



# Stakeholders' Report

# Energy Sector Oil & Gas

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# Introduction

This Stakeholders' Report outlines key regulatory changes relevant to Oil & Gas Companies covering the period from January 2025 to December 2025. In this report, we focus on regulatory developments affecting operations across the oil and gas value chain, particularly in relation to the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), and other relevant industry bodies. Moreover, this report highlights critical updates and changes in legislation that impact the oil & gas business trajectory and the petroleum sector at large.

To ensure compliance with the laws applicable to the business and operations of Oil & Gas Industry, we have prepared this Stakeholders' Report for the year ending 2025.

This Report outlines new legislations ("New Legislations"), changes in existing legislations ("Legislative Changes"), and the implications of both the New Legislations and Legislative Changes on businesses in the Oil & Gas Value Chain.

In preparing this Report, we considered:

- a) legislations of the National Assembly (NASS)
- b) legislations of the Lagos State House of Assembly (LAHA) enacted between January 2025 to December 2025 ("the Report Period").
- c) subsidiary instruments made pursuant to existing legislations; and directives and circulars issued by the relevant regulators pursuant to existing legislation as well as relevant judicial decision(s) reached by the Courts.

We have also highlighted how the New Legislations, Legislative Changes, Directives, Circulars and Judicial Pronouncements of Superior Courts impact on your Company's business, operations and administration.

In 2025, Nigeria's oil and gas sector experienced a series of regulatory and policy developments aimed at enhancing governance, operational efficiency, and environmental compliance. These initiatives focused on strengthening upstream, midstream, and downstream operations, promoting fiscal transparency, and aligning sector practices with national energy transition objectives.

This report highlights the key legislative and regulatory developments in the oil and gas sector during 2025, with emphasis on their implications for operators, investors, regulators, and other stakeholders. It examines major instruments issued by NUPRC and NMDPRA, as well as state-level initiatives such as the Ibile Energy Corporation. The report is structured to provide clarity on sector-specific changes, assess operational and commercial impacts, and support informed decision-making in a dynamic regulatory environment.

- a) **legislation of the National Assembly (NASS) enacted between January 2025 and December 2025** – During the Report Period, a number of federal legislations of relevance to the oil and gas sector were enacted by the National Assembly. These legislations, together with their brief descriptions and implications, are set out below in this Report, comprising:
  - i. **Joint Revenue Board (Establishment) Act 2025** – Establishes the Joint Revenue Board to coordinate tax policies and administration between federal and state authorities, impacting multi-jurisdictional operations of companies in Nigeria.
  - ii. **Nigeria Tax Administration Act 2025** – Establishes modern procedures for tax administration, enforcement, and dispute resolution.
  - iii. **Nigeria Revenue Service (Establishment) Act 2025** – Provides the legal framework for the operations of the Nigeria Revenue Service, including oversight of tax collection and compliance monitoring.
  - iv. **Nigeria Tax Act 2025** – Updates fiscal and tax compliance requirements for companies across sectors, including reporting obligations, deductions, and incentives relevant to energy operators.
  - v. **Proposed Petroleum Industry Act (PIA) Amendment Bill, 2025** – The Petroleum Industry Act (Amendment) Bill, 2025 is a legislative initiative currently before Nigeria's National Assembly seeking to revise selected provisions of the Petroleum Industry Act, 2021.
- b) **Legislation of the Lagos State House of Assembly (LAHA)**
  - i. **The Ibile Energy Corporation Bill, 2025** – In mid-2025, the Lagos State House of Assembly advanced the proposed law to establish the Ibile Energy Corporation, a state-owned energy vehicle designed to compete and invest across oil, gas, renewable energy, and energy transition projects
  - c) **Subsidiary instruments, directives, and circulars** – made pursuant to existing legislations, including guidance issued by relevant regulators.
    - i. **Upstream Petroleum Operations (Cost-Efficiency Incentives) Order, 2025** – The Upstream Petroleum Operations (Cost-Efficiency Incentives) Order, 2025 was signed by President Bola Ahmed Tinubu in April 2025 and published in the Federal Gazette in May 2025.
- ii. **Nigerian Upstream Petroleum (Commercial) Regulations, 2025** – The Nigerian Upstream Petroleum (Commercial) Regulations, 2025 were issued by NUPRC in May 2025 under the authority of the PIA, 2021.
- iii. **Upstream Petroleum Fees and Rents (Temporary) Regulations 2025** – Pursuant to its powers under section 216(5) of the PIA, the NUPRC issued the Upstream Petroleum Fees and Rents (Temporary) Regulations (the “Fee Regulations”) in May 2025.
- iv. **NUPRC's 2025 Petroleum Licensing Round Guidelines** – In late 2025, the NUPRC announced the 2025 Petroleum Licensing Round, with its official commencement approved effective 1 December 2025.
- v. **Licensing Bid Round Guidelines, 2025** – The NUPRC issued the Licensing Bid Round Guidelines, 2025, pursuant to its statutory powers under the Petroleum Industry Act, 2021, to govern the conduct, procedures, and requirements for the award of petroleum licences and leases in respect of upstream petroleum operations.
- vi. **Midstream and Downstream Petroleum Operations Regulations, 2025** – The NMDPRA issued the Midstream and Downstream Petroleum Operations Regulations, 2025, pursuant to its statutory powers under the Petroleum Industry Act, 2021, to regulate midstream and downstream petroleum operations in Nigeria.

**vii. 2025 NUPRC Guidelines for the Operationalization of the Advance Cargo Declaration Regulation-** On 17 June 2025, the Nigerian Upstream Petroleum Regulatory Commission issued the Guidelines for the Operationalization of the Advance Cargo Declaration Regulation, which serve as a practical roadmap and spell out the procedures for implementing the provisions of the Nigerian Upstream Petroleum Advance Cargo Declaration Regulation 2024

**viii. Midstream And Downstream Petroleum Operations Regulations, 2025-The** Midstream and Downstream Petroleum Operations Regulations, 2025 (the “Regulations”) were issued by the NMDPRA pursuant to Section 33 and other enabling provisions of the PIA.

