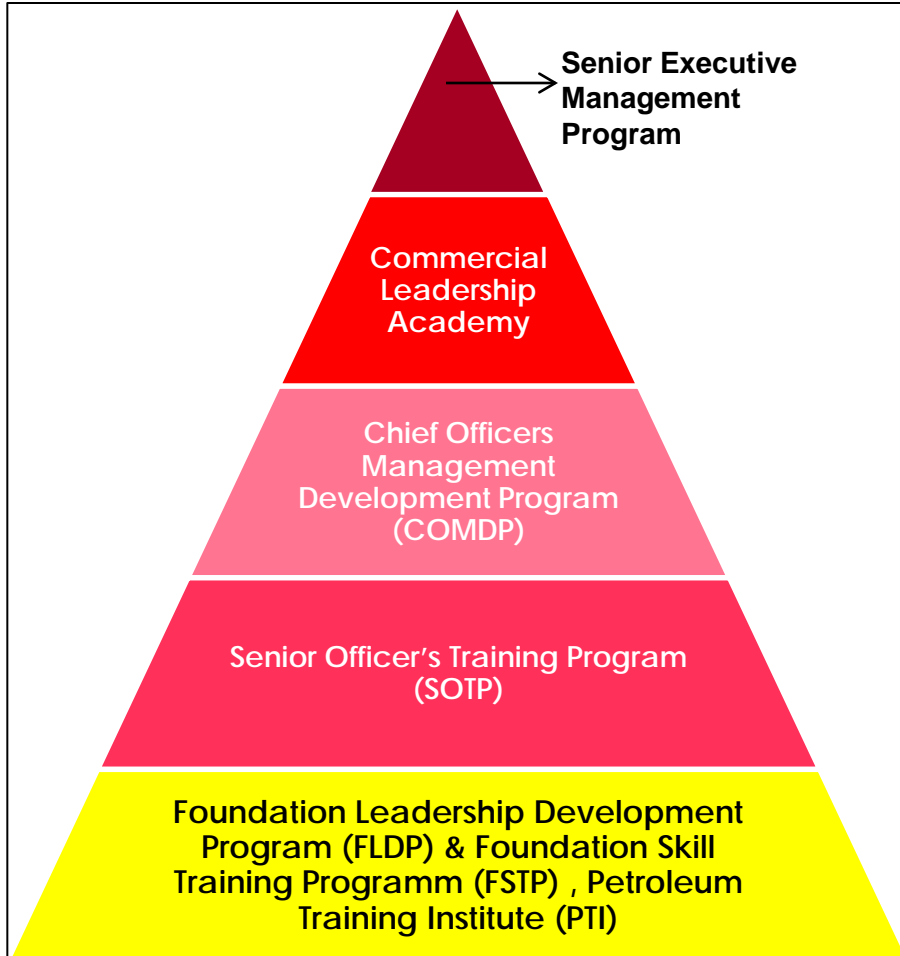
- Help the Young joiners understand NNPC Core Values, Ethics and Business Processes;
- Develop interpersonal and team building skills to foster and sustain value adding relationships;
- Be introduced to the Leadership Development Framework
- Successfully have a seamless transition from school to the workplace.

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Basic Human Capacity Development (3)



NNPC's Adaptation of Basic Human Capacity Development Model



Foundation Skill Training Program (FSTP) & Petroleum Training Institute (PTI)

