

NIGERIA'S DECOMMISSIONING AND ABANDONMENT REGULATIONS 2026: A REVIEW OF KEY PROVISIONS AND PRACTICAL IMPLICATIONS



1. INTRODUCTION

Decommissioning and abandonment have been an unavoidable feature of upstream petroleum operations in Nigeria. Nigeria's upstream sector has accumulated decades of production activity across an increasingly mature asset base, with several oil fields now approaching or having reached the end of their productive lives. The obligation to safely plug wells, dismantle facilities, and restore the environment upon cessation of operations has therefore grown in both practical urgency and regulatory significance.

In recognition of this, the Nigerian Upstream Petroleum Regulatory Commission ("**NUPRC**"), exercising its powers under sections 232 and 233 of the Petroleum Industry Act, 2021 ("**PIA**"), issued the Nigerian Upstream Petroleum Decommissioning and Abandonment Regulations, 2023 ("**2023 Regulations**") as the primary subordinate legislation governing upstream decommissioning and abandonment obligations in Nigeria.

However, the 2023 Regulations encountered significant implementation difficulties in practice. Most notably, the requirement that the Decommissioning and Abandonment Fund ("**D & A Fund** or "**Fund**") be domiciled with the Central Bank of Nigeria ("**CBN**")^[1], an institution whose statutory mandate under the CBN Act 2007 does not extend to maintaining accounts for non-State-owned entities^[2].

Consequently, the NUPRC issued the Nigerian Upstream Petroleum Decommissioning and Abandonment Regulations, 2026 ("**2026 Regulations**") on 9 March 2026, which repealed the 2023 Regulations and introduces targeted revisions

to address these structural deficiencies. The objectives of the 2026 Regulations are to ensure that the decommissioning and abandonment of petroleum wells, installations, structures, utilities, plants, and pipelines is conducted in accordance with good international petroleum industry practice, and to set the framework for the establishment and administration of a dedicated D & A Fund.[3]

This newsletter highlights some of the key provisions and changes introduced by the 2026 Regulations and the implications for upstream petroleum operators in Nigeria.

2. KEY PROVISIONS OF THE 2026 REGULATIONS

The core provisions of the 2026 Regulations and the key changes they introduce to Nigeria's upstream decommissioning and abandonment framework are highlighted as follows:

2.1 Preparation and Maintenance of D&A Plans and Timeline for Submission

While the 2023 Regulations mandate new licensees and lessees to submit Decommissioning and Abandonment Plan (“**D & A Plan**”) within 1 year of the commencement of the 2023 Regulations and in the case of existing licensees and lessees to submit an updated D & A Plan within the same one year timeline, the 2026 Regulations state that a D & A Plan should be submitted in the following order:

- in the case of a Petroleum Prospecting Licence (“**PPL**”), be submitted alongside an application for approval of the Work Programme in relation to the licence;
- in the case of a Petroleum Mining Lease (“**PML**”), be submitted alongside the application for approval of a Field Development Plan; and
- in the case of a license or lease with an existing decommissioning and abandonment plan in an approved Field Development Plan, an updated D & A Plan should be submitted within 6 months from the Commencement of the 2026 Regulation.[4]

The revised submission timelines for D&A Plans has been specified to align with the relevant stage of asset development.



2.2 Revision of Timelines for Establishment of a Dedicated D&A Fund Per Licence or Lease

Each licensee or lessee is required to establish a dedicated D&A Fund in respect of every licence or lease it holds.[5] Such licensees and lessees are required to make yearly cash contributions as stated in the approved D&A Plan) into the D&A Fund (or any other procedure NUPRC may prescribe) [6].

The 2026 Regulations revise the D & A Fund establishment timelines as follows: (a) PPL holders must establish the D&A Fund within 180 days of Work Programme approval; (b) PML holders within 180 days of the grant of the PML; and (c) existing licensees or lessees without an approved D&A Plan must submit a plan within 6 months of commencement of the 2026 Regulations and establish the D & A Fund within 180 days of plan approval.[7]

This differs from the position in the 2023 Regulations where licensees and lessees were required to establish the D & A Fund within a 90 day timeline[8]. In all cases under the 2026 Regulations as was in the 2023 Regulations, the NUPRC is still to be notified of the Fund's establishment within 14 days of setting up the Fund.[9] Operators holding multiple licences or leases may, with NUPRC approval, consolidate contributions across those assets into a single Fund account.[10]

2.3 Revision of Fund Domiciliation Framework

Under the 2023 Regulations, the Fund was required to be escrowed with the CBN, with the exceptions being licences or leases held by International Oil Companies (“IOCs”) in joint venture with NNPC Limited (“NNPC”) or a licence or lease under a Production Sharing Contract with NNPC. For licensees and lessees under this exception, they are required to escrow a minimum of 15% counter-part annual contributions to the Fund proportionate to their percentage equity interest contribution in the licence or lease with the CBN.



