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UPSTREAM OIL AND GAS REGULATORY UPDATES 2026

Nigeria's upstream petroleum regulator, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), gazetted three instruments between 27 February and 9 March 2026 to address the beginning, the active life, and the end-of-life of upstream petroleum assets. Taken together, they complete the most consequential gap in the country's post-PIA regulatory architecture.

- The Conversion and Renewal (Licences and Leases) Regulations (S.I. No. 10)
- The Decommissioning and Abandonment Regulations (S.I. No. 15)
- Upstream Petroleum Fees and Rents (Temporary) Extension Regulations (S.I. No. 16)

For operators, investors, and lenders engaged with the Nigerian upstream sector, these instruments are not administrative housekeeping. They carry material compliance obligations, alter the economics of asset conversion and abandonment, and send unmistakable signals about the direction of Nigerian energy policy. Understanding them, not just individually but as a coherent package, is essential for anyone with a stake in the sector.

BACKGROUND

The Petroleum Industry Act (PIA), signed into law in August 2021, was the most ambitious overhaul of Nigeria's petroleum legislative framework in half a century. It restructured the industry's institutional architecture, commercialised Nigerian National Petroleum Corporation into Nigerian National Petroleum Company Limited (NNPCL), introduced new licence categories (Petroleum Prospecting Licences (PPL) and Petroleum Mining Leases (PMLs) replacing Oil Prospecting Licences (OPLs) and Oil Mining Leases (OMLs), and established new fiscal terms designed to attract investment back to a sector that had seen declining upstream capital expenditure for much of the preceding decade.

But legislation without implementing regulations remains an aspiration. For nearly four years after the PIA's enactment, legacy OPLs and OMLs continued to operate under a legal framework that the Act had technically superseded. The first conversion regulations (S.I. No. 67 of 2022) provided a pathway but left gaps that complicated practical implementation. The Decommissioning and Abandonment (D&A) and fees frameworks evolved through interim instruments. The 2026 package represents NUPRC's most comprehensive attempt to translate the PIA's intent into operational reality.

The timing also matters. Nigeria's upstream sector is operating within an increasingly delicate regulatory and commercial environment:

- crude oil production, while recovering from years of underperformance, remains well below the government's 2 million barrels per day target;
- energy transition debate is reshaping how international capital views long-dated hydrocarbon investments, and divestment of onshore and shallow water assets by the international majors has created a new generation of indigenous operators who need regulatory clarity to attract financing.

THE CONVERSION REGULATIONS

At the heart of Nigeria's upstream transition challenge is a fundamental question: what happens to the hundreds of OPLs and OMLs that have operated for decades under the old framework? The PIA mandated conversion to PPLs and PMLs, but the path was neither straightforward nor universally taken. The 2026 Conversion and Renewal Regulations, which revoke and replace the 2022 version in their entirety, tighten this pathway considerably.

A More Certain Process

The 2026 regulations significantly improve the operationalisation of the deemed-approval mechanism. Under both the 2022 and 2026 versions, where the Minister of Petroleum does not respond to a conversion recommendation within 60 working days, approval is deemed granted. The 2026 version goes further, directly linking ministerial approval to the pre-condition compliance timeline, giving applicants a clearer and more reliable fallback where ministerial responses are delayed. In a sector where regulatory bottlenecks have historically been a major source of transaction risk, this is a genuine improvement.

Equally significant is the elevation of NNPC Limited's written conformity confirmation from a contract execution condition to a formal pre-condition to licence issuance. This closes a gap in the 2022 framework that had allowed conversions to advance to the contract stage without confirmed JV alignment, a misalignment that created both legal uncertainty and commercial friction for joint venture operators.

What Operators Must Do

The fiscal terms on conversion already in the market's pricing of conversion economics are largely unchanged from the 2022 framework:

- no signature bonus;
- gas royalties reduced to 5% (2.5% for in-country utilisation);
- crude oil royalties transitioning to the production-based rates under the PIA's Seventh Schedule; and
- a 5% NPV renewal bonus applying on PML renewal.

What has changed is the precision and enforceability of the process around them.