**ix. NUPRC Decarbonization / Upstream Emissions Framework & Gas Flaring / Methane Rules-** In 2025, the NUPRC continued implementation of its Upstream Petroleum Decarbonizations Template (UPDT) and related climate-focused directives as part of Nigeria’s broader upstream decarbonisation and emissions management agenda

**d) Judicial decisions – rulings by the Courts that have on Siemens Energy’s Operations)**

The key judicial decisions during the Report Period are as follows:

- NorthWest Petroleum and Gas Company Limited v Gab & Nuella Concept Limited & Brinitup Hydrocarbons Limited
- Human and Environmental Development Agenda Resource Centre v Federal Government of Nigeria
- FBNQuest Merchant Bank Limited & First Trustees Limited v Nestoil Limited & Neconde Energy Limited
- Shell plc & Shell Petroleum Development Company of Nigeria Limited v Communities of Bille and Ogale



# Executive Summary

In 2025, Nigeria's oil and gas sector was shaped by regulatory reforms, operational directives, and legislative initiatives. At the federal level, the Upstream Petroleum (Commercial) Regulations, 2025 introduced formal frameworks for Field Development Plans, Annual Work Programmes, and performance reporting, strengthening commercial discipline and investment confidence. The Upstream Petroleum Operations (Cost-Efficiency Incentives) Order 2025 provided performance-based tax incentives to encourage cost efficiency across upstream operations.

Legislative developments included the introduction of the Petroleum Industry Act (Amendment) Bill, 2025 in both chambers of the National Assembly. The Bill seeks to improve sector governance, fiscal transparency, and the balance of authority among regulatory bodies, though it remains under early-stage scrutiny. At the state level, the Ibile Energy Corporation Bill progressed through public hearings, enabling Lagos State to participate in upstream, midstream, and renewable energy projects while establishing governance and accountability mechanisms.

Operational and environmental priorities were advanced through the NUPRC 2025 Petroleum Licensing Round and decarbonisation initiatives, including emissions reduction and gas flaring management frameworks. In the midstream and downstream sectors, the Midstream and Downstream Petroleum Operations Regulations, 2025 consolidated licensing, operational, and compliance requirements, enhancing regulatory oversight and market predictability. Collectively, these developments reflect a sector moving toward improved transparency, operational efficiency, fiscal discipline, and environmental sustainability.

# Summary of Legislations

# The New Tax Reform Acts

On 26 June 2025, President Bola Ahmed Tinubu signed into law a historic package of tax reform legislation, marking the most comprehensive overhaul of Nigeria's fiscal architecture in decades. The four Acts: The Nigeria Tax Act, Nigeria Revenue Service (Establishment) Act, Nigeria Tax Administration Act, and the Joint Revenue Board (Establishment) Act, seek to streamline revenue administration, enhance compliance, strengthen intergovernmental coordination, and reposition the tax system to support inclusive growth. By consolidating over a dozen outdated statutes and introducing modern mechanisms for enforcement, digitalisation, and dispute resolution, these reforms are expected to significantly reshape Nigeria's fiscal future. This article outlines the key provisions of each law and examines their potential impact on economic growth in Nigeria.

## i. JOINT REVENUE BOARD (ESTABLISHMENT) ACT, 2025

The Joint Revenue Board (Establishment) Act, 2025, establishes the Joint Revenue Board (JRB) to lead intergovernmental coordination on tax policy and administration in Nigeria. This reform responds to persistent calls for a harmonised, collaborative approach to revenue generation across the federal, state, and local levels.

The JRB is mandated to serve as the apex coordinating entity for tax administration across the Federation. It is empowered to promote consistency, resolve jurisdictional overlaps, and provide strategic guidance on fiscal matters that cut across multiple tiers of government.

### Key Functions and Powers

The JRB is tasked with a comprehensive range of responsibilities, including:

- Coordinating the integration and maintenance of a national taxpayer identification database (TINs);
- Advising on double taxation matters and promoting the harmonisation of tax rates and practices across Nigeria;
- Publishing tax expenditure reports, including analyses of waivers, exemptions, and incentives issued by all levels of government;
- Facilitating tax policy reform, capacity building, and the accreditation of tax agents;
- Undertaking taxpayer behaviour research, compliance audits, and policy impact assessments.

To support its operations, the Board is funded by a mix of annual membership fees from participating institutions, government-approved loans, grants, and income from service charges and investments. It is exempt from income tax obligations, although it must still deduct and remit PAYE and other statutory withholdings.

The National Economic Council is vested with supervisory authority and may issue directives to the JRB on any fiscal or revenue matter in the national interest.

## Composition and Governance

The JRB's membership includes the chairpersons of all State Internal Revenue Services, the FCT-IRS, and representatives of key federal agencies such as the Nigeria Revenue Service, Nigeria Customs Service, Nigeria Immigration Service, FRSC, NIMC, and the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC). The Board may co-opt experts or other institutions as needed, subject to a cap of two additional members.

Administrative leadership is vested in a full-time Secretary-General, appointed through a transparent process, and supported by zonal and departmental directors.

## Tax Appeal Tribunal

The Act establishes the Tax Appeal Tribunal, designed to ensure that disputes arising from tax assessments and enforcement can be resolved swiftly, professionally, and independently.

Each zone will host a division of the Tribunal, composed of five members, including a legal practitioner of at least ten years' standing as Chairperson. The Tribunal has jurisdiction over disputes arising under any federal or state tax legislation, and its decisions may be appealed to the Federal High Court on points of law.

## Office of the Tax Ombud

The Act also established the Office of the Tax Ombud to receive, investigate, and resolve complaints about administrative malpractice, delay, or unfair treatment by revenue agencies.

Although it does not possess the power to interpret tax laws or override assessments, the Ombud may investigate any non-compliance with procedural requirements and can escalate unresolved issues to the National Assembly. It is also authorised to recommend corrective action, report abuse of office, and even initiate legal proceedings in defence of taxpayer rights.

## Legal Protections and Transitional Provisions

The Act preserves the continuity of existing rights, assets, and obligations from the defunct Joint Tax Board. It also sets clear safeguards, including:

- A one-month notice requirement before legal action can be initiated against the JRB;
- Secrecy and confidentiality obligations for Board members and staff;
- Whistleblower protections for individuals reporting administrative abuse or fraud.

