

OGFZA

Unlocking Nigeria's investment potential

Nigeria's oil and gas industry is ready for a rebound in 2021. While the country has been forced to grapple with massive economic shocks brought on by the pandemic, its oil and gas sector is poised to recover this year as vaccination campaigns advance and life returns to normal. The upcoming Petroleum Industry Bill will incentivize investment in the sector, while a new marginal fields licensing round is in the works, leaving the Oil and Gas Free Zones Authority (OGFZA) on the cusp of a sustained period of renewed growth.

Established in 1996, OGFZA is a national regulatory agency tasked with overseeing the country's network of oil and gas free trade zones. The authority's first free zone opened in Onne, Rivers State in 2001. The authority's free zone model, which hinges on deep partnerships with the private sector, was so successful that it has since expanded its portfolio to three additional locations: Warri, Brass, and Ikot Abasi. These free zones have attracted a combined \$16 billion of investment from more than 45 countries over the previous two decades.

Umana Okon Umana, CEO of the OGFZA, described how oil and gas free zones play an instrumental role in supporting Nigeria's economic growth and development. The benefits go well beyond foreign direct investment inflows: "By attracting foreign direct investment, we create jobs for Nigerians and also ensure the effective transfer of skills and technology. Companies can choose where to establish operations, and we have been working to make the free zones extremely competitive in terms of



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incentives on offer," he explained.

Umana has played a critical role in strengthening and expanding the federal government's free zone portfolio. He was recently re-appointed to the position after a successful three-year term that saw a new development in Akwa Ibom, the Liberty Oil and Gas Free Zone, launched last year. The project is under development in partnership with American private equity investor Black Rhino Group, which reported \$10 billion of investment commitments when it was unveiled in August 2020. The new free zone is expected to create more than 7000 long term jobs and, spanning more than 50,000 hectares, it will be the largest such free zone of its kind in Africa on completion.

As with other OGFZA locations, many attractive incentives will be on offer. The authority's free zones operate 24/7, 365 days a year, and clients are able to hold duty free investment stock in a prime location at the heart of West Africa.

Procurement and logistics procedures are streamlined with reduced inventory requirements, duty rebates of up to 75% are on offer, and free zones' inventory management systems are digital. There are also generous tax incentives available, and direct ocean access allowing same day turnaround of supply vessels.

Umana admitted that the Covid-19 pandemic brought on unprecedented challenges for the authority, but he views the global crisis as an opportunity to plan for the future. He was quick to note specific measures OGFZ took to its clients, and took an optimistic view on 2021:

"Things will soon return to normal, and the authority continues to do what it has always done, which is efficiently manage incentives and reduce the cost of doing business in Nigeria. Furthermore, we are taking steps to understand the special needs of investors in times like these, and make our own adjustments to ensure we are aligned with the market. These adjustments include evaluating the performance and efficiency of our own operations and seeking feedback from existing investors, with a view to strategizing for the future." And while 2020 was a challenging year, Umana is confident investors will flock to Nigeria's oil and gas free zones in 2021, drawn in by the country's macroeconomic fundamentals, favorable demographics, and strong prospects for a robust recovery:

"Apart from Nigeria's fast-growing economy, the domestic market is huge and there is a solid legal framework in place to ensure contracts are respected. The cost of doing business is very good given the current circumstances, and the administration is taking steps to reduce costs further. We have witnessed sharp improvements in the ease of doing business, and we expect these will continue in the future as we emerge from the pandemic on the path to recovery," he concluded.

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