The 2026 Regulations depart significantly from this framework and now requires that 100% of the Fund shall be held in an escrow account with any qualifying Nigerian financial institution rated A+ or its equivalent, as published by either Standard & Poor 500, Fitch Ratings Inc., Moody's Investors Service Inc., Agosto & Co., or GCR Ratings.

For IOC-held licences and leases in a Joint Venture arrangement with NNPC or any licence or lease in which an IOC holds a participating or economic interest, the amount to be held in a Nigerian financial institution shall be 15% of the total annual contribution to the Fund.[11] The balance of the total annual contribution to the Fund may be held in any foreign financial institution with a rating of A+ or its equivalent published by either Standard & Poor 500, Fitch Ratings Inc., or Moody's Investors Service Inc.

Where the credit rating of a financial institution falls below the prescribed threshold, the operator must apply to the NUPRC within 90 days for approval of a replacement institution, with deemed approval applying if the NUPRC fails to respond within 14 days.[12] The funds accruing to the Fund can only be invested only in low-risk financial instruments meeting the prescribed minimum rating.[13]

2.4 Extended Timeline for Well Abandonment and Suspension Requirements

The 2026 Regulations extend the maximum suspension period of a well from 3 years under the 2023 Regulations to 4 years, subject to extension upon justification by the operator.[14] No well shall be shut-in for operational reasons for more than 1 year without express NUPRC approval.[15]

3. ANALYSIS OF THE 2026 REGULATIONS

The foregoing provisions highlight the revised framework now governing upstream decommissioning and abandonment obligations in Nigeria. The 2026 Regulations attempt to resolve several of the practical and structural implementation issues that emerged under the 2023 Regulations while strengthening regulatory oversight of decommissioning liabilities across the upstream petroleum sector.

In analysing the 2026 Regulations against the background of the 2023 Regulations, significant shift lies in the movement to a commercially workable and project lifecycle-based approach. Under the 2023 Regulations, operators were required to submit D&A Plans within one year of the Regulations coming into force[16], irrespective production stage of the relevant asset. The 2026 Regulations now aligns the D&A Plan submission timeline with the actual stage of the licence or lease, thereby introducing a more practical framework that reflects the operational realities of upstream petroleum projects.

The revised timelines for establishing the Fund also provide a more commercially workable framework by linking funding obligations to project development stages. Similarly, the revised Fund domiciliation framework resolves the practical difficulties created under the 2023 Regulations by permitting the Fund to be held with qualifying Nigerian or offshore financial institutions, rather than exclusively with the CBN.

The 2026 Regulations introduce express guidelines on well shut-ins- a category of operational activity that was not addressed under the 2023 Regulations. By establishing that no well shall be shut-in for operational reasons for more than 1 year without express NUPRC approval, the 2026 Regulations address a previously unregulated activity, closing a gap that had the potential of denying Nigeria the much-needed revenue for national development.

CONCLUSION

The 2026 Regulations reflect the growing recognition that decommissioning and abandonment obligations are no longer merely end-of-life operational concerns, but key commercial, financial, and regulatory considerations that directly affect the operation, financing, valuation, and transfer of upstream petroleum assets. For upstream petroleum operators, financiers, and investors, the practical implication is that decommissioning liabilities must now form a central part of operational planning, transaction structuring, and financial risk assessment from the early stages of a project's lifecycle.

The 2026 Regulations and the accompanying administrative penalty regime demonstrate the NUPRC's intention to adopt a stringent approach to monitoring and enforcing compliance with decommissioning and abandonment obligations. Early and proactive engagement with NUPRC will therefore be essential for all stakeholders navigating this evolving regulatory landscape.



END NOTES

1. Regulation 19(4) of the 2023 Regulations
2. Sections 36, 39 and 40 of the Central Bank of Nigeria Act, 2007.
3. Regulation 1 of the 2026 Regulations.
4. Regulation 3(5)(c) of the 2026 Regulations.
5. Regulation 19(1) of the 2026 Regulations.
6. Regulation 20 of the 2026 Regulations.
7. Regulation 19(2)(a), (b) and (c) of the 2026 Regulations.
8. Regulation 19 of the 2023 Regulations.
9. Regulation 19(3) of the 2023 Regulations and 2026 Regulations.
10. Regulation 3(7) of the 2026 Regulations.
11. Regulation 19(5)(a) of the 2026 Regulations.
12. Regulations 19(7) and 19(8) of the 2026 Regulations.
13. Regulation 19(11) of the 2026 Regulations.
14. Regulation 5(9)(a) of the 2026 Regulations; Regulation 5(9)(a) of the 2023 Regulations.
15. Regulation 5(9)(a) of the 2026 Regulations.
16. Regulation 3(1) of the 2023 Regulations.



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