

## Nigeria: Government Policy and Decision Making

Nigeria remains Sub-Saharan Africa's largest hydrocarbon producer, with a technical capacity of over 2 million b/d of crude and condensate production and 7.5 Bcf/d of natural gas. The petroleum sector is the main driver of Nigeria's economy, providing the majority of the consolidated — federal, state, and local — government's revenues. Political power hinges on the control and distribution of the country's hydrocarbon rents among the elite. As a result, oil and gas policy seeks to maximize these rents both directly, via state participation, royalties, and taxation, and indirectly, via local content, sub-contracts, and other means.

The long-awaited Petroleum Industry Act (PIA) was signed into law in August 2021, after several failed attempts dating back to the late 2000s. The passage of the PIA demonstrated a political consensus that hydrocarbon sector reform could no longer be postponed, given the pressing need to address dwindling upstream investment, mounting government indebtedness, and a growing recognition of the global energy transition — and the potentially devastating impact that this could have on the hydrocarbon-dependent state.

The Tinubu administration is focusing on the following priorities for the sector:

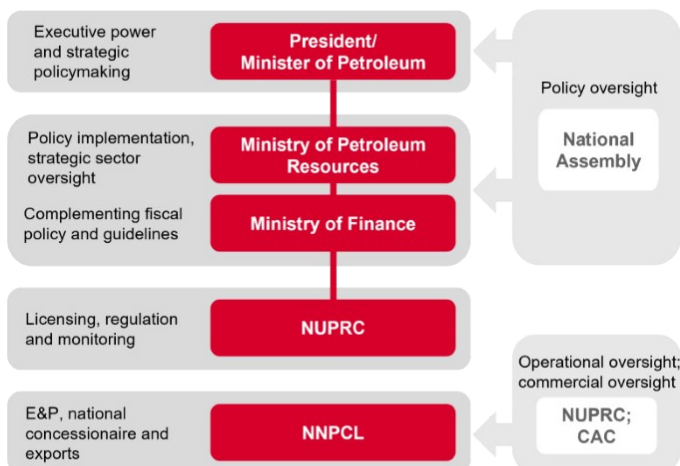
- **Promoting new upstream investment, in particular by unlocking Nigeria's lengthy queue of stalled deepwater developments:** The PIA improved deepwater terms versus the draft Petroleum Industry Bill (PIB), reducing royalties to 7.5% from a proposed 10% and exempting deepwater production from the hydrocarbon tax. Similarly, the gas production royalty was lowered to 5% for exports and 2.5% for domestic use. In 2024, President Bola Tinubu issued executive orders introducing fiscal incentives for non-associated gas, midstream and deepwater developments. The deepwater incentives are applicable to existing projects that have not yet taken a final investment decision (FID), as well as new projects. Despite the broadly positive changes to fiscal terms under the PIA as well as the more recent incentives, the lack of progress on larger unsanctioned deepwater projects is a clear indication that terms are not considered sufficiently attractive. In parallel, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) also applied significantly lower signature bonuses in the 2024 licensing round compared to previous licensing efforts, in an attempt to encourage new interest in exploration. Starting with Nigeria's 2022 bid round — the country's first regular bid round in close to 20 years — the NUPRC plans to organize annual bid rounds with each round aligning with defined objectives relating to resource type, terrain and/or investor category, including promoting domestic participation.
- **Promoting development of Nigeria's natural gas value chain:** Nigeria has the largest proven reserves of natural gas in Sub-Saharan Africa, but relatively limited production. Despite international demand for alternative sources of gas as a result of the early 2022 Russia-Ukraine conflict, Nigeria's gas sector infrastructure does not currently have sufficient capacity to contribute. Then-president Muhammadu Buhari declared 2021-30 as the "Decade of Gas", underlining the government's intention to focus on promoting the underdeveloped natural gas sector. The Tinubu administration is maintaining this policy priority, given increasing domestic and international demand as well as the commercial potential of largely untapped assets.
- **Stemming production loss from oil theft:** Large-scale and systematic oil pipeline theft grew exponentially in 2022, contributing to a production decline to around 1 million b/d in September 2022,

a multi-decade low. Onshore sources of production were hardest hit, undermining the sector's profitability, adding to local pollution, and curtailing state finances — oil theft cost Nigeria an estimated \$13 billion in export revenue in 2022. Following significant government spending on security contracts with former Niger Delta militants to limit theft and sabotage, the impact of oil theft has since decreased. However, it remains a challenge; in early 2025, the Nigerian National Petroleum Company Limited (NNPCL) reported around 50 incidents of oil theft and sabotage weekly. The ongoing security arrangements are costly and remain controversial, and the authorities will be challenged to continue to offer politically acceptable concessions without encouraging continued theft or raising security costs for investors. In parallel, in mid-March 2025, several explosions hit onshore pipelines and midstream facilities in Rivers State in the Niger Delta, seemingly related to political wrangling between state and federal-level institutions. In response, President Tinubu declared a state of emergency in Rivers State for an initial period of six months, placing the state under a caretaker administration and deploying military to enhance security. While not as disruptive as in previous years, attacks on offshore oil rigs, hijacking of vessels, and kidnapping of crews in the Gulf of Guinea remain at a high level. The underlying economic motives for theft, sabotage, and attacks will remain as the domestic economy will likely stay weak.