The Public Officers Protection Act applies to JRB personnel, shielding them from frivolous litigation in the course of their official duties.



## ii. NIGERIA TAX ADMINISTRATION ACT, 2025

The Nigeria Tax Administration Act, 2025 (NTAA) introduces a unified procedural framework for the assessment, collection, enforcement, and administration of taxes across all levels of government. It responds to years of fragmented tax administration by offering consistency, clarity of roles, and a rules-based system that aligns with global good practice.

The Act promotes fiscal federalism by clearly distinguishing the tax jurisdictions of different tiers of government:

- The Nigeria Revenue Service (NRS) is responsible for administering corporate income tax, value-added tax (VAT), taxes on petroleum operations, non-resident taxation, and national tax incentives.

- State and FCT tax authorities retain powers over personal income tax for resident individuals (excluding military and diplomatic personnel) and local taxes.

### Digital Identity and Compliance

The Act mandates the issuance and use of a Taxpayer Identification Number (TIN) for every taxable person. This TIN must be linked to all tax transactions and financial activities, reinforcing the integrity of taxpayer records. Non-resident businesses and digital service providers deriving income from Nigeria must also register and obtain a TIN.

To support transparency in the digital economy, Virtual Asset Service Providers (VASPs), including crypto exchanges and financial institutions, are required to report significant transactions.

Banks must provide quarterly returns on customer data and cumulative inflows or outflows exceeding ₦25 million (for individuals) and ₦100 million (for companies). The law also introduces a mandatory disclosure regime for tax planning arrangements, especially those structured primarily to obtain a tax advantage.

### Assessments, Returns and Refunds

The NTAA formalises Nigeria's self-assessment regime, empowering taxpayers to file their own returns and calculate tax liability. However, tax authorities retain the right to issue administrative assessments where returns are not filed or appear inaccurate.

Assessments must generally be made within six years of the relevant tax period — unless there is fraud, wilful default, or gross misstatement, in which case there is no time limit. All taxes are payable in the currency of the transaction, with petroleum taxes payable in US Dollars.

The Act provides for tax refunds to be processed within 90 days (or 30 days for VAT), and also allows taxpayers to apply overpaid taxes to future liabilities (set-off). Claims must be made within six years and must be accompanied by proper documentation.



### iii. NIGERIA REVENUE SERVICE (ESTABLISHMENT) ACT, 2025

The Nigeria Revenue Service (Establishment) Act, 2025 marks a significant institutional reform of Nigeria's federal tax administration. It repeals the Federal Inland Revenue Service (Establishment) Act, 2007, and formally establishes the Nigeria Revenue Service (NRS) as the central authority for the assessment, collection, accounting, and enforcement of federally collectible taxes and other designated revenues.

The law reflects an evolution in both the structure and scope of tax administration at the federal level. Unlike its predecessor, the NRS is now empowered to operate within a broader institutional framework that encompasses both tax and select non-tax revenues such as petroleum royalties and statutory levies as well as data integration and inter-agency collaboration.

#### Mandate and Powers

The Act mandates the NRS to:

- Administer and enforce all federal tax laws and collect revenues accruing to the Federation;
- Assess and account for taxes, levies, and charges imposed by federal legislation;
- Enforce compliance, including powers to trace, freeze, seize, or confiscate proceeds of tax fraud or evasion;
- Collaborate with other national and international bodies for the exchange of tax information;
- Maintain a centralised taxpayer database and issue Taxpayer Identification Numbers (TINs) in collaboration with state tax authorities and the Joint Revenue Board.

The NRS is also empowered to assist subnational governments (State, FCT, and Local Government) in tax administration, when requested or where inter-agency collaboration is required by law.

#### Institutional Structure and Governance

The NRS is structured as an autonomous body corporate with perpetual succession. It is overseen by a Governing Board, chaired by the Executive Chairman, who also serves as the agency's chief executive and accounting officer. The Executive Chairman is appointed by the President and confirmed by the Senate. The Board includes representatives from Nigeria's six geopolitical zones and relevant federal agencies and ministries, ensuring national balance and inter-ministerial coordination.

Among other responsibilities, the Board is tasked with:

- Approving strategic plans and performance frameworks;
- Overseeing financial and operational policies;
- Employing and managing staff, and setting remuneration;
- Monitoring tax policy implementation and recommending reforms where needed.

#### Operational Funding and Enforcement

The NRS is authorised to fund its operations through a 4% cost-of-collection allocation from non-petroleum tax revenues (i.e., excluding petroleum royalties). It may also receive grants, gifts, and returns from investments, subject to appropriate approvals.

Importantly, the Act introduces stronger financial enforcement mechanisms: where a government Ministry, Department or Agency (MDA) fails to remit collected revenues, the Accountant-General of the Federation is empowered to deduct such sums directly from their budgetary allocations and credit the appropriate revenue account.

The NRS is exempt from income tax liability in the course of its operations, although it is still required to deduct and remit applicable PAYE and withholding taxes from staff and suppliers.

#### iv. THE NIGERIA TAX ACT

##### Key Innovations and Implications on the Oil & Gas Industry

- **Extension of Hydrocarbon Tax to Deep Offshore Operations**

One of the most significant changes introduced by the Nigeria Tax Act is the expansion of the scope of Hydrocarbon Tax to cover deep offshore petroleum operations. Under section 260 subsection 3 of the Petroleum Industry Act, the Hydrocarbon Tax did not apply to frontier acreages pending reclassification or to deep offshore projects.

While section 65 subsection 4 of the Nigeria Tax Act continues to preserve the exemption for frontier acreages, it removes the exclusion previously applicable to deep offshore operations. As a result, deep offshore projects that were formerly subject only to Companies Income Tax and applicable royalties now appear to fall within the Hydrocarbon Tax regime.

This change represents a material broadening of the Hydrocarbon Tax base. For operators, it signals increased fiscal exposure and a higher overall tax burden. From a commercial standpoint, the extension of Hydrocarbon Tax to deep offshore assets may also influence investment planning, project economics and future capital allocation decisions within Nigeria's offshore petroleum sector.

- **Elimination of the 1 Percent Capital Allowance Retention Requirement**

The Nigeria Tax Act also introduces a notable reform to the capital allowance regime applicable to upstream oil and gas companies by removing the long standing requirement to retain one percent of qualifying capital expenditure.

