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THE NIGERIAN CONTENT EQUITY FUND

NEW FINANCING WINDOW UNDER THE NOGICD ACT



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THE NIGERIAN CONTENT EQUITY FUND: A NEW FINANCING WINDOW UNDER THE NIGERIAN OIL AND GAS INDUSTRY CONTENT DEVELOPMENT ACT[1]

On 31 July 2026, the Nigerian Content Development and Monitoring Board (the "Board" or "NCDMB") and the Bank of Industry ("BOI") inaugurated the Investment Committee of the Nigerian Content Equity Fund ("NCEF") in Lagos.[2] On its face, this looks like routine institutional housekeeping, the sort of announcement that passes through the trade press in a day and is forgotten. It is not. The NCEF is the first equity product to be offered under the Nigerian Content Intervention Fund (the "NCI Fund"), the financing programme operated by the Board under section 104 of the Nigerian Oil and Gas Industry Content Development Act 2010 (the "NOGICD Act"). Every product previously offered under that programme has been a loan. The NCEF instead provides capital in exchange for shares, on terms administered by an investment committee with the BOI acting as fund manager. This is a genuine shift in how the Nigerian state participates in energy sector financing, and it has direct consequences for how investor's structure joint ventures, shareholder agreements, and financing arrangements with Nigerian partners.

A point of precision is needed at the outset, because the NCEF has been widely described as the Board's first move into equity. It is not. Since 2018, the NCDMB has acquired equity in a series of midstream and downstream projects through its commercial ventures programme, including the Waltersmith modular refinery at Ibigwe, Imo State, the Azikel hydro-skimming refinery at Gbarain, Bayelsa State, the Duport Midstream refinery at Egbokor, Edo State and, in March 2025, a twenty per cent (20%) interest in African Refinery Port Harcourt Limited.[3] Those investments were made on a bespoke, project-by-project basis, were held through the Nigerian Content Intervention Company Limited/GTE, a company owned by the Board, and were justified by reference to section 70(h) of the NOGICD Act rather than section 104. What is new about the NCEF is therefore not Board equity as such, but its productisation: a fixed envelope, a published obligor limit, a standing investment committee, an appointed fund manager, and a target class of ordinary oilfield service companies rather than a handful of flagship refining projects.

This article examines the statutory basis for the Fund, the financing landscape that preceded it, what the NCEF offers, and what it means in practice for investors and counterparties transacting with Nigerian energy companies.

1. Authored by Simioluwa Fashanu (Senior Associate) and Sesan Mohammed (Associate)
2. "NCDMB, BOI inaugurate committee for $100m Nigerian Content Equity Fund", EnviroNews Nigeria, 31 July 2026, reporting the inauguration in Lagos on 31 July 2026.
3. https://www.vanguardngr.com/2025/03/ogbe-champions-ncdmbs-20-refinery-stake-ensures-corporate-governance-compliance/

THE STATUTORY FRAMEWORK

Section 104 of the NOGICD Act establishes the Nigerian Content Development Fund, into which one per cent (1%) of the value of every contract awarded to any operator, contractor, subcontractor, alliance partner or other entity involved in any project, operation, activity or transaction in the upstream sector is deducted at source and paid.4 The Fund is managed by the Board and is to be applied to projects, programmes and activities directed at increasing Nigerian content in the oil and gas industry.

For fifteen years, the Board has used that provision almost exclusively to operate a debt financing programme. The NCEF is the first equity product deployed under the same programme, and that alone makes it worth attention.

WHAT EXISTED BEFORE: THE DEBT PRODUCTS UNDER THE NCI FUND

Since its establishment in 2017, and following its expansion from US$200 million to US$350 million in 2020, NCI Fund has operated as a debt facility. Five of its products are administered through the BOI: Manufacturing Finance – US$10 million; Asset Acquisition Finance – US$10 million; Contract Finance – US$5 million; Loan Refinance – US$10 million; and Community Contractor Finance Scheme – N100 million. A further two products are administered through the Nigerian Export-Import Bank (NEXIM Bank): a US$30 million Working Capital Fund for Oil and Gas Service Companies and a US$20 million Women in Oil and Gas Intervention Fund.5 The maximum tenor across the products is five years, at an interest rate of eight per cent (8%), save for the Community Contractor Financing Scheme, which is priced at five per cent (5%).

This structure has been useful, particularly for smaller service companies that struggled to access commercial bank lending on reasonable terms. But it is still debt. It must be repaid on a fixed schedule regardless of whether the underlying project performs well, it sits on the borrower's balance sheet as a liability, and it does not give the Board or the BOI any ownership stake or governance role in the companies it finances. For an indigenous company already carrying commercial debt, a further NCI Fund loan simply adds another repayment obligation.