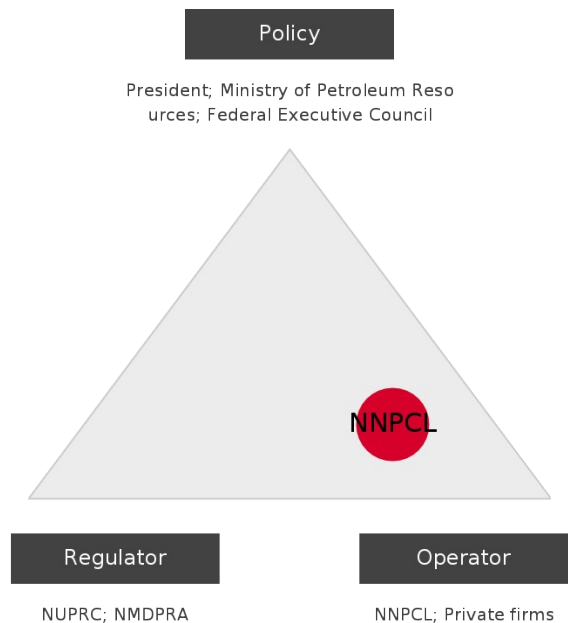
- Supporting the transformation of the national oil company (NOC) to increase efficiency and accountability:** In June 2022, the government completed the restructuring of the Nigerian National Petroleum Corporation (NNPC) into Nigerian National Petroleum Company Limited (NNPCL), ostensibly reshaping the vast, opaque cross-value chain NOC into a more commercially oriented and transparent entity that is subject to annual audits. NNPCL has announced plans for an initial public offering (IPO), currently with a 2028 target, but to proceed it will require significant progress in the transparency and predictability of the NOC's operations, as well as assuring would-be shareholders of its financial viability. Tinubu's April 2025 overhaul of the NNPCL leadership structure, with an emphasis on sector expertise and private sector experience, was likely meant as a step toward this.

## Decision-Making Structure

### Nigeria upstream decision-making structure



CAC = Corporate Affairs Commission; NNPCL = Nigerian National Petroleum Company Limited; NUPRC = Nigerian Upstream Petroleum Regulatory Commission.  
 Source: S&P Global Commodity Insights.  
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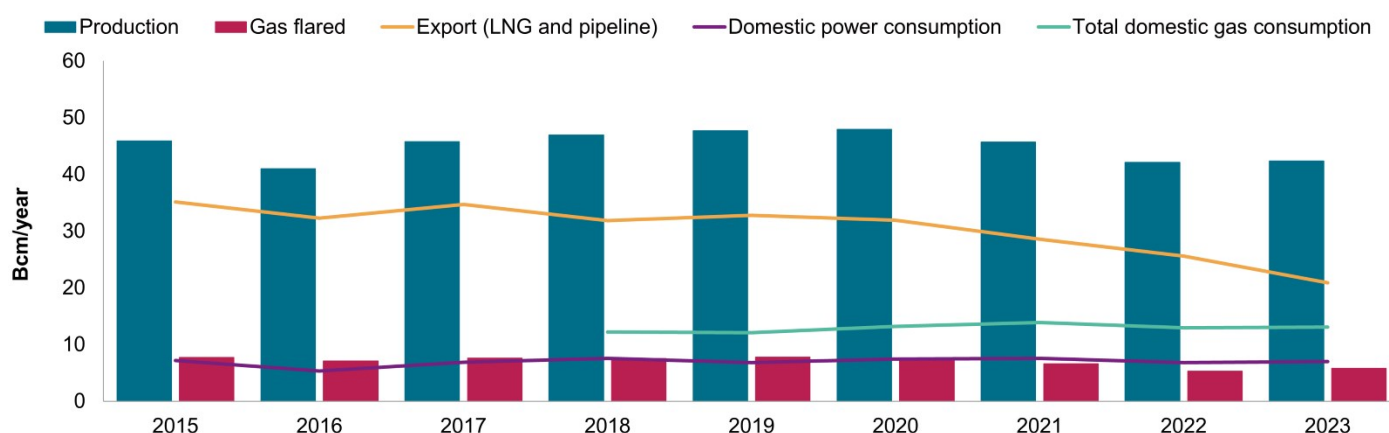
- President Tinubu has — similarly to former president Buhari — appointed himself Minister of Petroleum Resources, with an energy advisory team as part of the president's office, rather than attached to the ministry. The main policy direction as well as key strategic decisions, such as the 2024 range of

incentives, come from the president, and he has retained final authority to approve oil and gas policies formulated by the ministry. In his cabinet, Tinubu divided the hydrocarbon sector portfolio with the appointment of two junior ministers: Heineken Lokpobiri as Minister of State for Oil, and Ekperikpe Ekpo as Minister of State for Gas. Day-to-day supervision of the sector has been delegated to the respective junior ministers, with Minister of State, Lokpobiri, in a more prominent role where investor relations are concerned, as well as fulfilling some responsibilities ordinarily assigned to the Minister of Petroleum Resources.

- Following the enactment of the PIA, the Department for Petroleum Resources (DPR) – Nigeria’s petroleum-sector regulator – and its mid/downstream sub-agencies, the Petroleum Products Pricing Regulatory Agency (PPPRA) and the Petroleum Equalisation Fund (PEF), were replaced by two new agencies, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA). The two new regulators with sub-sector-specific focuses are intended to boost regulatory predictability, efficiency, and transparency. Despite its transformation into a commercial entity, the NNPC has remained a mandatory partner and retained oversight and management duties of all upstream contracts through its investment management arm, NNPC Upstream Investment Management Services (NUIMS), sustaining a potential conflict of interest between its operational and oversight roles.

## Balancing increased domestic gas consumption targets, climate and exports

### Nigeria: gas trends



Data compiled October 2024.