Under the former Petroleum Profits Tax Act, companies were permitted to claim capital allowances on qualifying assets, but one percent of the asset's original cost was required to remain in the company's books.

This balance could only be written off upon the physical disposal of the asset and only after the issuance of a Certificate of Disposal by the Minister or an authorised person. In practice, this meant that full tax relief on capital expenditure was deferred until the asset was formally disposed of and regulatory approval obtained.

A similar framework was retained under the Petroleum Industry Act, which subjected acquisition costs of petroleum rights and other qualifying capital assets such as plants, pipelines, buildings and drilling expenditures to annual allowances, while still requiring the retention of one percent of the asset's initial cost in the final year. This residual amount could only be written off upon disposal and was subject to the issuance of a Certificate of Disposal by the Commission.

By removing this retention requirement, the Nigeria Tax Act now permits upstream operators to fully recover one hundred percent of qualifying capital expenditure through capital allowances, without the administrative constraints associated with disposal certification. This reform simplifies compliance, accelerates cost recovery and enhances cash flow efficiency for operators within the sector.



- **Requirement for Local Domiciliation of Decommissioning and Abandonment Funds**

The Nigeria Tax Act introduces an important change to the tax treatment of decommissioning and abandonment funds by requiring partial local domiciliation as a condition for tax deductibility. Under the new regime, a minimum of thirty percent of a licensee's or lessee's decommissioning and abandonment fund must be placed with a Nigerian bank for the contribution to qualify as an allowable tax deduction.

A decommissioning and abandonment fund is a dedicated financial arrangement established to ensure that petroleum facilities are properly decommissioned and that affected sites are restored at the end of production activities. Sections 232 and 233 of the Petroleum Industry Act mandate the establishment and ongoing maintenance of such funds for every petroleum licence and lease issued under the Act.

In line with the Petroleum Industry Act framework, the fund is required to be maintained with a non affiliated financial institution in an escrow account that is accessible to the relevant regulator, being either the Nigerian Upstream Petroleum Regulatory Commission or the Nigerian Midstream and Downstream Petroleum Regulatory Authority.

Under the Petroleum Industry Act, contributions made to a decommissioning and abandonment fund were fully deductible for tax purposes. However, where any balance remained in the fund at the end of the field's life and was returned to the licensee or lessee, such surplus was subject to tax.

The Nigeria Tax Act alters this position. Section 88 of the Act now provides that provisions made for decommissioning and abandonment costs will only be deductible for tax purposes where specific conditions are satisfied. In particular, the licensee or lessee must deposit not less than thirty percent of the decommissioning and abandonment fund with a Nigerian bank through an escrow arrangement, and such Nigerian bank must be duly accredited.

In addition, the Nigerian bank must be accredited in accordance with the prescribed criteria for participation in the management of decommissioning and abandonment funds.

- **Incorporation of Non-Associated Gas Greenfield Development Incentives into The NTA**

The NTA formally legislates the incentives for Non-Associated Gas (NAG) greenfield developments in onshore and shallow water locations, which were previously introduced by the Oil and Gas Companies (Tax Incentives, Exemption, Remission, etc.) Order, 2024 (the Order). These incentives, originally issued by the President, were part of a broader package under the Order, which also provided fiscal benefits for midstream gas utilisation projects and deep offshore oil and gas developments.

- **Revocation of Petroleum or Mining Licence or Lease for Unpaid Royalties or Taxes**

Section 63 NTA provides that if a company engaged in petroleum or mining operations fails to pay any royalty or tax due, despite having received a formal demand notice, the NRS is empowered to notify the relevant regulatory authority (e.g., the Nigerian Upstream Petroleum Regulatory Commission, or the pertinent ministry or agency). This notification serves as a trigger for the revocation of the company's license or lease, as stipulated under the relevant laws governing its operations. This is a new introduction under the NTA, and it signals heightened enforcement of royalty and tax obligations by linking tax obligation



## ▪ **Introduction of Economic Development Incentive**

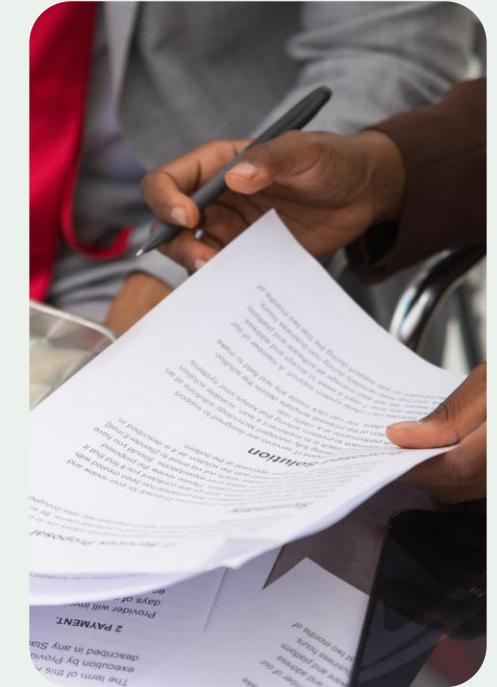
The NTA introduces the Economic Development Tax Incentive (EDTI) as a replacement for the Pioneer Status Incentive established under the Industrial Development (Income Tax Relief) Act. Under the EDTI framework, specific sectors are designated as priority sectors for which incentives may be granted, as outlined in the Tenth Schedule to the Act. Whilst a company engaged in petroleum operations may not be able to take advantage of the EDTI, companies engaged in the refining of crude oil and the manufacture of petroleum products are entitled to apply for this economic incentive. Upon a company's successful application for the EDTI, an Economic Development Incentive Certificate is issued, enabling access to the incentive. The tax payable on profits derived from priority products or services during the priority period is converted into an Economic Development Tax Credit.

This credit can be used to offset the company's tax liabilities in any year of assessment within the priority period. 18 Unutilized credits at the end of the priority period may be carried forward for an additional five assessment years to offset future tax liabilities. However, any unused portion of the credit after this period will lapse and cannot be applied to reduce tax obligations. This directly to the continuation of a company's license.

