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CLIENT NEWSLETTER

BANKABILITY BY DESIGN

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THE REAL CHALLENGE AFTER NIGERIA'S 2025 LICENSING ROUND AWARDS

An analysis of what it takes to convert a licence award into a financeable project and the decisions that determine whether capital will follow

Nigeria's 2025 Licensing Round has produced its results. On 21 July 2026, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) announced that 31 companies secured 37 blocks from a field of 143 applicants submitting 200 bids. The terrains span Niger Delta onshore, shallow water and deep offshore, together with frontier basins including the Benue Trough, Chad Basin and Anambra Basin. The competitive intensity confirms appetite for Nigerian acreage. It does not, by itself, establish that any of these awards will become producing assets.

This Newsletter advances a single proposition: financing does not make a project bankable. Financing reveals whether bankability has already been built into the project through commercial judgement, transaction architecture, governance discipline and realistic execution planning. NUPRC's own framework reflects this logic. The 2025 Licensing Round Guidelines did not assess signature bonus alone; they tested work-programme realism, technical competence, financial capability, governance documentation and work-performance security. The same questions will be asked again, more rigorously, by every financier who enters the room.

The first test arrives immediately. The 2025 Licensing Round Guidelines require that before the Petroleum Prospecting Licence is granted, successful bidders must, within 90 days of the Offer Letter, furnish applicable guarantees, fees, first-year rent, evidence of signature-bonus payment and sworn confirmations on integrity and solvency. A development vehicle that cannot satisfy this window is already signalling a gap between its bid credibility and its execution capacity. Post-award readiness is not a procedural formality. It is the opening act of a much longer performance.

AT A GLANCE

What has changed: NUPRC has concluded the most competitive licensing round in recent Nigerian upstream history, with 31 winners across 37 blocks. The implementation phase consisting of appraisal, development, financing and production now begins. It cannot be left to improvisation.

Why it matters: A licence award is a legally significant opportunity, not yet an asset. The journey from award to investable project requires five layers of design to be built sequentially and coherently before a single financier is invited to assess the result.

The 90-day test: Under the 2025 Licensing Round Guidelines, awardees must furnish guarantees, fees, first-year rent, bonus payment evidence and sworn solvency and integrity confirmations within 90 days of the Offer Letter. This is a miniature bankability test and failure may cause the bid to be declared unsuccessful and the licence offered to reserve bidders.

The design imperative: Bankability is not a term sheet. It is the cumulative product of five interdependent design decisions: commercial, transaction, governance, execution and financing. Each layer must be built before the next can rest on it. Financing comes last because it must reflect what precedes it, not conceal defects within it.

Governance as a financing risk: Weak consortium design becomes weak governance, which becomes weak financeability. The 2025 Licensing Round Guidelines require identification of the lead member and the roles of all consortium participants. Serious sponsors must go further, by negotiating reserved matters, capital calls, default remedies, dilution mechanics and deadlock resolution before the first lender arrives.

Immediate action: Sponsors should establish a bankability room before a data room. The bankability room is an integrated internal workstream that identifies what must be true before the external data room can tell a coherent story. Consistent with project-preparation guidance from the Global Infrastructure Facility and the World Bank, bankability is located in early preparation and risk allocation, not in lender intervention at the end of the process. The first 90 days should be spent on architecture, not investor outreach.

KEY THEMES AND THEIR COMMERCIAL SIGNIFICANCE

1. THE LICENCE IS NOT YET THE ASSET

Winning an upstream licence creates a right and an obligation to begin a development journey. Value emerges only when subsurface potential is converted into an executable development concept, enforceable commercial arrangements, credible governance, regulatory readiness and a capital structure that can withstand downside conditions. The distinction matters because sponsors often begin in the wrong place. They ask who will finance the project before answering, with sufficient precision, what is being financed, by whom it will be governed, how it will be executed, where revenue will come from and how risk will be absorbed. The financier's role is not to invent satisfactory answers. It is to assess whether satisfactory answers already exist.