Note: Production does not include quantities reinjected, extraction losses or quantities vented or flared.

Source: Joint Oil Data Initiative (JODI), World Bank, S&P Global Commodity Insights.

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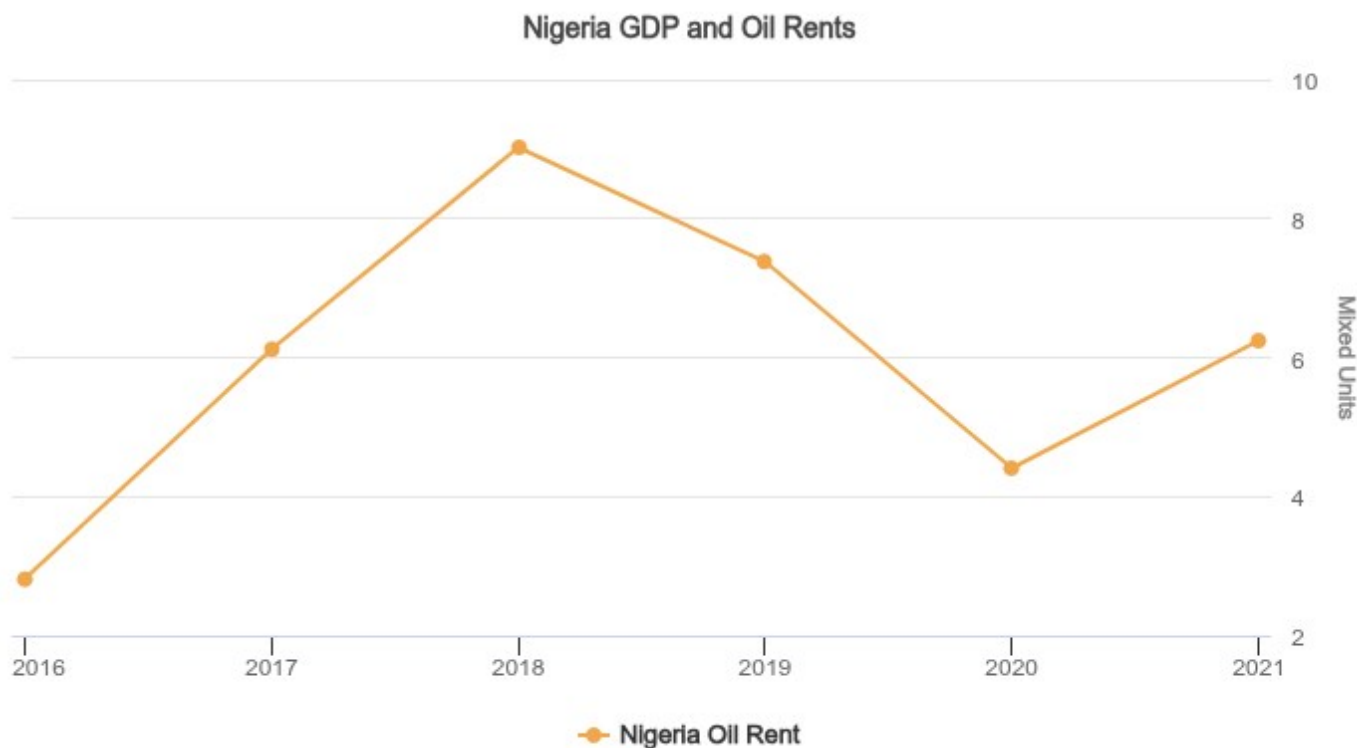
- At the 2021 UN Conference of Parties (COP-26), Nigeria committed to achieving net-zero emissions by 2060. Following this pledge — and in line with the government’s previously announced Decade of Gas — Nigeria’s 2022 Energy Transition Plan highlighted natural gas as a critical transitional fuel to reach this target. Domestic consumption has long lagged exports as a share of produced gas, and the government is now targeting a 25% increase in domestic use by 2030, compared to 2019 levels.
- In parallel, the government has renewed efforts to reduce flaring, aiming both at reaching the government’s goal of zero routine flaring by 2030 and adding to domestic supply. The Nigerian Gas Flare Commercialisation Programme (NGFCP) was relaunched in September 2022, after a previous iteration stalled. Nigeria was the first Sub-Saharan African country to enact regulations to limit methane emissions in 2022, and has also updated efficiency standards for flaring, with potential fines if operators do not meet the required limits.
- The PIA updated and clarified domestic gas delivery obligations, which are now under the purview of the new regulator NMDPRA. The regulator sets annually determined pricing based on export parity prices or domestic gas supply prices, with variation by end use (the power sector and industries pay

the least, and the commercial sector and gas distributors pay more). However, the pricing structure is seemingly still not fully cost reflective, and IOCs are concerned about potentially onerous supply obligations. Domestic gas pricing and a lack of supply reliability have historically alienated investors, dissuading them from making investments in gas gathering and utilization infrastructure.

- The PIA’s investment impact has so far fallen short of government expectations, pushing the government to introduce additional fiscal incentives in 2024, including those focused on gas for both upstream and midstream. Other levers are also available; to reach the June 2024 FID on the onshore Ubeta gas project, the government reportedly agreed a 20-year gas floor price.
- While the government has emphasized that the planned increase in domestic consumption is not expected to impact export levels, efforts to encourage investment to maintain and boost gas production over the medium term will be needed to ensure sufficient domestic supply and provide feedstock for the Nigeria LNG (NLNG) facility. The government will likely need to assure investors that it intends to strike an appropriate balance between ramping up domestic consumption — and consequently domestic gas delivery obligations — and maintaining exports.