## 1. PIA AMENDMENT BILL, 2025

The Petroleum Industry Act (Amendment) Bill, 2025 is a legislative initiative currently before Nigeria's National Assembly seeking to revise selected provisions of the Petroleum Industry Act, 2021. The Bill was listed on the House of Representatives Order Paper for First Reading on 22 July 2025 and on the Senate Order Paper for First Reading on 8 October 2025, confirming that it has been formally introduced in both chambers.

The proposed amendments aim to strengthen sector governance, improve revenue transparency, close fiscal gaps, and rebalance institutional authority among regulatory bodies established under the original Act. Stakeholder commentary and expert analyses indicate that the changes could affect regulatory oversight frameworks, fiscal terms, and the allocation of commercial and regulatory functions within the upstream and integrated petroleum value chain, if enacted. The Bill remains at an early stage of legislative scrutiny, with committee referrals, hearings and further consultations expected during the course of the legislative session. Any potential changes will be subject to further debate and formal passage before becoming law.



## Application and Implication

The Petroleum Industry Act (Amendment) Bill, 2025, if enacted, would apply across Nigeria's petroleum sector and would amend selected provisions of the Petroleum Industry Act, 2021, which currently governs upstream, midstream, and downstream petroleum operations. The Bill is intended to operate within the existing institutional framework established under the PIA, including the NUPRC, the NMDPRA, and NNPC Limited.

Given its stated objectives, the Bill would primarily apply to:

- upstream licence and lease holders;
- integrated oil and gas companies operating across multiple segments of the petroleum value chain;
- investors, contractors, and operators subject to fiscal, regulatory, and governance provisions under the PIA; and
- regulatory institutions whose mandates and oversight functions may be clarified or adjusted by the proposed amendments.

As the Bill is still undergoing legislative consideration, its provisions have no binding legal effect at this stage and will only apply upon enactment and commencement in accordance with the legislative process. Although the Bill is not yet law, its introduction signals a potential recalibration of Nigeria's petroleum regulatory and fiscal landscape. If enacted in its current or substantially similar form, the Bill could have the following implications:



### ▪ Regulatory Oversight and Institutional Alignment

The proposed amendments suggest an intention to strengthen governance and clarify the allocation of responsibilities among petroleum sector regulators. Oil and gas companies may experience changes in regulatory interface, approval processes, and compliance reporting obligations, particularly where institutional roles are refined or overlapping mandates are addressed.

### ▪ Compliance and Transitional Risk

As with any legislative amendment, the transition from the existing framework to an amended regime may introduce uncertainty. Companies will need to monitor the legislative process closely and prepare for potential transitional provisions, including changes to existing licences, approvals, or contractual arrangements.



# Legislation of the Lagos State House of Assembly (LAHA)

## The Ibile Energy Corporation Bill, 2025

In mid-2025, the Lagos State House of Assembly advanced the proposed law to establish the Ibile Energy Corporation, a state-owned energy vehicle designed to compete and invest across oil, gas, renewable energy, and energy transition projects. The Ibile Energy Corporation Bill, 2025 passed its second reading in July 2025, and by August 2025, the Assembly was conducting public hearings to refine the legislation and gather stakeholder input on its scope and economic objectives.

The proposed law aims to replace the earlier Ibile Oil & Gas Act with a broader legal framework that empowers Lagos State to participate in upstream and downstream markets, including bid rounds, marginal field allocations, midstream investments (e.g., gas processing, pipelines), and renewable energy infrastructure. It also outlines governance structures, such as a governing board and accountability mechanisms, to ensure transparent execution of energy projects while creating jobs, boosting revenue, and supporting the state's energy transformation agenda.

## Application and Implication

If enacted, the Ibile Energy Corporation Bill, 2025 would apply within Lagos State and establish Ibile Energy Corporation as a state-owned entity empowered to participate across the oil, gas, renewable energy, and energy transition value chain. The proposed law would provide the legal basis for Lagos State's involvement in upstream bid rounds and marginal field opportunities, midstream investments such as gas processing and transportation infrastructure, and downstream and renewable energy projects, subject to applicable federal regulatory approvals. The Bill would also govern the corporate structure, governance, and operational mandate of the Corporation, including oversight, accountability, and commercial participation in energy projects.

The proposed legislation signals an expansion of Lagos State's role in Nigeria's energy sector and may increase competition and state participation in both upstream and midstream markets. For oil and gas companies and investors, the establishment of Ibile Energy Corporation could create opportunities for joint ventures, strategic partnerships, and co-investments, particularly in gas infrastructure and energy transition projects within Lagos State. At the same time, the entry of a state-backed participant may reshape competitive dynamics, influence access to certain assets or projects, and require market participants to engage more closely with state-level institutions alongside federal regulators.

# Subsidiary Instruments, Directives, and Circulars

## Upstream Petroleum Operations (Cost-Efficiency Incentives) Order, 2025

The Upstream Petroleum Operations (Cost-Efficiency Incentives) Order, 2025 was signed by President Bola Ahmed Tinubu in April 2025 and published in the Federal Gazette in May 2025. It introduces a Cost Efficiency Incentive (CEI) framework designed to address the historically high operating costs in Nigeria's upstream petroleum sector. The Order applies to lessees, licensees, and contractors across onshore, shallow water, and deep offshore operations, and grants performance-based incentives, notably tax credits, to companies that meet or exceed annual cost reduction targets set by the NUPRC.

Under the Order, NUPRC will annually benchmark cost efficiency targets and, where an operator's unit operating costs fall below those benchmarks, eligible companies can claim tax credits capped at 20 % of their tax liability for that year. The incentives aim to strengthen fiscal discipline, streamline contract cycles, reduce project overruns, and enhance Nigeria's competitiveness in the global oil and gas industry. The framework also details implementation guidelines and eligibility mechanisms administered in consultation with the Federal Inland Revenue Service.

## Application and Implication

The Upstream Petroleum Operations (Cost-Efficiency Incentives) Order, 2025 applies to upstream petroleum lessees, licensees, and contractors operating across onshore, shallow-water, and deep-offshore assets in Nigeria. The Order establishes a performance-based framework under which the NUPRC annually sets cost-efficiency benchmarks and assesses operators' unit operating costs against those benchmarks. Eligible operators that achieve verified cost reductions may claim tax credits, subject to the prescribed cap and in accordance with implementation procedures administered by the NUPRC in consultation with the Federal Inland Revenue Service.