4. Section 104 of the Nigerian Oil and Gas Industry Content Development Act (NOGICDA) – 2010.
5. NCDMB, BOI Sign Amendment of MoU on $50m NOGaPS Manufacturing Fund – 2023 https://ncdmb.gov.ng/ncdmb-boi-sign-amendment-of-mou-on-50mnogaps-manufacturing-fund/

WHAT THE EQUITY FUND BRINGS

The NCEF departs from the debt products in a specific and deliberate way. According to the product paper released alongside the Fund's launch, it is a US$100 million facility with a single obligor limit of US$5 million. The NCDMB is the source of the capital, and the BOI acts as fund manager, running the investment process on the Board's behalf. Rather than lending against a fixed repayment schedule, the Fund takes an equity stake in the beneficiary company in exchange for capital.

The target beneficiaries are oil field service companies, manufacturers connected to the oil and gas sector, fabrication yards, and other connected businesses across the value chain. The stated objectives go beyond simply keeping indigenous companies afloat. The product paper describes the Fund as seeking to reduce the per-unit cost of oil and gas products and services produced locally, thereby enabling equity-backed companies to become more price-competitive than debt-burdened companies, while promoting economic growth, job creation, and wealth creation in Nigeria. The Fund's impact on oil and gas projects is expected to create approximately 12,500 direct jobs and 7,000 indirect jobs. It also positions the Fund as a potential source of income for the NCDMB, as equity returns from successful portfolio companies would accrue to the Board rather than being paid as interest income to third-party lenders. In addition, the Fund is intended to play a catalytic role by attracting additional external investment into the companies it supports, rather than serving as their sole source of capital.

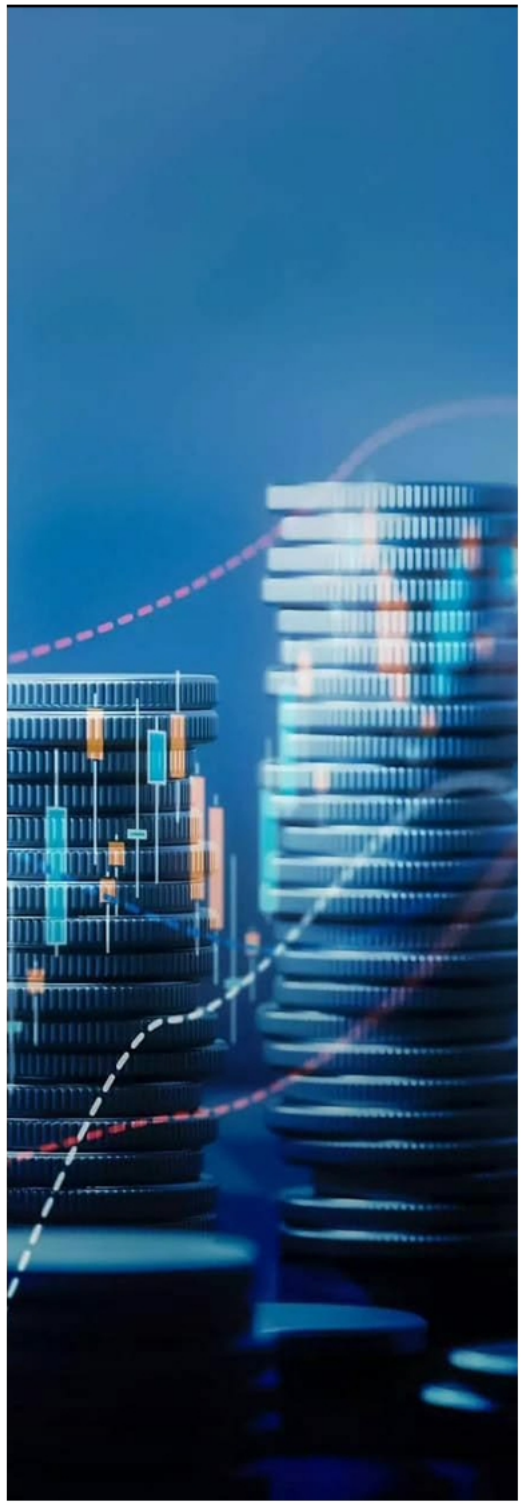
Two propositions in the product paper warrant scrutiny rather than repetition.

First, the suggestion that equity backing will make beneficiaries more price-competitive than debt-burdened companies is not self-evident. Equity carries no coupon, but it is not costless: interest on debt is deductible in computing companies income tax whereas dividends are not, and equity investors price for a higher expected return than lenders. Any competitive advantage is more likely to come from balance sheet capacity and bonding headroom than from a lower cost of capital, and the article of faith that equity is "cheaper" than debt should not be repeated without qualification.