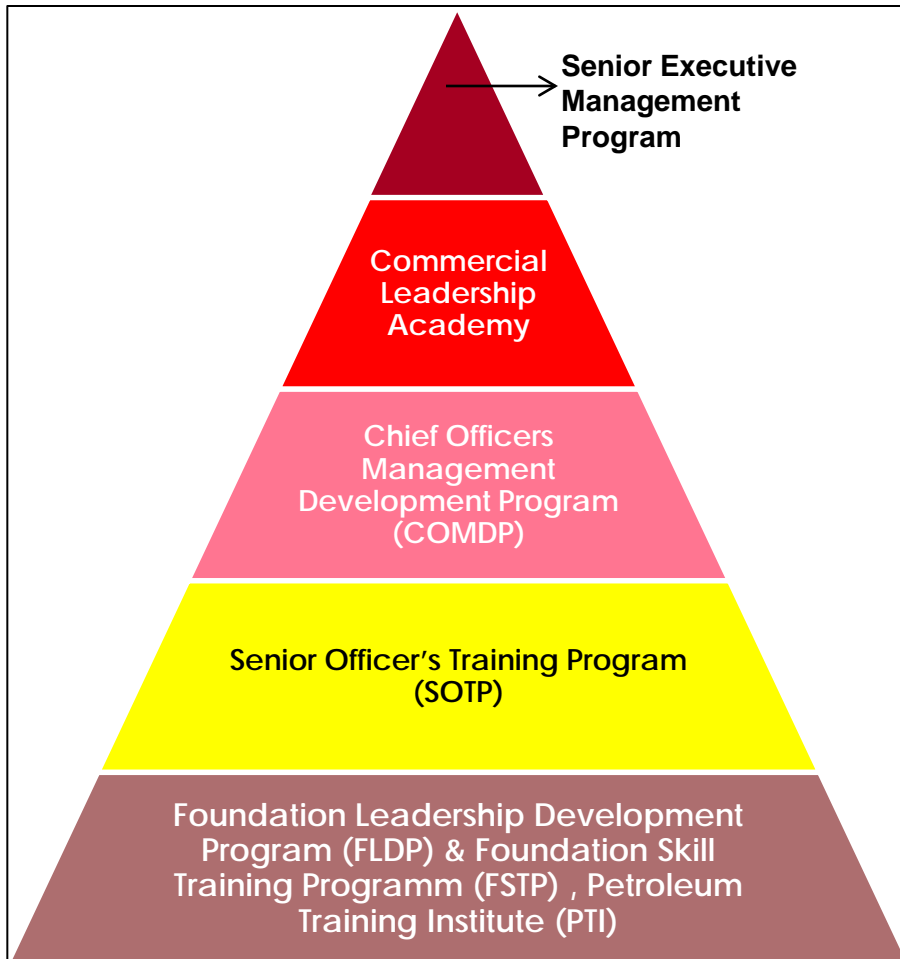
- Provide the new employees a common platform on which they will build careers in the Oil and Gas Industry
- Shore up and rebuild dwindling Technical Base of the Corporation
- Provide Monitoring, Assessment and reporting capabilities to enhance Career Planning and Development
- Encourage young professionals to drive own development through structured guidance & self learning
- Provide sound, fair and equitable basis for career progression

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Basic Human Capacity Development (4)



NNPC's Adaptation of Basic Human Capacity Development Model



Senior Officer's Training Program (SOTP)

The Senior Officers Transition Program is a transition program aimed at equipping officers transiting to the supervisory cadre. The objectives of the program are to:

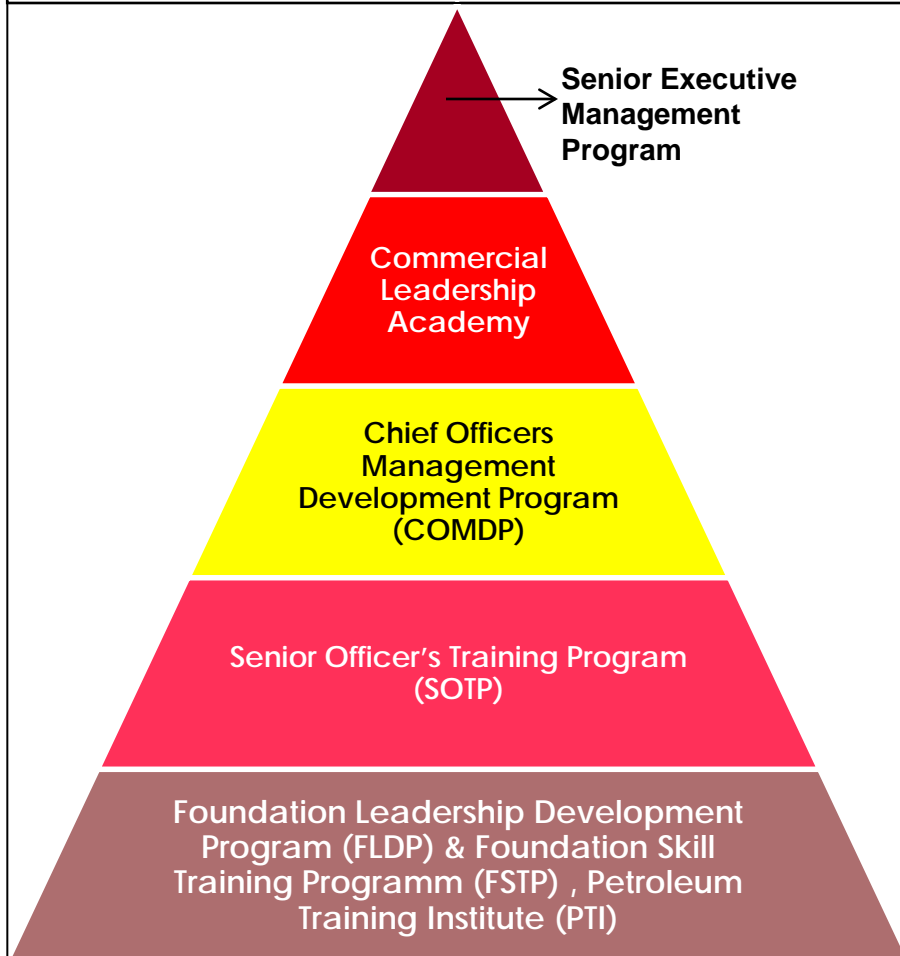
- Help participants identify the current core business challenges of the Oil and Gas industry;
- Provide participants with basic knowledge of appropriate tools and presentation skills;
- Provide participants with supervisory management skills;
- Prepare participants for the Chief Officers Management Development Program and
- Generally equip them with people management skills that will enable them add value to the organisation.