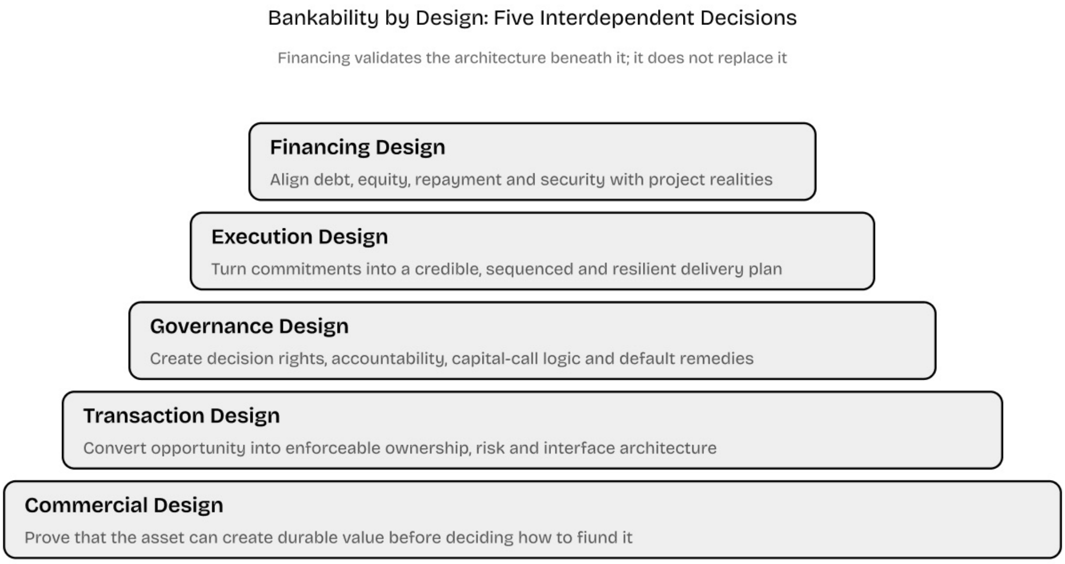
The architecture of the 2025 round confirms this framing. NUPRC's Explanatory Notes to the 2025 Licensing Round Guidelines imposed a limit of two blocks per incorporated applicant partly to prevent block warehousing and improve delivery certainty. Focused and executable ownership was preferred over speculative acreage accumulation. The principle carries forward into development: a project that cannot be executed is not yet a project.

Licence Award → 90-Day Readiness → Commercial Design → Transaction Design → Governance Design → Execution Design → Financing Design → FID

The sequence is iterative: weaknesses discovered later must be corrected in the earlier design layers

2. BANKABILITY IS DESIGNED IN FIVE LAYERS

Bankability is cumulative. It is not created by any single agreement, model or approval; it emerges from five interdependent design decisions, each of which must support the next.



Commercial design asks whether the awarded block can be translated into a value proposition resilient enough for outside capital to trust. This requires realistic subsurface interpretation, a usable development concept, honest cost assumptions, downside price cases and a credible route to evacuation, processing or monetisation. Global Infrastructure Facility project-preparation guidance places commercial feasibility and appraisal before financing precisely because a project must first deserve capital. No financing structure repairs a commercially defective opportunity.

Transaction design converts opportunity into enforceable architecture: SPV formation, title and consent mapping, consortium arrangements, operator logic, default remedies, transfer restrictions, payment mechanisms and interface contracts. EBRD guidance on the financing of concessions is instructive here: financiers examine whether the award process was lawful and fair, whether the resulting agreements reflect market practice, and whether risk allocation is reasonable. A transaction that is commercially persuasive but legally ambiguous will ultimately become a financing problem. Unclear rights produce uncertain cash flows; uncertain cash flows reduce debt capacity and prolong diligence.

Governance design determines how decisions will be made under pressure. Financiers are not only financing the geology. They are financing the people who will make decisions about it. Reserved matters, work-programme approvals, capital calls, operator oversight, conflicts of interest, deadlock resolution and default remedies must all be clear before capital arrives. Weak governance introduces uncertainty before the first operational failure occurs.