Operators holding legacy OPLs or OMLs who have not yet completed conversion should treat these regulations as a renewed call to action. The 60-day pre-condition compliance window following Ministerial approval requires all of the following to be in place simultaneously:

- Paid rent for the first year
- D&A Fund established
- Environmental Remediation Fund established
- Host Communities Development Trust fund incorporated, and
- NNPC Ltd written sign-off secured for JV assets.

The coordination demands are significant, and the consequence of missing the window of deemed withdrawal of Ministerial approval is severe.

THE D&A REGULATIONS

If the conversion regulations address the beginning of an asset's life under the PIA regime, the Decommissioning and Abandonment Regulations (S.I. No. 15) address its end. And it is here that the 2026 package is perhaps most consequential, both in its immediate compliance demands and in what it signals about the direction of Nigerian petroleum governance.

The Scale of the Challenge

Nigeria has thousands of wells, hundreds of installations, and extensive pipeline networks, many of them ageing. The International Energy Agency estimates that global decommissioning costs for upstream assets will run into the hundreds of billions of dollars over the next two decades; Nigeria's share of that liability is substantial and, until recently, systematically underprovisioned. While the 2023 D&A Regulations established the foundational framework, the 2026 version sharpens it considerably.

Tighter Timelines, More Teeth

The single most striking change from the 2023 to the 2026 D&A Regulations is the halving of the submission deadline for existing operators: from twelve months to six months from the commencement date of 9 March 2026. This means existing licensees and lessees must have a compliant D&A Plan before NUPRC by approximately September 2026. For operators who have not yet developed robust decommissioning plans, this timeline offers little operational comfort.

Beyond the submission deadline, the Fund establishment trigger has been restructured in a way that fundamentally changes the economics of new project development. Under the 2023 regulations, the D&A Fund had to be established within 90 days of the commencement of production. Under the 2026 regulations, the trigger is 180 days from the approval of the work programme or Field Development Plan(FDP) before first oil. This is a significant shift. It means that decommissioning financing must now be incorporated into project economics at the FDP stage, rather than deferred to production. For lenders and project finance structures, this will require recalibration of financial models and security packages.

The Fund Mechanics

The D&A Fund itself is structurally unchanged from the 2023 framework. It remains a separate USD-denominated escrow account per licence or lease, with NUPRC as a party to every escrow agreement. What has changed is the localisation requirement: the 2023 regulations contained an escalating schedule requiring international oil companies (IOCs) in JVs with NNPC Limited to hold 15% of contributions locally, increasing to 25% after three years and to 100% from year five. The 2026 regulations replace this with a flat 15% minimum throughout. This simplification appears to reflect feedback that the escalation schedule was creating structural difficulties for foreign-financed JVs and foreign financial institutions, though it does represent reduced domestic capital retention at maturity.

NNPC Limited's 100% local contribution obligation is unchanged. The Commission's independent right of access to every escrow account, and the accounts' protection from creditor attachment, are also retained. These structural features are designed to ensure the funds are available when needed, regardless of the operator's financial condition.

Enforcement

The penalty regime sends an unambiguous message:

- Failure to submit a D&A Plan: USD 500,000 per year.
- Failure to establish the Fund: USD 500,000 per year.
- Missed annual contribution: one full year's contribution as a penalty in addition to the amount owed.
- Unauthorised decommissioning or abandonment: USD 1,000,000.

None of these penalties are cost-recoverable. In a JV context, penalties are now applied severally and pro-rata to individual parties, which means that a defaulting minority partner cannot hide behind the joint venture structure.

The new 60-day timeline for crude oil lifting authorisation in JV default scenarios makes the enforcement remedy faster and more certain than it was under the 2023 framework. NUPRC has, in effect, given itself a self-help remedy that bypasses conventional enforcement delays.

THE FEES & RENTS REGULATIONS

The Upstream Petroleum Fees and Rents (Temporary) Extension Regulations (S.I. No. 16) are, on the surface, the least dramatic of the three instruments. The fee schedules are largely unchanged from the 2025 version:

- PML annual rent at $100,000 plus USD 10 per hectare;
- Renewal and conversion premiums a 5% of NPV;
- PML application fees are $1,575,000 to $2,100,000; and
- the 5% NPV renewal bonus methodology is preserved in full.

However, the headline continuity masks two developments that deserve close attention.