The Order introduces a direct fiscal incentive for cost discipline in upstream operations, encouraging operators to optimise procurement, contract structures, and operational processes. For oil and gas companies, the availability of tax credits—capped at a percentage of annual tax liability, creates potential upside for efficient operators, while also increasing scrutiny of cost structures and reporting accuracy. The framework may favour operators with scalable assets and strong cost-control systems, influence investment and development decisions, and enhance Nigeria's competitiveness as an upstream investment destination by addressing historically high operating costs.

## NUPRC's 2025 Petroleum Licensing Round Guidelines

In late 2025, the NUPRC announced the 2025 Petroleum Licensing Round, with its official commencement approved effective 1 December 2025. The round represents Nigeria's third competitive acreage licensing cycle under the PIA framework, structured to attract exploration and development investments in onshore, shallow water, and deep offshore blocks. A public portal and detailed Licensing Round Guidelines 2025 outline processes, including pre-qualification, data purchase, bid submission, technical evaluation, and commercial bid phases.

The Nigeria 2025 Licensing Round Guidelines, issued by the NUPRC pursuant to the Petroleum Industry Act, 2021, establish the legal, commercial, and procedural framework for the award of Petroleum Prospecting Licences through a competitive bidding process. The Guidelines set out eligibility requirements, bid procedures, evaluation criteria, post-award obligations, and governance standards applicable to participants in Nigeria's upstream petroleum sector.

Although the Guidelines are directed at upstream licence applicants and operators, they have broader downstream and market-shaping effects across Nigeria's energy value chain.

## Application and Implication

The Nigeria 2025 Licensing Round Guidelines apply primarily to entities seeking to acquire Petroleum Prospecting Licences in Nigeria and to existing upstream operators participating in the competitive bidding process. The Guidelines govern the entire licensing lifecycle, including pre-qualification, bid submission and evaluation, award, and post-award compliance, and impose obligations relating to work programme execution, financial and technical capability, governance disclosures, and regulatory engagement with the NUPRC. Their application is therefore focused on upstream petroleum activities, but they also provide the regulatory context within which new exploration and development projects will be initiated and progressed.

The implementation of the Guidelines is expected to intensify upstream investment activity and accelerate the development of new oil and gas assets, particularly gas-focused projects aligned with domestic utilisation objectives. For oil and gas companies, the Guidelines increase regulatory and financial discipline through stricter qualification thresholds, clearer development timelines, and enhanced transparency requirements, while also creating opportunities for growth through access to new acreage. More broadly, by expanding upstream activity and prioritising timely project execution, the Guidelines are likely to stimulate downstream and midstream demand across the energy value chain, influencing infrastructure development, gas monetisation initiatives, and long-term sector planning.

## Upstream Petroleum Fees and Rents (Temporary) Regulations 2025

Pursuant to its powers under section 216(5) of the PIA, the NUPRC issued the Upstream Petroleum Fees and Rents (Temporary) Regulations (the “Fee Regulations”) in May 2025.

The Fee Regulations are to address any uncertainties regarding fees and rents payable for upstream petroleum operations pending the outcome of the Commission’s stakeholder consultations. The Fee Regulations are aimed at: (a) providing interim measures to promote transparency and stability in matters relating to upstream petroleum fees and rents; (b) promoting planning, certainty, and predictability relating to fees and rents among industry stakeholders; and (c) attracting investments in the oil and gas upstream industry. The Fee Regulations are valid for six (6) months, subject to any extension by the NUPRC for an additional period of six (6) months. Upon finalising consultation with stakeholders, the fees may be adjusted to reflect economic realities and administrative costs.

## Application and Implication

The Fee Regulations apply to licensees and lessees whose rights are granted or preserved under the PIA as well as to any person applying for approvals, permits, or authorisations for activities within the upstream petroleum sector under the PIA or the Petroleum Act 1969. In essence, all leases and licences, whether or not converted to the PIA regime, will be subject to the applicable fees and rents under the Fee Regulations.

Generally, licensees or lessees are primarily responsible for payments relating to their licences or leases. However, in the case of an assignment, the responsibility for payment of the fees lies with the assignor; in the case of a joint operating agreement, the responsibility is on the operator; while the contractor, service provider, or any other relevant applicant (as applicable) has the payment obligation under the relevant licences and leases governing their interests.

## 2025 NUPRC Guidelines for the Operationalization of the Advance Cargo Declaration Regulation

On 17 June 2025, the Nigerian Upstream Petroleum Regulatory Commission issued the Guidelines for the Operationalization of the Advance Cargo Declaration Regulation, which serve as a practical roadmap and spell out the procedures for implementing the provisions of the Nigerian Upstream Petroleum Advance Cargo Declaration Regulation 2024. This two-tiered regulatory approach provides a more integrated and transparent ecosystem for petroleum exportation with the aim of curbing illicit activities such as crude oil theft, illegal topping at export terminals, and under-reporting of exported petroleum from Nigeria

The Nigerian Upstream Petroleum Advance Cargo Declaration Regulations 2024 (“the Regulations”), issued pursuant to sections 7(1) and 7(ee) of the Petroleum Industry Act 2021, establish a mandatory framework for the prior declaration of all petroleum exports from Nigeria. The Regulations aim to enhance transparency, accountability and regulatory oversight in upstream crude export operations with a view to curbing crude oil theft, illegal topping at export terminals and under-declaration of export volumes.

Under the framework, every export of petroleum must be preceded by the submission of an Advance Cargo Declaration Form to the Nigerian Upstream Petroleum Regulatory Commission (the “Commission”) via an electronic portal at least five (5) days before the expected time of arrival of the export vessel. Upon satisfactory verification, the Commission issues a UIN which must be reflected on the Bill of Lading, Certificate of Quantity and Quality and all other relevant shipping documents, without which no petroleum export may lawfully proceed.

Noncompliance, including inaccurate declarations, late submissions or unauthorised exports, attracts substantial administrative fines.