The NCDMB has been careful to frame the Fund as a serious investment vehicle rather than a subsidy. At the inauguration, the Executive Secretary charged the investment committee to carry out rigorous due diligence on every applicant and stressed that beneficiaries are expected to deploy the capital productively and to return the Board's funds so that the programme can be recycled to other beneficiaries.[6]

That language sits uneasily with a straightforward equity subscription. Capital expected to be "returned" on defined terms is closer to redeemable preference shares, or to ordinary shares subject to a put option or buy-back arrangement, than to ordinary equity held at risk. The product paper published to date does not identify the instrument, and the distinction is not academic: it determines ranking on a winding up, whether the holding carries votes, how the investment is treated for accounting and tax purposes, and what consents are required. Advisers should not assume that NCEF money will sit in the cap table as plain ordinary shares. If redeemable preference shares are used, section 141 of the Companies and Allied Matters Act 2020 applies, including the requirements that such shares be fully paid and be redeemed only out of profits that would otherwise be available for dividend or out of the proceeds of a fresh issue made for the purposes of the redemption.



6. NCDMB, "NCDMB, BOI Inaugurate Committee for $100m Nigerian Content Equity Fund, To Invest $5m in Oil Firms", https://ncdmb.gov.ng/ncdmb-boi-inaugurate-committee-for-100m-nigerian-content-equity-fund-to-invest-5m-in-oil-firms/ , August 3 2026.

WHY THE SHIFT FROM DEBT-TO-EQUITY MATTERS

The practical difference between a lender and a shareholder is significant, and it is worth spelling out because it changes the shape of any transaction touching a company that takes NCEF money. A lender's interest is contractual and largely arms length. Once a loan is disbursed and covenants are set, the lender's main concerns are repayment and covenant compliance. A shareholder's interest, by contrast, is ownership. It carries governance rights, a claim on future value, and an ongoing interest in how the company is run, who else invests in it, and how and when anyone exits.

This means that where an indigenous Nigerian company takes on NCEF funding, it is not simply adding a creditor to its balance sheet. It is adding an institutional shareholder, ultimately answerable to the NCDMB as the source of the capital, sitting alongside whichever other shareholders already hold equity in the business. For an investor or joint venture partner, that is a materially different counterparty relationship from the one a debt-financed Nigerian partner presents.

The identity of the registered holder is an open question and a practically important one. The BOI is described as fund manager rather than as investor, and the Board's existing project equity is held through the Nigerian Content Intervention Company Limited/GTE. Whether NCEF shares are registered in the name of the Board, the BOI or a separate vehicle will determine whose consent is required on a transfer, which entity is entitled to information and board rights, whether a change of control at the holder level triggers cap table protections, and how the holding is treated in computing Nigerian ownership. That question should be put to the Board or the BOI at the diligence stage rather than assumed.



WHAT THIS MEANS FOR INVESTORS AND COUNTERPARTIES IN DEAL STRUCTURING

For investors and counterparties structuring joint ventures with Nigerian energy service companies, fabrication yards, or manufacturers connected to the sector, the categories of businesses targeted by the NCEF mean that the possibility of NCEF participation should now be factored into deal planning for three main reasons.

i. Shareholder rights need to anticipate a new co-investor: Where a Nigerian partner already holds, or may later seek, NCEF equity, shareholder agreements should address how that stake interacts with existing pre-emption rights, board composition, reserved matters, and information rights. A US$5 million single obligor limit is modest relative to many project financings, but it can still be enough to justify board representation or veto rights that an investor partner did not anticipate when the joint venture was first structured.

ii. Exit mechanics require earlier attention: Because the NCEF is structured to be exited or repaid on commercial terms rather than held indefinitely, drag along, tag along, and pre-emption provisions in any joint venture involving an NCEF backed partner should be drafted with a future NCDMB exit in mind, rather than assuming the cap table will remain static for the life of the project. Where the instrument turns out to be redeemable, the redemption mechanics and their interaction with distributable reserves should be diligenced before completion, since a redemption obligation falling due at the wrong point in the project cycle is a cash flow risk borne by every shareholder.

iii. Nigerian company status remains the gateway: Access to the NCEF, like access to Nigerian content preferences generally, depends on qualifying as a Nigerian company under section 106 of the Act, meaning not less than fifty-one per cent (51%) Nigerian equity ownership.[7] Investors who want their joint venture vehicle to remain eligible for future NCEF or NCI Fund support need to keep this threshold firmly in view when negotiating any dilution, follow-on investment, or restructuring of the local entity's capital structure.

iv. Merger control should be tested, not assumed away: Where NCEF capital is subscribed alongside other new money, the aggregate transaction should be assessed against the notification thresholds under the Federal Competition and Consumer Protection Act 2018 and the Commission's notification thresholds regulations. A subscription capped at US$5 million will in most cases fall below them, but the analysis is transaction-specific and turns on whether control or material influence is acquired and on the turnover of the parties as a whole.