The Extension Mechanism

The 2025 instrument had no express extension mechanism; if permanent regulations were not concluded by the end of its six-month operative period, the regulatory position would have been unclear. The 2026 version introduces an explicit six-month extension option, exercisable with written Ministerial approval. This is an important safety valve: it means NUPRC can extend the temporary framework without a full re-gazetting if stakeholder consultations on permanent regulations run beyond September 2026.

But the instrument's temporary nature also means this clock is running. The current framework expires approximately six months from its 9 March 2026 commencement date. Permanent fees and rents regulations, developed through the stakeholder consultation process, are coming into effect with the 2026 instrument mandates. Operators, investors, and asset acquirers should factor this uncertainty into their medium-term financial planning.

The Fiscal Stability Question

The 2026 regulations contain a clarification that deserves careful attention by anyone reviewing existing contracts. The fee adjustment power, which allows NUPRC to revise the fee schedule with Ministerial approval following stakeholder consultation operates outside the fiscal stability provisions of any contract, unless the contract expressly provides otherwise. This resolves an ambiguity in the 2025 version regarding the interaction between regulatory fee changes and PSC or JOA fiscal stability clauses, which was legally unclear. The resolution favours the State's ability to adjust fees: only contracts that specifically include fees and rents within their stability perimeter are protected. Given that many existing contracts were not drafted with this specific carve-out in mind, the implications for ongoing transaction due diligence are material.

READING THE POLICY SIGNALS

Beyond the technical details, the 2026 regulatory package conveys several broader industry policy messages.

NUPRC Is Asserting Institutional Confidence

The pace, coherence, and technical quality of the 2026 instruments reflect a regulator that has found its operational stride. The Commission has produced, in quick succession, a package that addresses the full upstream asset lifecycle with a degree of regulatory precision that was not always evident in the sector's earlier PIA implementation efforts. The signal to investors, both domestic and international, is that the regulatory environment is more predictable and Nigeria is serious about completing the institutional architecture the PIA created.

Environmental and Decommissioning Liability Is Being Priced In

The shift in the D&A Fund trigger from production commencement to FDP approval, combined with tighter submission timelines and a non-cost-recoverable penalty regime, reflects a deliberate policy decision to ensure that environmental liabilities are provisioned from the beginning of the project lifecycle rather than deferred indefinitely. This aligns with ESG expectations of the international capital markets that Nigerian upstream companies increasingly need to access. The era of treating decommissioning as a distant problem is formally over.

Indigenous Operators Face the Hardest Near-Term Compliance Test

IOCs have the institutional capacity and financial resources to absorb these regulatory requirements, however demanding. The more exposed constituency is the growing cohort of indigenous Nigerian operators who have acquired, or are in the process of acquiring legacy onshore and shallow water assets. Many of these operators are working with thinner balance sheets, less developed regulatory compliance infrastructure, and asset bases where decommissioning liabilities are often poorly quantified. The six-month D&A Plan submission deadline, the Fund establishment obligations, and the conversion pre-conditions will fall heavily on this minority group, which the government is most invested in.

The Energy Transition Is in the Background

None of the three regulations explicitly mentions the energy transition. But the entire decommissioning framework is, in a structural sense, an energy transition instrument: it is the mechanism by which the State ensures that the winding down of petroleum assets is orderly, properly financed, and does not leave environmental liabilities stranded on the government's balance sheet. The 5-year offshore lead time requirement, the mandatory D&A Funds, and the independent verification requirements are all, ultimately, about ensuring that the exit from hydrocarbons is managed responsibly.

CONCLUSION

Nigeria's upstream petroleum sector has lived with regulatory incompleteness since the PIA was enacted in 2021. The 2026 NUPRC regulatory package does not resolve every outstanding question, but it closes significant gaps with much needed clarity and coherence. The conversion framework is tighter and more certain; the decommissioning framework reflects the scale of Nigeria's unprovisioned liabilities; and the fees framework, while temporary, provides continuity pending the construction of the permanent architecture.

For those involved in the details, the message is clear: NUPRC is completing what the PIA started. The compliance obligations are real, the timelines are shorter, and the policy direction is consistent. The broader industry and its stakeholders would benefit from viewing this package as more than a routine regulatory exercise, but as a signal that the rules of engagement in Nigeria's upstream sector have materially changed.