As an implementation framework for the Regulations, the NUPRC issued the Guidelines to serve as a binding compliance instrument applicable to all exports of crude oil, condensates, natural gas liquids (NGLs), and petroleum products conducted under licences or leases granted or preserved under the PIA

### Application and Implication

The scope of application extends across all upstream export terminals, floating production storage and offloading units (FPSOs), and any other designated export points within Nigeria’s jurisdiction. More so, These Guidelines shall apply to licences and leases granted or preserved by the PIA and to all crude oil, natural gas, natural gas liquids and petroleum products and exports from all terminals and export points in Nigeria.

## **NUPRC Decarbonization / Upstream Emissions Framework & Gas Flaring / Methane Rules**

In 2025, the NUPRC continued implementation of its Upstream Petroleum Decarbonisation Template (UPDT) and related climate-focused directives as part of Nigeria's broader upstream decarbonisation and emissions management agenda. The UPDT, which became mandatory early in 2025 for licence and permit applications, requires operators to embed greenhouse gas reduction strategies, low-carbon solutions, and emissions management plans into upstream operations, aligning with Nigeria's net-zero commitments and global energy transition expectations.

Complementing this, the Commission has actively pursued emissions controls, partnering with the World Bank and other international bodies to strengthen measurement, monitoring, reporting and verification (MMRV) capacity, methane abatement practices, and gas flaring elimination programmes. Efforts to implement the Gas Flaring and Venting (Prevention of Waste and Pollution) Regulations require producers and permit holders to maintain detailed records of flared, vented, and fugitive methane emissions and to submit approved Flare Elimination and Monetisation Plans, thereby reducing environmental impact while driving economic utilisation of gas resources.

### **Application and Implication**

The NUPRC's decarbonisation and emissions framework, including the Upstream Petroleum Decarbonisation Template (UPDT) and the Gas Flaring and Venting (Prevention of Waste and Pollution) Regulations, applies to all upstream petroleum licence and permit holders under the Petroleum Industry Act, 2021.

From early 2025, submission of the UPDT became mandatory for licence and permit applications, renewals, and key regulatory approvals, while producers are required to measure, report, and manage gas flaring, venting, and methane emissions in accordance with NUPRC directives.

### **Implications for Oil & Gas Companies**

- **Higher compliance obligations:** Operators must implement emissions measurement, reporting, and monitoring systems and submit approved flare elimination and emissions management plans.
- **Increased costs and capex:** Compliance may require investment in gas capture, methane abatement, and low-carbon operational solutions, particularly for existing assets.
- **Operational and approval risk:** Failure to comply may result in penalties, delays in regulatory approvals, or restrictions on operations.
- **Gas monetisation opportunities:** The regulatory push to reduce flaring creates commercial opportunities for gas utilisation, including gas-to-power and processing projects.
- **ESG and financing impact:** Strong emissions management improves alignment with ESG requirements and may support access to financing, while poor compliance increases reputational and investor risk.

## Midstream And Downstream Petroleum Operations Regulations, 2025

The Midstream and Downstream Petroleum Operations Regulations, 2025 (the “Regulations”) were issued by the NMDPRA pursuant to Section 33 and other enabling provisions of the PIA. The Regulations came into force in July 2025, repealing the 2023 Regulations and several legacy subsidiary instruments that previously governed midstream and downstream petroleum operations in Nigeria.

The Regulations establish a single, consolidated operational framework covering licensing, technical operations, measurement and metering, transportation, gas flaring, customer protection, compliance, enforcement, and penalties across Nigeria’s midstream and downstream petroleum sectors. By operationalising the PIA’s objectives, the Regulations strengthen regulatory oversight, promote operational discipline, and enhance consumer protection in the post-PIA petroleum market, providing clearer guidance for operators and more predictable enforcement for regulators.

## Application and Implication

### Regulatory Clarity and Predictability

The Upstream Petroleum (Commercial) Regulations, 2025 and the Midstream and Downstream Petroleum Operations Regulations, 2025 provide a clearer operational framework for stakeholders, assuming they are formally gazetted and in force. Companies can begin aligning internal processes with these requirements to enhance planning and compliance certainty. Draft or proposed regulations and frameworks remain under consultation and are not yet enforceable, but they indicate the likely direction of regulatory expectations.

### Governance and Oversight Expectations

The Petroleum Industry Act (Amendment) Bill, 2025 and certain draft operational and cost-efficiency initiatives signal potential reforms in governance, reporting, and regulatory oversight. While not binding, early engagement and internal alignment with these anticipated standards can help stakeholders prepare for stricter oversight and smoother adaptation once enacted.

### Cost and Fiscal Management Opportunities

Draft frameworks, including proposed incentives for cost efficiency, highlight potential future benefits. Operators who adopt strong operational and financial discipline now will be well-positioned to capitalise on these measures once they are finalised, while improving internal efficiency and resilience in the interim.

## Midstream And Downstream Petroleum Operations Regulations, 2025

### Strategic Market Engagement and State-Level Opportunities

The creation of the Ibile Energy Corporation in Lagos State demonstrates increased sub-national participation across the energy value chain. Stakeholders should monitor emerging licensing rounds and co-investment opportunities, as state-level developments may present strategic avenues to expand market presence in upstream, midstream, downstream, and renewable energy projects.

### Environmental Compliance and ESG Integration

Existing rules, such as gas flaring/methane management directives and the Upstream Petroleum Decarbonisation Template (UPDT), require integration of emissions reduction and sustainability practices. Proposed expansions of environmental obligations signal potential additional requirements. Proactive ESG-aligned strategies can mitigate compliance risks and strengthen investor confidence in anticipation of stricter future regulations.

### Operational Efficiency and Risk Mitigation

Consolidation of regulations across upstream, midstream, and downstream sectors reduces administrative complexity and clarifies compliance obligations. Stakeholders who align processes with enforceable requirements and monitor proposed rules are better equipped to minimise operational disruptions, regulatory penalties, and project delays.

### Investor Confidence and Market Stability

Collectively, binding and proposed 2025 developments enhance transparency, governance, and operational discipline. Stakeholders who actively track emerging measures, engage with regulators, and integrate compliance and ESG considerations into strategic planning are well-positioned to capitalise on opportunities, mitigate risks, and support sustainable growth in Nigeria's oil and gas sector.