## Nigeria: Energy Fundamentals

### Nigeria: GDP and Oil Rents

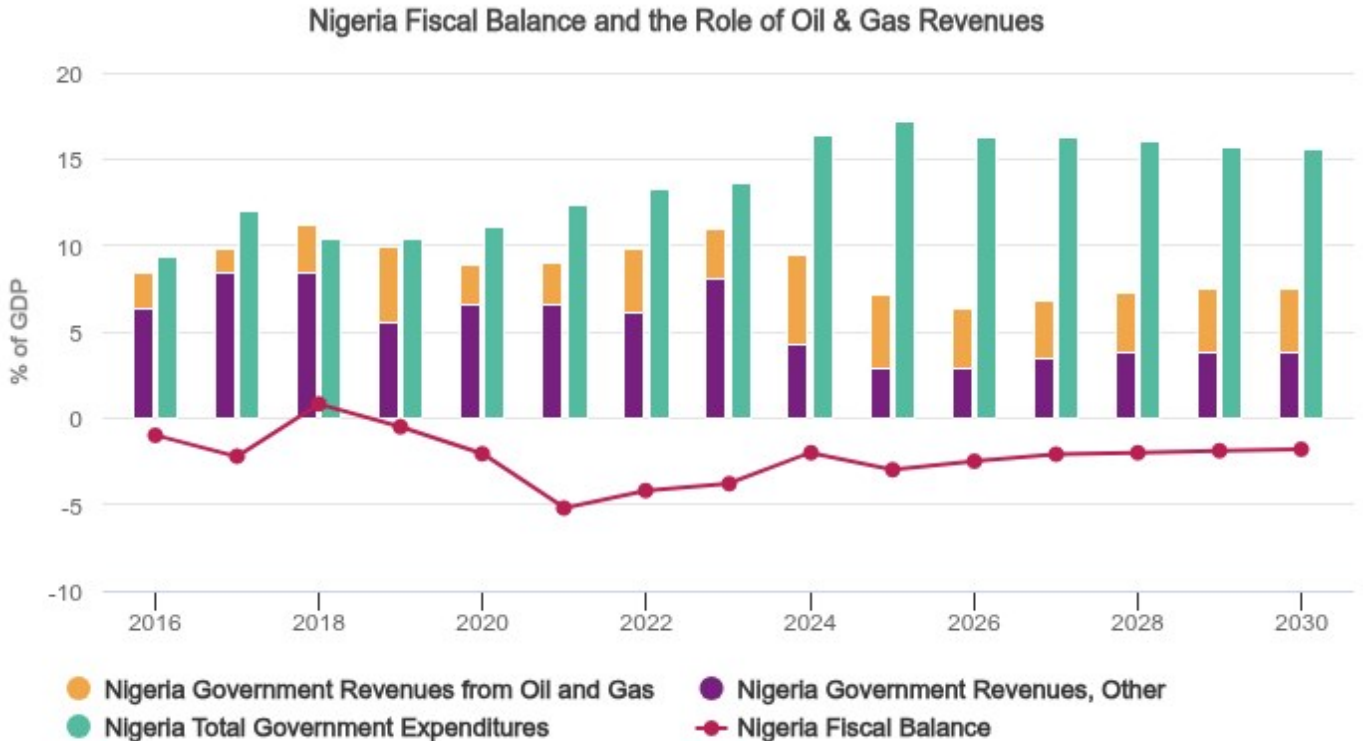


Source: S&P Global Market Intelligence; World Bank.

- The Nigerian economy is highly dependent on oil and gas. Although petroleum constitutes less than 10% of GDP, it has typically provided around 50% of the government's revenues. Hydrocarbon exports are also the country's main source of foreign-exchange earnings, accounting for about 80% of total exports in 2025. However, with the ramp-up of domestic refining capacity, the share of crude export revenue is likely to decrease over the medium term.
- Lower oil prices and production have weighed on GDP growth. Following Nigeria’s recession of 2016, after the 2014 oil price collapse, the country’s GDP growth remained subdued. The dual market shocks of the global outbreak of the COVID-19 pandemic and the abrupt fall in oil prices in early 2020 had a further inhibiting effect, placing the country firmly in recession in 2020. While growth has since

resumed, it is anticipated to remain modest through the next five years.

