SUMMARY

Local-content legislation and policies in oil and gas producing countries have become a key priority for host governments and industry players alike. Increasingly, more resource-rich developing countries are enacting local-content legislation as a means to maximise the benefits from their petroleum industries. However, these laws and policies are being implemented with insufficient research into their efficacy, and as a result, have often yielded mixed results.

This paper assesses the effect of local-content legislation and policies in the oil and gas industry to gain insight into the challenges faced by industry players concerning their implementation. We trace the channels through which local-content legislation is advancing value creation by evaluating different implementation programs, using clearly stated local-content targets to measure efficacy. Nigeria, Ghana, Brazil and Norway are chosen as case study countries to highlight the diversity of local-content strategies for countries at different developmental stages. The motivation for this research is to provide host governments, oil companies and domestic suppliers some guides on how to successfully develop and implement local-content regulations and strategies.

The experiences of the case study countries above show that the success or otherwise of local-content legislation and policies remains a function of a country’s institutional setting and developmental paradigm. Based on our review of the case studies, we summarize that successful local-content legislation and policies should be anchored on the following principles: (i) local-content policies need to look beyond simple generation of economic rents to focus on the development of linkages; (ii) the tools developed to measure agreed local-content benchmarks must be clearly defined to the acceptance of all industry players; and (iii) the success of local-content depends on the availability of an industrial and supplier base that can act as growth levers.

Keywords: Local-content, Regulatory Policy, Oil and Gas Industry, Commodities Linkages
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