# Key Relevant Judicial Decision(s) Reached by the Courts.

In 2025, Nigerian courts delivered a number of important judgments affecting the oil and gas sector, touching on marginal field ownership disputes, environmental transparency, and interim asset protection orders in financing litigation. These decisions reflect judicial engagement with complex commercial and regulatory issues arising in an evolving petroleum legal landscape. Below are the key cases and their outcomes.

# NorthWest Petroleum and Gas Company Limited v Gab&Nuella Concept Limited and Brinitup Hydrocarbons Limited

The Court of Appeal in Abuja upheld the appellate challenge by NorthWest Petroleum and Gas Company Limited to confirm its 69.6% equity stake in the Ede Marginal Field (OML 67). The Court held that the suit against the award was statute-barred because it was filed outside the applicable limitation period under the Public Officers Protection Act.

**Reason for the Decision:** Section 2(a) of the Public Officers Protection Act creates a clear limitation period for actions against public officers. A suit filed outside the statutory period is incompetent, even where allegations of illegality are made, unless the limitation defence is properly rebutted.

**Sector Impact:** This decision reinforces regulatory certainty around marginal field allocations and underscores that statutory time limits in oil sector disputes will be strictly applied.

# Human and Environmental Development Agenda (HEDA) Resource Centre v Federal Government of Nigeria

The Federal High Court sitting in Lagos granted HEDA's application compelling the Federal Government to disclose detailed information on oil and gas companies involved in gas flaring in Nigeria from 2015 to 2020. The order includes disclosure of names of companies, volumes of gas flared, penalties imposed, and actual payments made.

**Reason for the Decision:** Public information held by government authorities regarding environmental compliance and enforcement is subject to disclosure under the Freedom of Information Act. Where relevant data is withheld, the courts can order disclosure to enforce transparency and accountability.

**Sector Impact:** This judgment enhances transparency in environmental compliance and could prompt regulatory action and enforcement regarding historic gas flaring breaches.

# FBNQuest Merchant Bank Limited & First Trustees Limited v Nestoil Limited & Neconde Energy Limited

The Federal High Court in Lagos lifted a Mareva injunction that had previously frozen the assets of Nestoil Limited and its affiliates in connection with an alleged \$1.01 billion debt recovery suit. The Court found that the injunction had expired and was no longer enforceable.

A Mareva injunction is an exceptional, temporary remedy that must be strictly confined to its statutory life or extended with clear judicial justification. Where it lapses by operation of law, it cannot continue to bind the defendant's assets.

**Sector Impa:** This case confirms procedural discipline in interim reliefs affecting oil and gas service providers and underlines that asset freezing orders cannot be indefinitely sustained without compliance with procedural rules.

Following the vacatur of the Mareva injunction in November 2025, the Federal High Court lifted the asset-freezing orders against Nestoil Limited and its affiliates, bringing an end to the interim restraints that had restricted their dealings with assets in connection with the disputed debt. While this marked a significant procedural turning point, the substantive dispute remains unresolved. The status of the alleged receivership continues to be contested, with the appointed receiver asserting ongoing authority under the relevant security documents, and Nestoil firmly denying that any valid or court-sanctioned receivership subsists. The matter has since moved into the appellate phase, with the Court of Appeal seized of interlocutory issues relating to the enforcement and control of assets. Accordingly, despite the lifting of the Mareva order, the case remains active and legally unsettled, with final determination still pending.

# Shell plc & Shell Petroleum Development Company of Nigeria Limited v Communities of Bille and Ogale

In proceedings before the UK High Court, the communities of Bille and Ogale in the Niger Delta advanced claims over ongoing environmental damage caused by decades of oil pollution. Although a final judgment is pending, the court allowed key procedural questions, including limitation issues and liability of parent and subsidiary entities, to proceed to trial.

**Reason for the Decision:** The court accepted that continuing environmental harm from oil spills can give rise to ongoing causes of action not barred by simple limitation defences, and that multinational corporations may owe duties of care for systemic pollution.

**Sector Impact:** While not decided in a Nigerian court, this ruling is significant for operators with Nigerian exposure because it expands litigation risk for environmental damage worldwide.

The decision also clarified that liability may extend to both the corporate parent (Shell plc) and its Nigerian subsidiary where sufficient legal linkage and duty of care evidence exists.

# Conclusion

The regulatory and legislative developments recorded during the 2025 reporting period reflect a clear and deliberate effort by Nigerian authorities to consolidate the Petroleum Industry Act framework, strengthen governance, improve operational efficiency, and align oil and gas activities with evolving fiscal and environmental priorities. Across upstream, midstream, and downstream segments, regulators continued to refine compliance expectations through new regulations, subsidiary instruments, and operational directives, while legislative initiatives signalled possible further recalibration of institutional roles and fiscal structures.

For oil and gas companies, these developments underscore the increasing importance of regulatory readiness, cost discipline, and transparency in sustaining operations and attracting investment. Binding instruments such as the Upstream Petroleum (Commercial) Regulations, cost-efficiency incentives, licensing round guidelines, and emissions management frameworks introduce clearer rules but also heighten compliance and performance expectations. At the same time, proposed legislation and state-level initiatives point to emerging opportunities for strategic partnerships, market expansion, and participation in energy transition and gas monetisation projects.

Overall, the 2025 regulatory landscape favours operators that proactively monitor regulatory change, engage constructively with regulators, and integrate compliance, efficiency, and ESG considerations into operational and investment decision-making. Stakeholders who align early with these evolving requirements will be better positioned to mitigate regulatory risk, leverage new opportunities, and support sustainable participation in Nigeria's oil and gas sector as the PIA framework continues to mature.

# About Stren & Blan Partners

Stren and Blan Partners is a world-class ingenious law firm with a beautiful blend of the brightest minds and well-rounded individuals championed with sole responsibilities of providing solutions to business problems and equally finding answers to the questions of our clients. We are a team always guided by our professional ethics. Also, honesty and transparency have been our watchwords in practice.

Stren & Blan Partners is a full-service commercial Law Firm that provides legal services to diverse local and multinational corporations. We have developed a clear vision for anticipating our clients' business needs and surpassing their expectations, and we do this with an uncompromising commitment to Client service and legal excellence.

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