

Nigeria: Current Overview

Nigeria continues to face significant economic, political, and security challenges. President Bola Tinubu of the All Progressives Congress (APC) party, who won a low-turnout election in 2023, represents a continuation of traditional Nigerian politics, including political appointments based on patronage. His administration has had limited success in providing sufficiently robust policy responses to Nigeria's numerous challenges, contributing to nationwide protests in 2024 over an escalating cost-of-living crisis. Political infighting — including between state and federal-level institutions, such as the March 2025 state of emergency imposed by Tinubu in Rivers State in the Niger Delta — has likely contributed to further deepening public distrust in the political system.

Although the country formally came out of recession in 2021, the government will likely have difficulty stabilizing the economy — let alone growing or transforming it — in the absence of major reforms and more significant economic diversification. Adding to the country's fiscal fragility, Nigeria's official debt reached 52% of GDP in 2024, surpassing the country's self-imposed 40% limit. While Tinubu's steps towards economic reform, including formally abolishing a costly fuel subsidy and liberalizing the currency exchange regime, were welcomed by international financial institutions, the subsequent depreciation of the local naira currency and accelerating inflation have increased economic pressure on the population.

The hydrocarbon sector is a focus of ongoing reform efforts. The enactment of the Petroleum Industry Act (PIA) in August 2021 overhauled the country's oil and gas legal framework and introduced improved fiscal terms, including more favorable deepwater terms. However, the PIA framework also imposed additional reporting requirements as well as a new host community levy, and made domestic utilization more prominent but not necessarily more attractive. With the ramp-up of the 650,000 b/d Dangote Refinery, the authorities are increasing pressure on companies to comply with domestic supply obligations or risk not being granted export permits. In parallel, reflecting the government's renewed sense of urgency to promote new investment, the authorities are planning Nigeria's third bid round in three years, and have also recently presented favorable revisions to entry terms as well as those for existing deepwater contracts.

Nigeria: 5-Year Outlook

While political loyalty in Nigeria generally follows ethnic or religious lines, the lead-up to the 2023 general elections showed young Nigerians increasingly pushing for broader societal reforms, including moving away from traditional patronage structures. Although this movement did not translate into higher election turnout, discontent over limited economic development and the lack of social spending is likely to grow over the outlook period, increasing the risk of violent protests, particularly ahead of the next general elections in early 2027. However, despite significant popular discontent, Tinubu is likely to be re-elected, owing to the advantage of the incumbency and a fractured opposition.

Economic strain will continue to compound many of Nigeria's profound challenges such as corruption, rent-seeking, over-reliance on oil exports, and insecurity, which are likely to persist through the medium to long term. Although the authorities are trying to reorient the upstream towards meeting local market needs, hydrocarbon exports will remain critical to government revenues and foreign-exchange earnings over the

medium term. Continued economic hardship is expected to raise the risk of insecurity and civil unrest over the forecast period, which could affect upstream operations both in the Niger Delta and offshore.

Full implementation of the PIA will continue to be the government’s main focus for the petroleum sector. The government may be under pressure to provide more attractive entry and fiscal terms — in addition to the incentives already presented in 2024 — in order to reverse declining production. This will be particularly important to increase the likelihood of new deepwater projects being developed, given limited interest by international oil companies (IOCs) in the recent bid rounds and the lack of progress for existing deepwater assets. In parallel, the government has taken steps to support export-focused projects, such as the expansion of the Nigeria LNG project, which will probably come online in 2026.

Nigeria: Overall Rating

	Current	5 Year Outlook
	4.43 D	4.57 D
Politics	2.75 F	2.75 F
Economics	4.95 D	4.95 D
Hydrocarbon Sector Entry	5.93 C	6.38 C
Hydrocarbon Sector Operations	3.10 D	3.35 D
Hydrocarbon Sector Shocks	5.08 C	4.90 D

