

## **Fiscal Insurance as an Enhancing Mechanism for Indigenous Participation in Deepwater Exploration, Development and Production**

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Following the signing of the Nigerian Content Law, and impending passage (or not?) of the much publicized Petroleum Industry Bill (PIB), the Nigerian petroleum industry is poised to experience dramatic changes in operating strategies by the various stakeholders in order to capture new opportunities and to manage resultant threats and challenges. The high expectations of increased participation of indigenous entities in deepwater activities, however, may not be realized if certain facilitating considerations are not rigorously pursued in line with the policy changes.

In addition to risks and uncertainties associated with operating tax and regulatory regime, subsurface characterization, commercial viability of projects, technology adequacy, availability of skillful workforce, and various environmental concerns, a key major consideration is the 'source and term' of funding for deepwater projects, particularly those related to government expenditures and public borrowing.

This paper highlights the deliberate creation of a fiscal insurance or buffer, within a wider macroeconomic framework, as a mechanism by which the Nigerian government can stimulate increased indigenous participation and long-term growth in deepwater ventures.

It is noted that massive scaling up of resources - human, financial and technological- from government, public and private investments is required to achieve the National Content goal and any developmental transformation expected from the PIB. Ability to mobilise these needed resources is determined largely by the extent of fiscal space available to the stakeholders; therefore, certain elements of the current national fiscal policy are examined with the aim of identifying fiscal space within which indigenous players can effectively harness the advantages inherent in the new policy thrust.