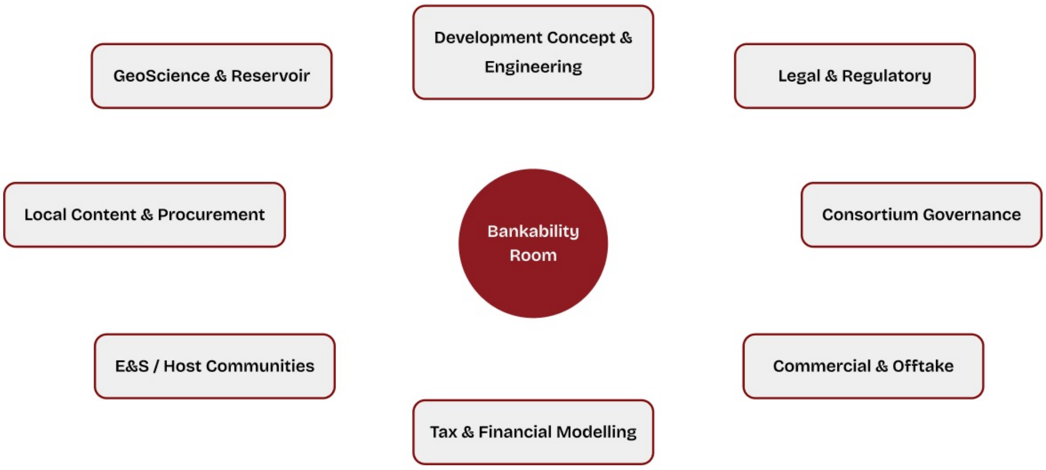
Execution design converts ambition into a credible sequence: work-programme realism, procurement, permitting, contractor selection, logistics, HSE, environmental planning, community engagement and contingency planning. The 2025 Licensing Round Guidelines provide that NUPRC may reject a technical bid where proposed commitments are impracticable or internally inconsistent. Execution realism is therefore a regulatory value criterion, not a cosmetic preference. Capital prices certainty almost as highly as profit because predictability permits risk to be quantified, allocated and monitored. Execution design must also address Nigerian content obligations under the Nigerian Oil and Gas Industry Content Development Act. First consideration for Nigerian contractors, content plan submissions, local equity participation requirements and domiciliation obligations are not post-FID compliance matters. They are execution design variables that affect contractor selection, procurement sequencing, cost assumptions and, ultimately, the credibility of the work programme presented to capital.

Financing design comes last because it must reflect the first four layers. Debt tenor, equity contribution, sponsor support, repayment profile, reserve accounts, security and covenant architecture must all align with the project's actual risk, cash-flow timing and execution sequence. Get the first four layers right and financing becomes a validation exercise. Get them wrong and financing becomes an expensive search for waivers, exceptions and rescue capital.

3. ESTABLISH A BANKABILITY ROOM BEFORE A DATA ROOM

The instinct after award is to create a data room and begin investor outreach; however, a more disciplined first move is to establish a bankability room, an integrated internal process that identifies what must be true before the external data room can tell a coherent story.