## Nigeria: Fiscal Balance and the Role of Oil & Gas Revenues

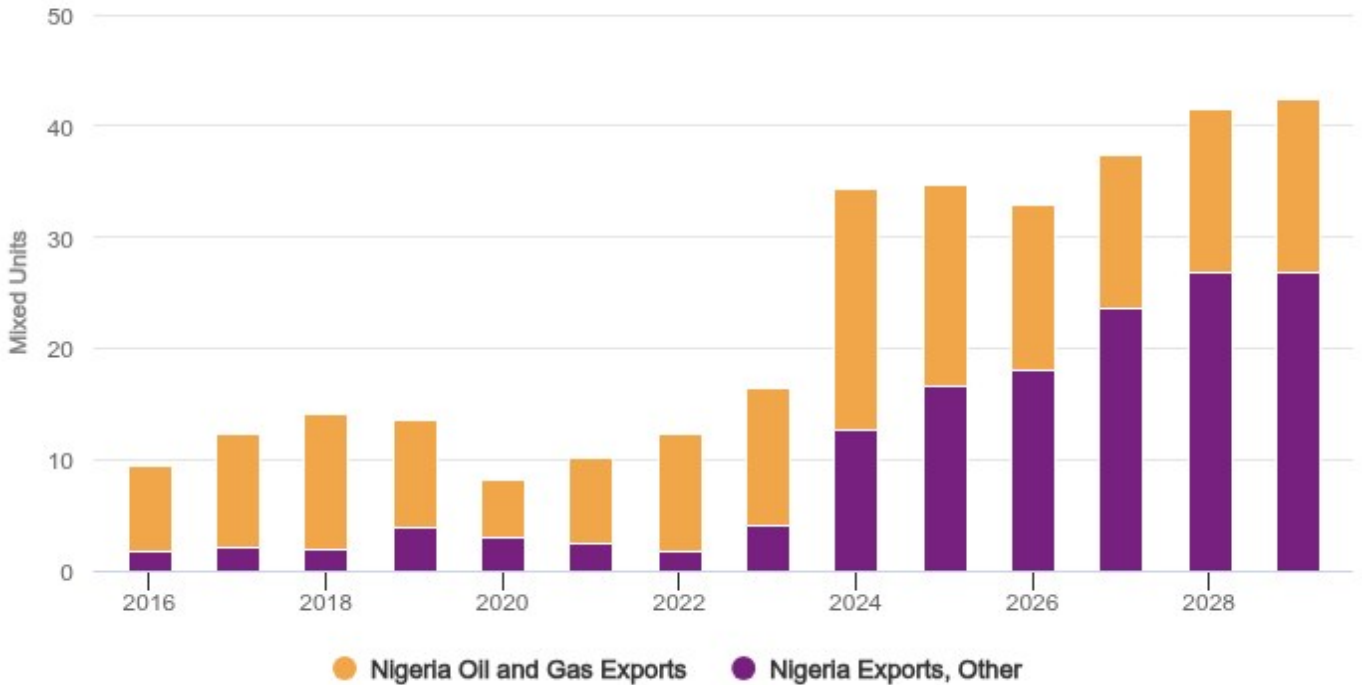


Source: S&P Global Commodity Insights; S&P Global Market Intelligence.

- Lower crude prices and output exacerbated the country's underlying fiscal problems, constraining the government's spending power from 2015 onwards, and contributing to a budget deficit.
- A fiscal deficit is likely to be sustained through the end of the decade due to reduced hydrocarbon revenues and still-limited economic diversification. A fundamental improvement in public finances will depend on developing new (non-oil) sources of government revenue, in addition to stabilizing and growing oil and gas income with a long-term perspective.

## Nigeria: Petroleum Exports and Trade Balance

## Nigeria Petroleum Exports and Trade Balance



Source: S&P Global Commodity Insights; S&P Global Market Intelligence.

- Despite the growth of non-hydrocarbon sector exports since 2000, oil and gas exports are expected to account for about 80% of total export revenue in 2025. However, declining production and increased domestic demand will likely shift the balance, with non-petroleum exports comprising a larger share in the second half of the decade. Increased domestic refining capacity could also help continue lower Nigeria's total imports; refined petroleum products are expected to account for about 20% of imports in 2025.
- The sharp drop in oil prices in 2020 exacerbated Nigeria's current-account deficit. While the country's current-account balance is currently at a slight surplus, and is expected to remain there through the end of the decade, it remains vulnerable to global commodity prices.
- Note: The government's June 2023 decision to float the local currency the naira resulted in a significant devaluation compared to the US dollar, and in turn, affected the share of imports and exports as a percentage of GDP for that and subsequent years.

## Nigeria: Import Cover

## Nigeria Import Cover

Source: S&P Global Market Intelligence.

- Nigeria's international reserves provide over six months of import cover, after a plunge in 2019 due to reduced foreign investment combined with Nigeria Central Bank support to shore up the value of the local currency, the naira.
- The government's June 2023 decision to abolish the multicurrency regime — and subsequently providing less intervention to support the naira — has contributed to boosting reserves and strengthened currency inflows. This trend is expected to be sustained over the medium term.