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Basic Human Capacity Development (5)

NNPC's Adaptation of Basic Human Capacity Development Model



Chief Officer's Management Development Program (COMDP)

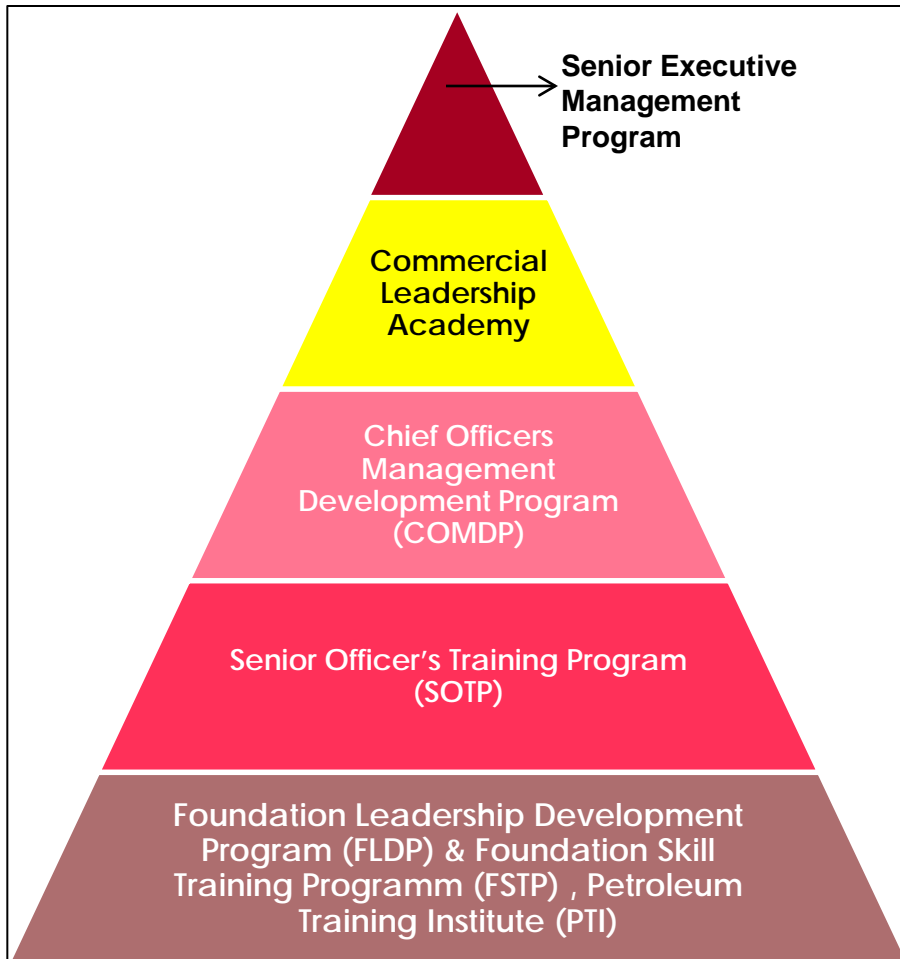
- This is the flagship of Leadership Development Programs in NNPC for Senior Staff.
- It is an eight week intensive program designed to train participants towards becoming excellent professional and versatile managers.
- The program also helps NNPC to provide a virile pool of potential leaders and managers sound in the knowledge of oil and Gas business, readily able to diagnose and solve industrial problems and face challenges of a highly competitive and dynamic business environment.