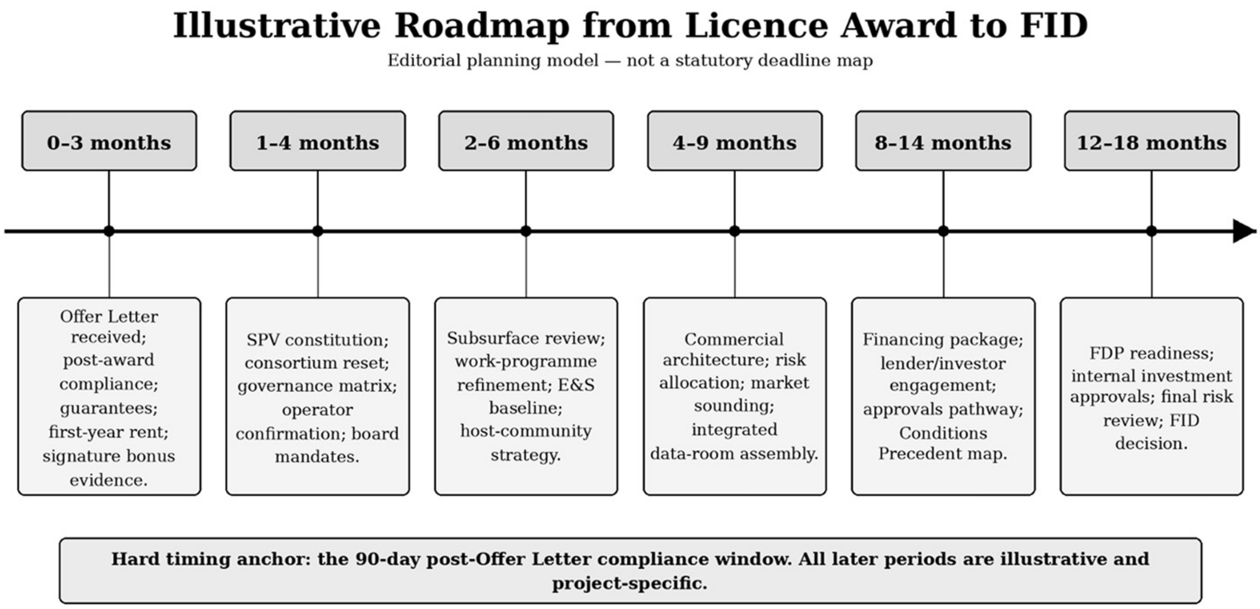
The bankability room should consolidate geoscience and reservoir evaluation, development concept and engineering, legal and regulatory mapping, consortium governance, commercial and offtake strategy, tax and financial modelling, environmental and social management, host-community strategy, procurement and local-content planning, and financing strategy, around one integrated risk register and one milestone plan. Its outputs are a single source of truth for project assumptions, an integrated risk register linking each risk to an owner and mitigation, a regulatory and consent map from licence grant through Field Development Plan (FDP), a live Conditions Precedent tracker, and a coherent investment case that reconciles technical, legal, commercial and financial narratives. The data room follows from these. It does not substitute for them.



One integrated risk register, One milestone plan, One coherent investment story

4. FROM OFFER LETTER TO FID: AN ILLUSTRATIVE SEQUENCING

The roadmap below sets out an illustrative post-award sequence from Offer Letter to Final Investment Decision, anchored to the official 2025 round timetable and the 90-day post-Offer Letter compliance window under the 2025 Licensing Round Guidelines. It is a planning model, not a statutory deadline map. Actual timing will depend on asset maturity, data quality, appraisal requirements, regulatory obligations, infrastructure interfaces, sponsor capability and financing strategy.



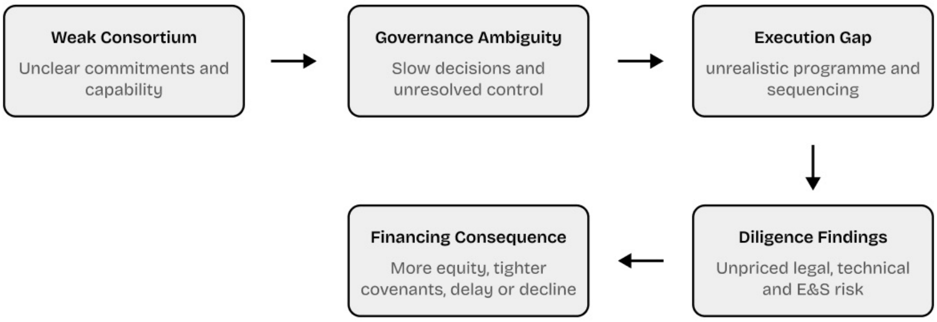
The key management principle the figure reflects is overlap without confusion. Governance structuring, technical review, environmental and social baseline work, commercial architecture and financing preparation should advance as coordinated parallel workstreams. Waiting for one discipline to conclude before another begins will extend the path to investment readiness and, in a competitive financing environment, signal to capital that the project has not yet been seriously prepared.

5. DUE DILIGENCE IS A CONFIDENCE EXERCISE, NOT A DOCUMENT DUMP

Sponsors frequently treat due diligence as a clerical process: populate the data room, answer questions, upload reports and move on. That framing is too narrow. IFC's Environmental and Social Review Procedures treat appraisal as a process for identifying material risks, reviewing management systems and, where necessary, agreeing time-bound action plans. IFC Performance Standard 1 similarly requires integrated management systems, risk identification, monitoring and reporting throughout the life of the project, not only at the point of financial close. Every legal, technical, financial, tax, environmental and social diligence question is a variation on one underlying inquiry: whether the project has been organised well enough for external capital to trust it. Information is the medium of due diligence. Confidence is the object.