Nigeria: Politics

	Current	5 Year Outlook
	2.75 F	2.75 F

	Current	5 Year Outlook
<p>State Capacity</p> <p>State capacity is very low. The little capacity that exists primarily serves the elite's patronage interests and is unlikely to improve significantly in the medium term.</p>	3.00 D	3.00 D
<p>Political Legitimacy</p> <p>Nigeria's persistent political, economic and security challenges have eroded the public's already low confidence in and support for the government, particularly at the national level. For example, voter participation in the 2023 presidential election was less than 30% of registered voters, the lowest since democratic elections recommenced in 1999, which suggests that much of the electorate is disillusioned with the political process and could turn to non-democratic means of expressing disagreement with the state. This, in turn, could jeopardize the country's stability.</p>	3.00 D	3.00 D
<p>Political Violence</p> <p>Political violence is a part of everyday life in Nigeria, mainly driven by competition between different communities and ethnic groups for political power and resources. Examples of such violence include the oil-producing Niger Delta region's long-running struggle for a greater share of the country's oil wealth, the Boko Haram insurgency in the northeast region, and clashes between farmers and herders in the Middle Belt region. Despite ongoing engagement and containment efforts by the government, the security forces are often ineffective in responding to or preventing such violence. Consequently, the level of political violence is expected to remain high over the forecast period.</p>	2.00 F	2.00 F
<p>Geopolitical Risk</p> <p>While Nigeria, with the help of its neighbors, has regained significant territory from Boko Haram and other Islamist insurgent groups since 2015, the militant groups continue to challenge the state's control of the northeast through terrorist attacks that have prevented the government from stabilizing, resettling and rebuilding that part of the country. Banditry and kidnapping by groups that take advantage of Nigeria's porous borders have also become a growing concern in the northwest and throughout the central region. This insecurity exemplifies the state's inability to protect and secure Nigerian territory fully and raises the risk of potential disagreements and confrontations with neighboring countries. The spread of instability across the wider Sahel region has exacerbated this problem. In December 2024, Niger accused Nigeria of being complicit in bomb attacks against the Niger-Benin pipeline, further deteriorating already strained bilateral relations and potentially affecting cross-border</p>	3.00 D	3.00 D

	Current	5 Year Outlook
<p>cooperation against Islamist militant groups. In parallel, piracy in the Gulf of Guinea, which is concentrated in Nigerian waters, poses an evergreen threat to Nigeria's external relations. While the number of piracy incidents has been on an overall downward trend since 2021, the threat level remains high as the main drivers of piracy remain. Geopolitical risk is not expected to markedly improve over the outlook period.</p>		

Nigeria: Economics

	Current	5 Year Outlook
	4.95 D	4.95 D
<p>Non-Payment Risk Nigeria's foreign-exchange reserves currently provide about six months of import cover, and are expected to remain at that level over the forecast period. Foreign investors, including upstream operators, have faced difficulties moving money out of the country in recent years. While the liberalization and simplification of the exchange regime as initiated in 2023 could help to lessen this risk in the future, the government's February 2024 decision to restrict foreign-currency transfers underlines continued risks until the domestic foreign exchange market stabilizes.</p>	5.00 C	5.00 C
<p>Primary Fiscal Balance Nigeria is expected to run a primary fiscal deficit of around 1% of GDP in 2025. High recurrent expenditures and a severe public debt-servicing burden will continue to limit the authorities' ability to support economic activity. Nigeria's official debt is expected to remain over 50% of GDP in 2025 after breaching the country's self-established debt-to-GDP limit of 40% in 2024, and a significant share of government revenues is dedicated to debt service. Nigeria has one of the lowest tax-to-GDP ratios globally, but the government has been reluctant to expand the tax base through more stringent tax assessment of individual income tax. In its recent tax reform proposals, the focus is rather on taxation of companies, including a retained 30% company income tax.</p>	6.00 C	6.00 C
<p>Real Per Capita GDP Growth Nigeria's real per capita GDP is expected to expand by just under 1% in 2025. Nigeria's rate of population growth has decelerated since the 2010s,</p>		

	Current	5 Year Outlook
when it persistently outpaced growth in real GDP. Still, annual population growth is expected to remain around 2% over the forecast period, holding per capita GDP flat. This outlook underscores the need for fundamental macroeconomic reforms to put the economy on a higher growth trajectory so that a larger share of the population can benefit.	5.00 C	5.00 C
Level of Development Close to half of the Nigerian population live on less than \$2 per day, and infrastructure and government services are inadequate. The country falls in the bottom quintile worldwide according to the UNDP's Human Development Index. Raising the country's overall level of development will take decades.	2.00 F	2.00 F

Nigeria: Hydrocarbon Sector Entry

	Current	5 Year Outlook
	5.93 C	6.38 C
International Openness In December 2022, Nigeria launched its first non-marginal field bid round since 2007, followed by a second bid round in May 2024. The authorities have stated that they plan to organize annual bid rounds with each round aligning with defined objectives, including encouraging domestic participation. A planned 2025 bid round will target natural gas development. With the establishment of the Nigerian National Petroleum Company Limited (NNPCL) as a commercial entity, the NOC is likely to compete for assets more assertively over the forecast period. However, NNPCL was not awarded any blocks in the 2022/2024 bid rounds, suggesting that the authorities are attempting to be transparent and equitable in its treatment of the NOC as a commercial competitor.	8.00 B	8.00 B
Government Take In general, take for deepwater licenses is lower than onshore or shallow water licenses. Permits using older terms also tend to have lower government take. S&P Global's assessment of the PIA suggests that the new fiscal framework, which will apply to any new licenses or existing licenses that are voluntarily converted to the new terms, will lower government take to some degree, mainly due to a reduction in income		