7. NOGICD Act 2010, section 106 (definition of "Nigerian Company", requiring not less than fifty one per cent Nigerian equity holding).

None of this displaces the underlying compliance architecture that already governs local content in Nigeria, the Nigerian Content Plan requirements under sections 7 and 8, and the enforcement powers under section 68 remain exactly as they were.[8] What has changed is that the Board is no longer only a regulator approving or rejecting compliance plans. In any company that takes NCEF money, it is also a shareholder with a direct financial stake in that company's success. Investors negotiating with such a company are, in effect, negotiating in the same room as the regulator, and that changes the tone and substance of governance discussions in ways debt financing never did.



THE BOARD AS REGULATOR AND SHAREHOLDER

The Board's participation as an equity investor presents both advantages and potential drawbacks for companies receiving NCEF funding.

On the positive side, the Board's involvement can provide a degree of institutional credibility and comfort to other investors, lenders, and commercial partners. The presence of the regulator as a shareholder may also signal that the company has undergone a level of regulatory scrutiny and is aligned with the Board's local content objectives. In addition, the capital provided by the Board gives the company access to funding without the immediate debt-service obligations associated with conventional borrowing, while the Board's financial and institutional support may help the company attract additional private investment.

8. NOGICD Act 2010, sections 7 and 8 (Nigerian Content Plan and Certificate of Authorisation) and section 68 (offences and penalties).

However, the arrangement may also create concerns from a governance and commercial perspective. A company may face greater regulatory oversight, given that the Board is both its regulator and shareholder. This could create a perception, or in some circumstances a reality, of regulatory influence extending beyond ordinary compliance supervision into the company's commercial and strategic decisions. There may also be concerns regarding conflicts of interest, particularly where the Board is required to exercise regulatory powers over a company in which it has a financial interest. The holding may also introduce additional reporting, monitoring and approval requirements, and private investors may be cautious about investing alongside a regulator whose interests they perceive as potentially competing with those of other shareholders.

It is worth situating this against the direction of travel elsewhere in the sector. The Petroleum Industry Act 2021 was built on a deliberate separation of regulatory functions, vested in the Nigerian Upstream Petroleum Regulatory Commission and the Nigerian Midstream and Downstream Petroleum Regulatory Authority, from commercial participation, vested in NNPC Limited as a company operating on a commercial basis. The NCEF moves in the opposite direction, placing a regulator directly onto the share registers of the companies it supervises. That is not in itself an objection, but it makes governance safeguards more important rather than less: recusal protocols for the exercise of regulatory functions in respect of portfolio companies, an information barrier between the Board's investment and compliance functions, and a clear statement of how the Board will vote its shares are all matters a co-investor is entitled to raise at the negotiating table.



Conclusion

The Nigerian Content Equity Fund is a small fund in dollar terms, . US$100 million with a cap of US$5 million per company, will not on its own transform the balance sheet of the Nigerian oil and gas service sector on its own. Its significance lies in the change of method it represents. Board equity is no longer confined to a handful of negotiated refining projects; it is now available as a standardised product, on published terms, to a broad class of service companies, manufacturers and fabrication yards.

Parties structuring joint ventures with Nigerian energy companies should therefore treat NCEF participation as a live possibility at the drafting stage rather than a contingency to be addressed if it arises, and should press for clarity on the instrument, the registered holder and the exit mechanics before the Board is on the register rather than after. The Board's participation can supply valuable capital, credibility and institutional support. Realising that benefit depends on maintaining a clear separation between its regulatory role and its commercial role as an investor, and on governance safeguards adequate to ensure that its position as a shareholder neither results in undue regulatory influence nor creates conflicts in the exercise of its statutory functions.

For the first time, the same statutory provision that has funded a decade and a half of debt financing for indigenous companies is being used to put the NCDMB directly into company ownership structures. Investors who treat this as a minor financing announcement, rather than a genuine change in who they may find themselves in the boardroom with, will be structuring their next Nigerian joint venture with an incomplete picture of who the real stakeholders are. The key issue, therefore, is to maintain a clear separation between the Board's regulatory role and its commercial role as an investor. While the Board's participation can provide valuable capital, credibility and institutional support, appropriate governance safeguards will be important to ensure that its position as a shareholder does not result in undue regulatory interference or create conflicts in the exercise of its statutory functions.

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