## Nigeria: External Debt

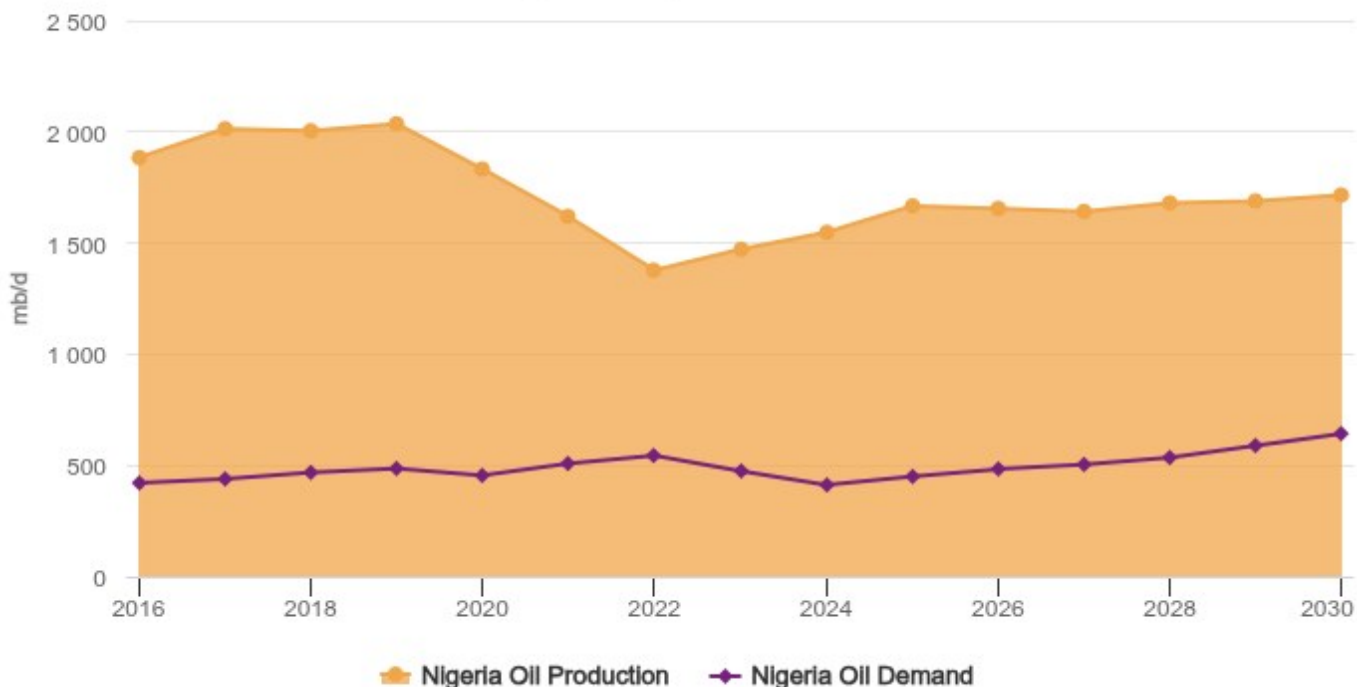
## Nigeria External Debt

Source: S&P Global Market Intelligence.

- Nigeria's debt-to-GDP ratio remains elevated at over 50%, surpassing the country's self-imposed 40% limit. In combination with high debt servicing costs — although coming down to around 60% of revenues in 2025, following a peak of 96% of revenues in 2022 — the country remains vulnerable to changes in the global market and decreasing oil revenues.
- Over the past few years, Nigeria has entered into several large loan agreements. In 2020, Nigeria was granted a \$3.4-billion loan from the International Monetary Fund's Rapid Financing Instrument, a \$1.5-billion loan from the World Bank, and a \$288-million loan from the African Development Bank. In 2023, Afreximbank arranged a \$3.3 billion crude oil-backed loan, and over the period 2023-25, the World Bank has provided a total of \$3.9 billion in loans.

## Nigeria: Energy Balance, Oil

## Nigeria Energy Balance, Oil

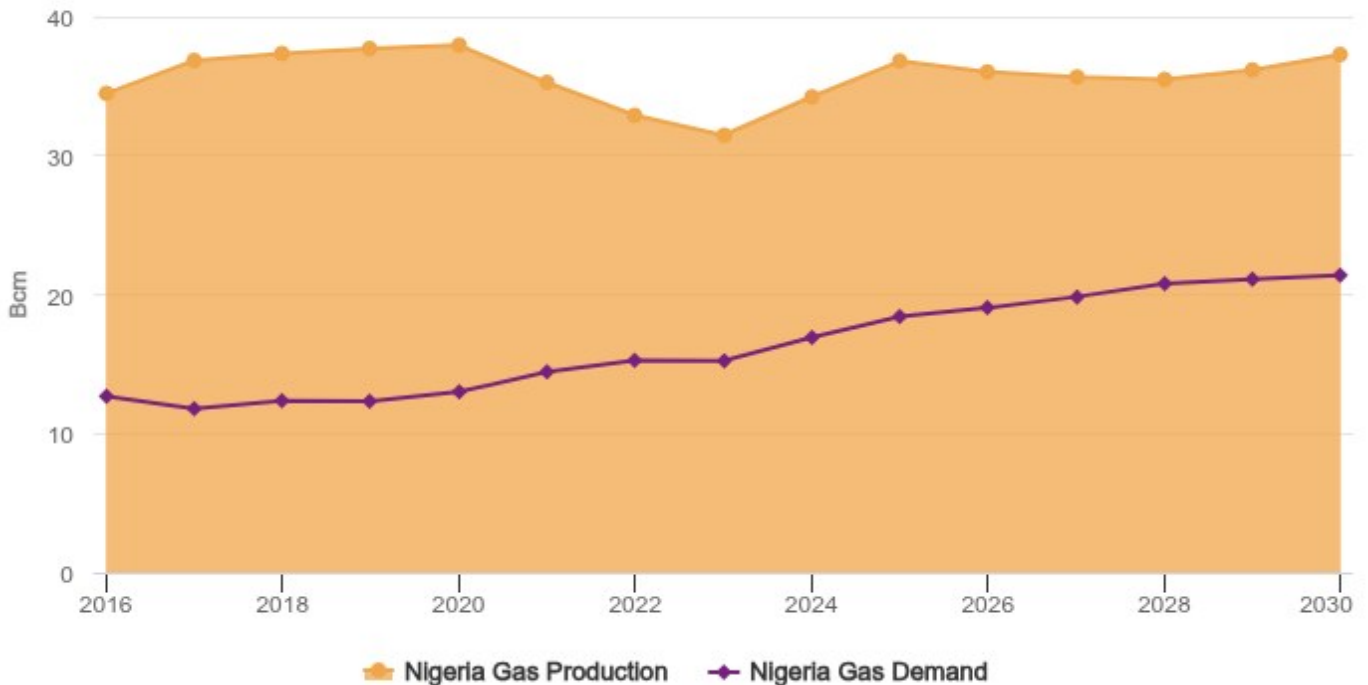


Source: S&P Global Commodity Insights. Note: Production includes crude and condensates only.