	Current	5 Year Outlook
<p>taxes and royalties. Notably, in response to investor criticism the government ended up making the new deepwater terms more favorable than what it had initially proposed. However, the country's government take is still relatively high – in line with other large producers that are politically and economically dependent on the hydrocarbon sector. For example, the new host community trust fund levy (3% of annual operating expenditures) will offset some of the PIA's fiscal improvements. The targeted incentives that were introduced in 2024 will probably have a more limited effect on overall government take.</p>	3.50 D	4.50 D
Government Take: Oil	3.00 D	4.00 D
Government Take: Gas	4.00 D	5.00 C
<p>Expediuousness of Contract</p> <p>New licenses have previously taken three to six months to be signed after being awarded and more than a year in total after the initial application. However, awards in the 2020 marginal field bid round were not finalized until one year after the initial announcement of the winning bids. The PIA licensing regulations could help to speed up the contract approval and completion timeline over the forecast period.</p>	4.00 D	6.00 C
<p>State/NOC Role</p> <p>The state, primarily through NOC Nigerian National Petroleum Company Limited (NNPCL), is actively involved in all aspects of the petroleum industry. The NOC's share of overall Nigerian hydrocarbon production is around 40%, with the highest level of involvement derived from NNPCL's upstream JVs, in which it has 55% to 60% stakes, and the company's upstream subsidiary NNPC E&P Limited (NEPL), which participates in PSCs. NNPCL is seemingly increasingly interested in stepping in as an operator, including taking over operatorship from JV partners. The NOC actively bid as a would-be operator in the 2022/2024 bid rounds, although it was not awarded any blocks. Notably, in the latest bid rounds, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) removed the requirement for a mandatory state share. The state's involvement, even as a non-operator, can often complicate E&P decision-making and activities for foreign investors. Although the PIA has restructured the sector and NOC, the state's role is unlikely to lessen — even if it becomes clearer and more predictable.</p>	4.00 D	4.00 D

	Current	5 Year Outlook
State/NOC Role: Oil	4.00 D	4.00 D
State/NOC Role: Gas	4.00 D	4.00 D

Nigeria: Hydrocarbon Sector Operations

	Current	5 Year Outlook
	3.10 D	3.35 D
<p>Sanctity of Contract</p> <p>Contract disputes related to awards, cost deductions, deepwater relinquishments, pollution, the right of first refusal and transactions are common in Nigeria. The risk is further exacerbated by limited stabilization clause applicability under the PIA, which explicitly excludes contract stabilization relating to revisions of general fiscal regulations such as withholding taxes, company income tax, and value-added tax (VAT). While the PIA framework is expected to reduce contract risks over time, the initial implementation period could create greater confusion than usual and, in turn, heightened potential for disagreements between investors and the state.</p>	4.00 D	4.00 D
<p>Regulatory Burden</p> <p>The burden of formal and informal regulations that IOCs face in Nigeria is heavy. The PIA framework is expected to update and clarify many of the rules governing E&P and to reduce some of the informal burden over the forecast period. However, complementary regulations are still being developed (or in some cases revised), close to four years after the PIA entered into effect, underlining ongoing regulatory flux and added burden for companies as they comply with new requirements. This is clearly the case for the host community trust fund under the PIA and heightened regulatory reporting requirements, as well as compliance with new, separate methane emissions regulations. Tinubu has separated the oil and gas portfolios under two new ministers, and the administration may seek to revise or update aspects of the hydrocarbon sector framework beyond introducing separate incentives, extending regulatory uncertainty in the medium term. Unless broader business, macroeconomic, and bureaucratic reforms are made, red tape will remain a fixture of operating in the country</p>	3.00 D	4.00 D

	Current	5 Year Outlook
for investors of all types.		
Civil Society Risk Non-governmental organizations (NGOs) and local actors in Nigeria are strong, with a long history of activism against hydrocarbon operations. This includes engaging and collaborating with international NGOs to organize campaigns and raise legal challenges in the respective home countries of IOCs that are active in Nigeria, such as the court case over oil spills in the Niger Delta that the Dutch NGO Friends of the Earth brought against Shell in the Netherlands. This is not expected to change in the medium term.	4.00 D	4.00 D
Corruption Corruption is a serious problem for IOCs in Nigeria and unlikely to improve in the medium term, despite the government's anti-corruption pledges, given the deep-rooted nature of the problem. Transparency International's Corruption Perceptions Index places Nigeria in the bottom quintile.	1.00 F	1.00 F
Rule of Law Rule of law in Nigeria is extremely weak and unlikely to improve over the next five years. Nigeria scores in the bottom quintile according to the World Bank's Governance Indicators.	2.00 F	2.00 F