Design defects do not disappear when diligence begins. They migrate into it, and ultimately into financing consequences. A loose consortium agreement becomes control ambiguity and incomplete contribution commitments, which becomes longer diligence and stronger sponsor-support demands. An over-optimistic work programme becomes an execution credibility gap, which becomes a discounted base case or tighter covenants. An incomplete environmental and social baseline becomes unquantified liability and approval risk, which becomes independent review requirements and schedule delay. The pattern is consistent: what was not resolved in design must be resolved in diligence, usually at greater cost and with less favourable terms.

How Early Design Failure Becomes Financing Friction



6. CONDITIONS PRECEDENT ARE THE ARCHITECTURE MADE VISIBLE

Conditions Precedent are frequently dismissed as paperwork imposed after the real deal has been agreed. They are, in fact, the point at which regulators and financiers verify that the architecture described in the memorandum, model and contracts actually exists. The Equator Principles (EP4) define financial close by reference to satisfaction or waiver of the conditions to initial drawing. NUPRC's 90-day post-award regime performs an early regulatory analogue of precisely that function: relevant guarantees, fees, bonus payment evidence and sworn confirmations must be delivered before the PPL is granted.

A project that struggles to satisfy its Conditions Precedent is rarely suffering from a purely documentary problem. It is usually revealing an earlier weakness in governance, title, sponsor alignment, regulatory readiness, environmental planning, commercial architecture or execution sequencing. The disciplines are: open a live CP tracker on the day the Offer Letter is received; map each deliverable to a named owner, dependency, evidence requirement and target date; identify third-party and long-lead dependencies early; escalate unresolved design issues rather than disguising them as document requests; and work backwards from the desired investment-readiness date, not forwards from the day fundraising begins.

7. WHAT THE MARKET HAS ALREADY SHOWN

Three recent transactions illustrate the design principles in operation. Shell's FID on Bonga North in December 2024, a subsea tie-back to the existing Bonga FPSO, demonstrates disciplined simplification: connecting new resources to proven infrastructure reduces greenfield interface risk, shortens the path from reserves to cash flow and makes the project narrative easier for capital to evaluate. Shell and Sunlink's October 2025 FID on the HI gas project demonstrates integration: bankability improves when reserves, evacuation, processing and end-market logic are designed as one commercial system rather than left for future negotiation.

The cautionary precedent is Mozambique LNG, which entered force majeure in April 2021 due to deteriorating security, later required amended financing documentation during the prolonged suspension, and only resumed activity after the consortium lifted force majeure in November 2025 and restarted in January 2026. The lesson is direct: bankability is not permanently secured at initial financing. Security conditions, sovereign support, stakeholder relationships and the resilience of the commercial structure remain part of the credit story throughout the project life cycle. Financial close is not the end of bankability. It is the beginning of its continuous test.

IMPLICATIONS BY STAKEHOLDER

FOR LICENCE AWARDEES AND SPONSORS

The award creates opportunity, not yet a project. The immediate priority is internal coherence: constituting the bankability room, reconfirming the sponsor group and beneficial ownership, ensuring that all capacity commitments are converted into binding legal obligations at the entity or shareholder level, commissioning an independent subsurface review, mapping all approvals and host-community dependencies, and stress-testing the work programme for cost, sequence and logistics risk.

The compliance obligation is concrete and time-bound. The 2025 General Licence Conditions connect host-community obligations, environmental management plan delivery and performance security to specific development milestones, not to the discretion of the awardee. The 90-day post-Offer Letter window is not a soft target. Failure exposes the bid to disqualification and moves the licence to reserve bidders. The strongest post-award advantage is internal coherence, and coherence must be demonstrated, not asserted.

The framework also rewards early self-awareness about development assumptions. Sponsors who can identify their own bankability gaps before a lender identifies them control the narrative and the timeline. Sponsors who discover gaps under diligence lose both.

The framework applies with equal force to sponsors who hold Nigerian upstream acreage from earlier rounds, including the 2022/2023 Mini Bid Round and the Nigeria 2024 Licensing Round, where development has not yet reached FID. For those awardees, the risk is compounded: development assumptions may have been formed in a different regulatory and financing environment, technical work may have advanced ahead of governance and commercial architecture, and the gap between what was committed at bid stage and what is now demonstrably in place may have widened rather than narrowed. The bankability room discipline is not only a post-award tool for new awardees. It is a diagnostic instrument for any sponsor seeking to understand, with precision, what their project currently is and what it still needs to become.