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Basic Human Capacity Development (6)

NNPC's Adaptation of Basic Human Capacity Development Model



Commercial Leadership Academy

The Commercial leadership Academy is designed for top and senior management (M1-M4). Some of its objectives include to:

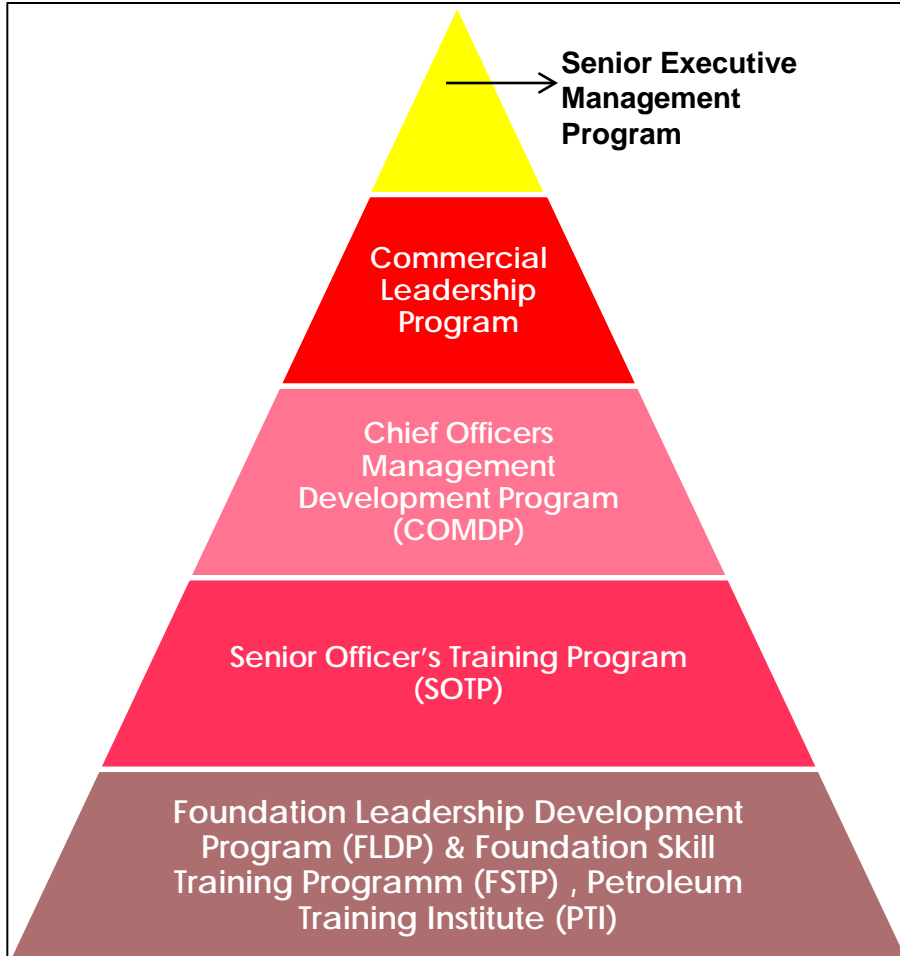
- Strengthen Commercial Leadership
- Equip leadership with tools for effective management of business units
- Enhance shared understanding of our core businesses
- Change mindsets and behavior
- Embed Performance management culture
- Develop effective corporate governance practices

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Basic Human Capacity Development (7)



NNPC's Adaptation of Basic Model



Senior Executive Management Program

- This program is a less formal development program and is designed to provide Top Management with the knowledge and requisite tools that will help them to lead from a higher level and make sense of complex environments.
- NNPC exposes Management staff through participation in globally renowned organizations such as Wharton, Harvard etc.

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Challenges to Human Capacity Development



- Identifying competencies critical to success: The challenge of turning an entitlement culture into performance based culture.
- Integrating corporate culture and competency: Making competency an important part of corporate culture.
- Tilted demographics(Ageing workforce) & succession planning
- Attracting and retaining talents



Conclusion

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Conclusion

- Nigeria as a developing country needs critical interventions in developing downstream infrastructure to meet growing demand for petroleum products. Human capacity to support this demand growth is critical.
- For NNPC, strategies to grow capacity in our stewardship of the downstream assets in Nigeria include:
 - Developing in-house competencies through a series of development programs (as indicated in the presentation) including staff attachment to IOCs, international development programmes and the attendance of courses organized by international partners e.g. JCCP
 - Experienced hire recruitment programs. Since NNPC is the only refiner in Nigeria, competencies for success in refinery necessarily has to come from areas where there is surplus human capacity.
 - Engaging consultants and other experts on an ad-hoc basis to address critical areas of under performance
 - Opportunity for expatriates to cater to identified skill gaps

DOMO ARIGATO GOZAIMASU



THANK YOU VERY MUCH