Nigeria: Hydrocarbon Sector Shocks

	Current	5 Year Outlook
	5.08 C	4.90 D
Market Access Ruptures to pipelines continue to pose a significant risk to oil and gas exports. Oil theft in the Niger Delta has become a more organized commercial operation in the past few years. NNPC estimated that up to 400,000 b/d was lost in 2022 due to theft of crude from pipelines, in some cases through sophisticated illegal pipelines and refineries. In 2023, the government put in place lucrative security contracts to former local militia leaders to stem thefts and boost output. However, echoing previous programs put in place to limit pipeline sabotage, the authorities will be challenged to continue to offer politically acceptable concessions		

	Current	5 Year Outlook
<p>without encouraging continued theft and/or sabotage, or raising security costs for investors. Regardless, theft of crude and petroleum products will likely remain a cottage industry in Nigeria for the foreseeable future, in addition to politically motivated pipeline sabotage by local armed groups in the Niger Delta. As a result, petroleum export volumes will probably continue to stay below installed capacity levels. Following a November 2023 OPEC agreement to adjust baseline production levels, Nigeria's production baseline decreased from 1.72 million b/d to 1.5 million b/d as of January 2024. Production has averaged around 1.48 million b/d in early 2025, but a government target of 2.06 million b/d for the year — while likely to remain out of reach — reflects the government's chafing at the lower production baseline. Nigerian oil exports are likely to decline as domestic refining ramps up, mainly via the 650,000 b/d capacity Dangote refinery, as well as through the rehabilitation of the state-owned refineries (collective nameplate capacity of 425,000 b/d) and the addition of modular plants. Domestic market obligations are part of the petroleum sector overhaul, and the government has increased pressure on operators to comply with crude supply obligations. Potential penalties include rejection of export permit applications. The authorities signaled in early 2025 that they are prepared to apply this sanction, but it is unclear if any export permits have been denied as of May 2025. The domestic crude pricing is based on willing seller, willing buyer, but operators have raised concerns over less favorable pricing in comparison with export options. The disparity between the dollar and the weak local naira currency further undermines domestic market attractiveness. In parallel, the government's overhaul of the gas pricing structure for domestic gas supply obligations has made it more transparent, but not resulted in price improvements.</p>	7.50 B	7.00 B
Market Access: Oil	7.00 B	7.00 B
Market Access: Gas	8.00 B	7.00 B
<p>Facility and Personnel Violence Oil and gas facilities and personnel remain at serious risk in Nigeria, particularly onshore. This risk is unlikely to abate during the forecast period and could be exacerbated if there is renewed militancy in the Niger Delta. Kidnappings for ransom are common across Nigeria, and while oil workers have not been specifically targeted over the past few years, it remains a significant risk. In 2017, Boko Haram launched a lethal attack on a government convoy conducting preliminary oil exploration studies in the Chad Basin, underscoring the lack of security in the northeastern part of the country. However, few, if any, foreign firms are expected to conduct</p>	3.00 D	3.00 D

	Current	5 Year Outlook
exploration in that area over the next few years. While on a downward trend, piracy in the Gulf of Guinea remains a concern.		
<p>Ministerial/Policy Volatility</p> <p>Although hydrocarbon policy remained largely unchanged until 2021 — the notable exceptions being the 2010 local content law and 2019 deepwater royalty and 2020 indirect tax changes — the prospect of major changes made it very difficult for investors to plan their Nigerian operations over the last decade. As a result, most IOCs scaled back investment and postponed decisions on new projects while waiting for the reform legislation to be enacted. Complicating matters, each new administration proposed different reforms and installed its own personnel to manage the sector. Enactment of the PIA establishes clarity at long last on the regulations that will govern the sector going forward. That said, uncertainty surrounding the implementation of the PIA and its complementing regulations will likely keep investors off balance as the Tinubu administration continues to clarify its energy sector policies. Moreover, the updated petroleum framework may have to be revised over the medium term if it proves ineffective at catalyzing new investment, as already indicated by the 2024 fiscal incentives.</p>	5.00 C	5.00 C
<p>Labor Unrest</p> <p>Oil worker strikes are common, especially in the downstream sector, and are often prompted by disputes over wages and retrenchment. The state’s oil, gas and electricity reform plans will likely also keep oil and trade unions on edge as they try to influence the process to their own benefit. As a result, this risk is not expected to change in the medium term.</p>	3.00 D	3.00 D

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