- Nigeria is a net exporter, with crude and condensate production averaging 1.67 million b/d to-date in 2025. While Nigeria is an OPEC member, in recent years its output has fallen well below the levels required by OPEC+ voluntary supply cuts. 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. This quota has been maintained for 2025 and 2026, but government officials have noted that Nigeria aims to renegotiate the quota to reflect increased output and ambitions of higher production targets.
- Imports have constituted the primary source of the country's refined products, due to lack of consistently utilizable domestic refining capacity. Demand growth is set to continue over the medium to long term, notwithstanding the dampening effect caused by low near-term economic growth. Future production will depend on the government's ability to limit sabotage and incentivize new investment.
- The country’s refining capacity is ramping up, mainly through a new private refinery developed by Dangote Industries, with capacity of up to 650,000 b/d, which was formally launched in May 2023. The facility commenced operations in early 2024, and it is expected to ramp up production to full capacity through 2025/26. However, partial reliance on imported fuel is likely to be sustained over the medium to long term, given expected increasing domestic fuel demand.
- Production at the newly commissioned refinery will increase the government’s focus on enforcing domestic supply obligations. The supply requirement for the Dangote refinery alone is set by NUPRC at 550,000 b/d for the first half of 2025.
- The existing state-owned refineries have a cumulative nameplate capacity of 445,000 b/d but have long struggled to operate above a 15% utilization rate. Operations at all state-owned refineries have been completely suspended since January 2020 for comprehensive repairs, and the state awarded contracts in 2021 for their rehabilitation. The Warri and the Port Harcourt refineries were formally relaunched at end-2024. However, as of August 2025, neither refinery is on stream, with the Port Harcourt 60,000 b/d unit closed again for maintenance.

## Nigeria: Energy Balance, Gas

## Nigeria Energy Balance, Gas



Source: S&P Global Commodity Insights.

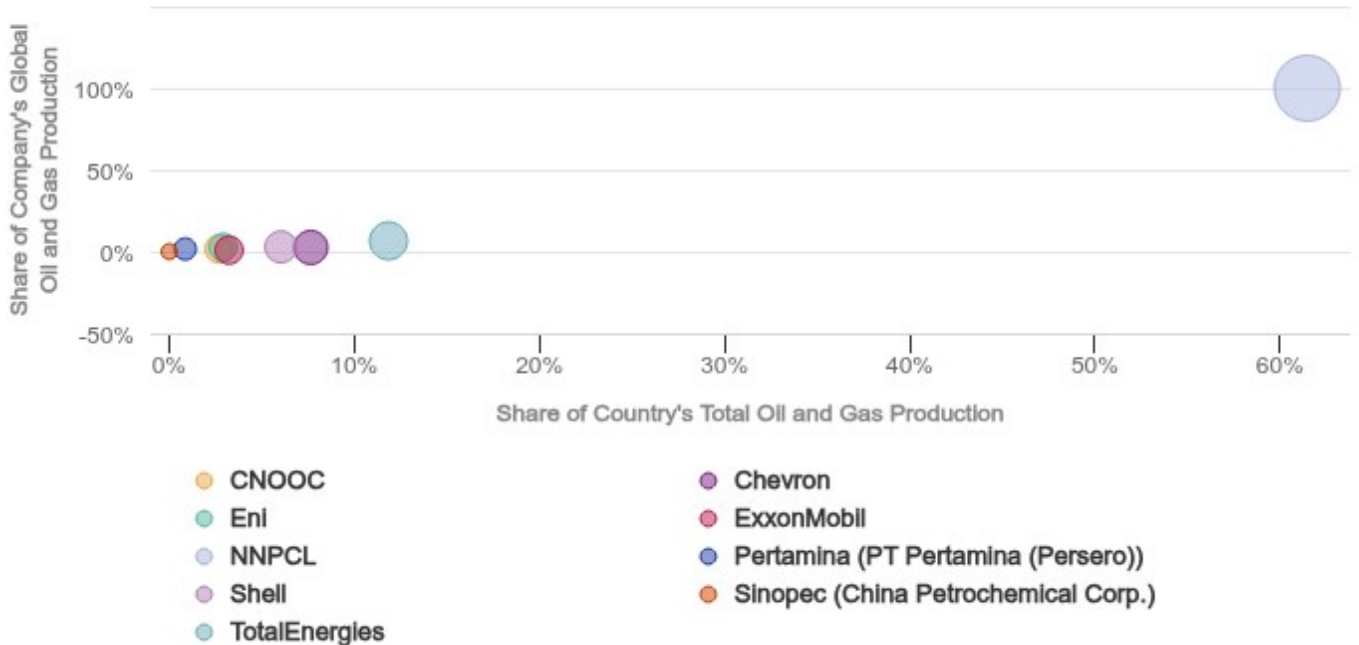
- Nigeria is Sub-Saharan Africa's largest natural gas producer. Most of this is exported as liquefied natural gas (LNG), although Nigeria also has an export pipeline in place, the West African Gas Pipeline, which runs west to Ghana. While exports have significantly outweighed domestic consumption, the government's increased focus on domestic gas utilization will likely reduce that gap over the next decade.
- Nigeria LNG (NLNG) has six trains with a cumulative production capacity of 21.9 million metric tonnes per annum (MMtpa). NLNG signed a final investment decision in end-2019 on a seventh train, which would expand production capacity to 30 MMtpa, with construction formally launched in June 2021. This decision was long delayed, and it is expected that the seventh train will not be operational until 2026. In parallel, a floating LNG (FLNG) facility is planned to be deployed to commercialize associated gas from the mature ExxonMobil-operated Yoho field. The facility would have a capacity of 2.8 MMtpa, and is expected to start operations in 2029. Notably, Delta State holds 8% working interest (WI) in the wholly Nigerian-controlled facility.
- In mid-2024, the government started promoting the long dormant Brass LNG and Olokola LNG projects, which combined would add around 22 MMtpa capacity. However, neither project is likely to move ahead unless the regulatory framework is improved and gas output reaches significantly higher levels.

