

Nigeria's Energy Sector: Looking Back at 2023 and Looking Ahead in 2024

Blog Post | Energy Legal Blog®

February 01, 2024 | 5 minute read

We summarise the key events from 2023 in Nigeria's energy sector – a year that saw the start of a new presidency and the end of the fuel subsidy. There was considerable M&A activity, significant legal developments and court rulings and some important PIA milestones. We also look ahead to explore what we can expect in 2024.

2023: What Happened in Politics/Regulatory Matters?

Nigeria elected Bola Tinubu as president in February, keeping the All Progressives Congress party in power. Tinubu was sworn in as president in May and was quick to act on some of his campaign promises, with the most impactful being the end of the national fuel subsidy programme (which cost Nigeria \$10 billion in 2022).

Following Tinubu's election, key new appointments included former Bayelsa State Senator Heineken Lokpobiri as the Minister of State for Petroleum Resources (Oil) and Ekperikpe Ekpo as the Minister of State for Petroleum Resources (Gas). President Tinubu has taken the overarching role of Minister of Petroleum Resources (as former President Buhari did before him). The designation of a separate position dedicated to gas appears to show Tinubu's commitment to the development of gas. Mallam Mele Kolo Kyari remains Group Chief Executive Officer of the re-launched NNPC Limited.

What Happened in Legal Matters?

Related People

Adam

Partner

LONDON

+44 (0) 20 7448 4247

adam.blythe@bracewell.com

Catherine

Senior Associate

LONDON

+44 (0) 20 7448 4234

catherine.grant@bracewell.com

Related Industries

[Energy](#)

Year three of the Petroleum Industry Act (PIA) saw the passing of some key implementation milestones. The deadline for voluntary conversion of existing OPLs and OMLs into their new forms expired in February 2023. Licence holders had to decide whether to adopt early conversion, balancing improved PIA fiscal terms against the conversion consequences, including termination of all outstanding arbitration and court cases related to the relevant OPL/OML, removal of any stability provisions or guarantees given by NNPC and relinquishment of no less than 60 per cent of the acreage. For licence holders that did not opt to convert, it is mandatory to do so on licence renewal. The deadline for segregation of upstream, midstream and downstream operations also passed in February. Any midstream and downstream activities that were being carried out as part of upstream operations require the grant of a new midstream/downstream licence.

Following the promulgation of the Nigeria Upstream Petroleum Host Communities Development Regulations in June 2022, we have seen the start of funding for host community development trusts. The new trust structure was one of the more controversial parts of PIA, with licence holders required to pay into the trust a levy of 3 per cent of their actual annual operating expenditure of the preceding financial year in the upstream petroleum operations affecting the host communities for which the fund was established.

The government issued the first petroleum exploration licence under the PIA to TGS-PetroData Offshore Services Limited. The Nigerian Midstream and Downstream Petroleum Regulatory Authority also granted its first wholesale gas supply licence under the PIA. Ohuru Trading Limited, a local entity, has been authorised to supply 500 million standard cubic feet of gas per day.

Beyond statutory and regulatory matters, there were some significant court rulings in 2023. Resolution was finally reached on the long-running Process and Industrial Developments Ltd (P&ID) dispute. The English Commercial Court ruled in October that the arbitration award won by PI&D against Nigeria in relation to a 2010 gas project agreement was obtained by fraud and should be set aside. The award had risen to approximately \$11 billion (including interest) and was worth about a third of Nigeria's foreign reserves.

The English High Court ruled in October that 13,000 fisherman and farmers in communities in the Niger Delta can bring claims against Shell for breach of their right to a clean environment under Nigerian constitutional law. This follows the unanimous Supreme Court ruling in 2021 that there is a "good arguable case" that Shell plc (a UK based company) is legally responsible for pollution caused by Shell Petroleum Development Company (SPDC), its Nigerian subsidiary. If the case succeeds at trial, it would be a landmark case on breach of a community's right to a clean environment.

What Happened in Energy Projects?

Fulfillment of the “Decade of Gas” plan remains a central plank of government policy. Nigeria LNG’s Train 7 project reportedly hit 52 per cent completion in November and, once complete, promises to increase LNG production capacity by 35 per cent.

The Dangote refinery was officially commissioned in 2023 after years of construction delays. The \$20 billion refinery, one of the largest in the world and in which NNPC Limited holds a 20 per cent stake, has been hailed as key to ending Nigeria’s fuel imports.

New projects were also announced. One of the most notable is Nigeria’s first floating liquefied natural gas project, which is being developed by Nigerian company UTM Offshore. The project is projected to come onstream by Q1 2026 and is reportedly backed by a \$5 billion loan signed with Afreximbank, who have become a dominant source of capital to Nigerian energy companies (including NNPC).

Nigeria’s Vice President Yemi Osinbajo announced in April that the development of renewable energy, particularly solar, remains at the core of the country’s energy transition plan. The government launched its energy transition plan in 2022 as it works towards Nigeria’s commitment to reach net zero by 2060 and provide access to affordable, reliable and sustainable energy to all of its citizens by 2030. Nigeria is aiming to develop 250 GW of solar capacity by 2060 and recommends gas as a transition fuel to balance large amounts of solar on the grid.

What Deal Activity Happened?

The dominant trend was the continued sale by the Majors of sizeable stakes in Nigerian assets. Eni announced in September that it had signed a deal to sell its onshore assets in Nigeria to Oando. Eni’s subsidiary Nigerian Agip Oil Company (NAOC) has a 20 per cent stake in, and is operator of, four onshore blocks – OMLs 60, 61, 62 and 63. Oando already has a 20 per cent stake in these assets (with NNPC E&P Limited holding the remaining 60 per cent).

Many other Majors announced sale processes and signings for Nigerian assets. New Age also signed a deal with PetroNor in October for the sale of its interest in OML 113, which contains the Aje field and NNPC Limited completed its takeover of Addax Petroleum’s four licences.

What Is Expected in 2024?

- **Deal Activity:** Shell kicked off 2024 with the news that it has agreed to sell its onshore business. M&A activity looks set to stay busy, while sellers and buyers remain on tenterhooks awaiting the flow of Ministerial consents. Oil Minister Lokpobiri has promised that the government “will not waste time to

give the necessary considerations and consent” to such deals. Domestic companies remain the front runner buyers, and new ventures and consortia will emerge. 2024 will be a test of the availability of finance to fund the stream of M&A transactions.

- **Legal/Regulatory:** President Tinubu has reportedly approved plans for a new bid round for 12 offshore blocks in 2024. Lokpobiri, the new Minister of State for Petroleum Resources (Oil), has warned that marginal field licences may be revoked this year if progress developing the assets is not made.
- **Projects:** Following significant construction delays, many big projects are anticipated to hit major milestones in 2024. NNPC Limited expects to complete the \$2.8 billion Ajaokuta–Kaduna–Kano (AKK) gas pipeline project in July 2024. The AKK project is the first phase of the 1,300km Trans-Nigerian Gas Pipeline and a key element of Nigeria’s plan to develop its gas resources. The Assa North-Ohaji South Gas project may also complete in 2024. The project aims to improve availability of natural gas for power generation whilst accelerating Nigeria’s transition towards cleaner fuels. In new projects, Ekperikpe Ekpo, the new Minister of State for Petroleum Resources (Gas), has announced that construction of the mega Nigeria-Morocco Gas Pipeline is scheduled to start in 2024.