FOR LENDERS, DFIS AND INVESTORS

The 2025 round has generated a significant pipeline. The quality of that pipeline will vary considerably. The critical distinction for capital to make, and to make early, is between projects that have been designed for investability and projects that have been assembled for the purpose of winning the bid.

The diagnostic is consistent with established guidance from the Global Infrastructure Facility, IFC Performance Standard 1, the Equator Principles (EP4) and EBRD's Guidance on Financing of Concessions: the questions to ask are not primarily about the geology but about the architecture. Is there a lead member or controlling entity with genuine authority? Do consortium or shareholder documents convert capacity claims into binding commitments? Is there a credible route to evacuation and offtake? Has environmental and social baseline work begun? Has a Nigerian content plan been prepared and does the work programme reflect the first-consideration obligations under the Nigerian Oil and Gas Industry Content Development Act? Is there a practical plan for Host Communities Development Trust obligations under the Petroleum Industry Act? Can each sponsor fund its expected share when called?

The bankability room concept is directly relevant here: projects that have built one will have cleaner answers to these questions, shorter diligence timelines and fewer late-stage surprises. Those that have not will typically reveal the deficit under the early stages of technical, legal or environmental review. We would encourage lenders and DFIs to build NUPRC referral rights and regulatory milestone monitoring into their project documents, and to structure transactions to preserve remedies where awardees fail to meet their obligations under the General Licence Conditions.

FOR INFRASTRUCTURE COUNTERPARTIES

The 2025 awards include both mature Niger Delta acreage and frontier basin positions. For counterparties whose infrastructure, including pipelines, processing facilities and export terminals, is relevant to the development of these blocks, the licensing round creates both opportunity and obligation. The commercial frameworks governing access, tariffs, capacity reservation and throughput commitments need to be developed in parallel with the upstream development concept, not after it. Infrastructure interfaces left to late-stage negotiation consistently become development bottlenecks and financing complications.

The lesson from the HI gas project is instructive: integration of the upstream, midstream and offtake commercial logic into a single system, designed early, produced a financeable result. That outcome does not occur by accident.

SUGGESTED IMMEDIATE STEPS

Market participants should consider the following actions without delay:

- Constitute the bankability room immediately after award and appoint a senior accountable executive. This is the structural foundation for everything that follows.
- Complete the 90-day post-Offer Letter obligations under the 2025 Licensing Round Guidelines ahead of the deadline. Treat this as the first performance test, not an administrative checklist.
- Reconfirm the identity and structure of the development vehicle, whether a consortium, an incorporated entity or an SPV, and ensure that beneficial ownership is documented, the lead member or controlling shareholder has clear authority, and all capacity commitments made at bid stage are converted into binding legal obligations at the entity or shareholder level.
- Commission an independent subsurface and development-concept review before approaching capital. The investment case must be grounded in external-quality technical work.
- Map every approval, consent, environmental obligation and host-community dependency from award to FDP, and assign owners to each. The General Licence Conditions connect environmental management planning and HCDT obligations to specific development milestones; these are not deferred compliance items.
- Begin environmental and social baseline work in parallel with technical workstreams, not sequentially after them. IFC Performance Standard 1 and the Equator Principles (EP4) both treat environmental and social management as conditions of investability. Environmental timelines are routinely underestimated.
- Prepare a Nigerian content plan early and ensure the work programme reflects first-consideration obligations under the Nigerian Oil and Gas Industry Content Development Act. Content compliance that is addressed at the permitting or financing stage rather than at the execution design stage consistently creates avoidable cost and schedule exposure.
- Develop evacuation, processing, monetisation and offtake strategy early, ideally as part of the development concept, not as a post-FDP commercial exercise.
- Build an integrated financial model with credible downside cases before market sounding, not after it.
- Open a live Conditions Precedent tracker on day one and manage it with the same discipline as the technical work programme.
- Approach capital only after the first four bankability layers, commercial, transaction, governance and execution, are sufficiently developed that diligence can confirm confidence rather than uncover its absence.