## Nigeria: Competitive Environment

### Nigeria: Competitor Dynamics

## Nigeria Competitor Dynamics

(Size of bubble is the volume of output per day)

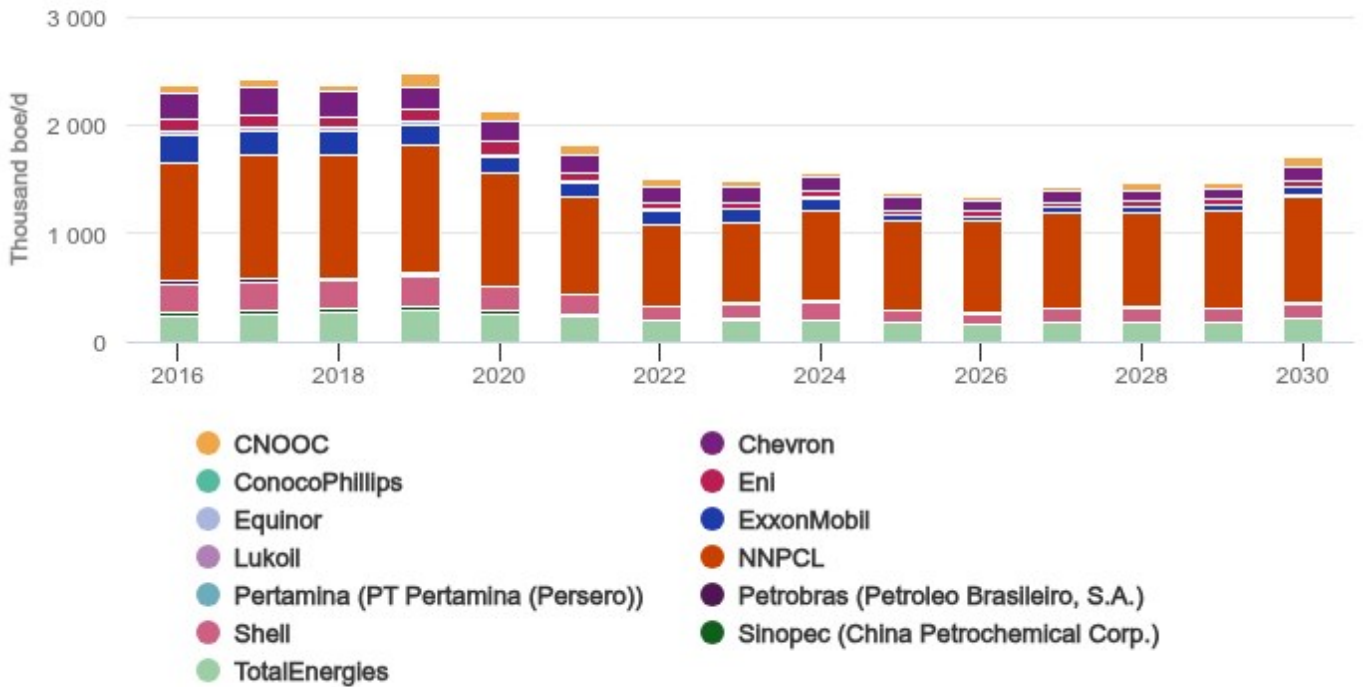


Source: S&P Global Commodity Insights. Note: Total production calculation for "oil" and "oil and gas" does not include natural gas liquids.

- Oil majors dominate Nigeria's competitive landscape, particularly the deepwater. NNPC is a major player given its partner role in many projects (mostly on a non-operated basis) but does not have the financial or technical wherewithal to operate a substantially larger share of production than it does at present.
- Petroleum sector reform is not expected to significantly alter the current competitor mix, although it could draw in new investors, particularly in the downstream. As NNPC is now a commercial entity, it could become more assertive in buying upstream acreage and establishing itself as a more active partner.
- IOCs are rationalizing their in-country portfolios, primarily shedding more mature onshore and shallow water assets with higher security risks in order to focus on more prospective deepwater assets. Eni, Equinor, ExxonMobil and Shell finalized their respective onshore divestments in 2024/25, and TotalEnergies is set to finalize its divestment to domestic company Chappal Energies in the near term. Equinor's asset sale saw the company exit Nigeria after 30 years.

## Nigeria: Competitor Mix

## Nigeria Competitor Mix



Source: S&P Global Commodity Insights. Note: Total production calculation for "oil" and "oil and gas" does not include natural gas liquids.

- TotalEnergies, Shell, Chevron and ExxonMobil are the leading foreign operators in Nigeria, and will likely play a major role in new source deepwater production. Other significant foreign players include CNOOC and Eni.
- NNPC is seeking to take on a larger operational role, but limited capacity and competence will likely constrain the NOC's ambitions in the medium term. While it will likely seek to increasingly compete with indigenous companies over assets, the NOC was not awarded any blocks in the 2022/24 bid rounds.
- Local companies are playing a growing role in onshore and shallow water acreage, having benefited from Nigeria's local content requirements and from foreign companies' desire to decrease their onshore and shallow water holdings. Partnerships between indigenous and foreign firms are expected to become more commonplace going forward with foreign companies providing financing and technical know-how to their local counterparts.

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