

NIGERIA'S OIL GOVERNANCE CROSSROADS: PROPOSED AMENDMENTS TO THE PIA AND THE DANGERS OF MAKING THE REFEREE A PLAYER

Nigeria's Oil Governance Crossroads: Proposed Amendments to the PIA and the Dangers of Making the Referee A Player

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Introduction

According to the Editorial Board of Africa Oil and Gas Report, the Nigerian oil and gas industry is geared towards exponential reform as the Honourable Attorney General of the Federation hinted at the approval of President Ahmed Tinubu to an amendment of the Petroleum Industry Act.¹ According to the editorial, the Petroleum Industry Amendment Bill, 2025 (“the Bill”) seeks to amend sections 7, 8, 9, 47, 52, 53, 63, 64, 85, 104, 318 of the Petroleum Industry Act 2021 (PIA). In particular, a change to the governance structure of the Nigerian National Petroleum Company Limited (NNPC Ltd) has raised significant governance and operational concerns. The said amendments sought to be introduced by these sections include:

- 1) the constitution of a joint NUPRC and NMDPRA team for the technical regulation of the joint operations (section 7);
- 2) an additional commercial regulatory function for NUPRC to act as the Federal government’s representative in all model contracts attached to the licences and leases, **and replacing NNPC LTD as concessionaire in all profit-sharing contracts (PSCs)**, and risk-sharing contracts (section 8);
- 3) the maintenance by NUPRC of the frontier exploration fund (section 9);
- 4) the maintenance of an authority fund by the NMDPRA (section 47);
- 5) the introduction of the supervisory powers of the Chief Executive of the NMDPRA in the management and administration of the midstream and downstream Gas Infrastructure Fund (section 52 (2));
- 6) the Ministry of Finance Incorporated (MOFI) becoming the sole shareholder of NNPC LTD, and thereby removing the equal shareholding accruing to Ministry of Petroleum Incorporated (MOPI) that existed in the extant PIA (Section 53) and saddling MOFI with the role of setting strategic direction, objectives and performance targets for the board (Section 63 and 64);
- 7) directing that money received from gas flaring penalties by the NUPRC be **paid directly to**

¹ Editorial Board of Africa Oil & Gas Report “PIA Amendment: Nigeria’s Finance Ministry to Take Over Petroleum; NUPRC Will Replace NNPC As Concessionaire” (Africa Oil & Gas Report 13 September

2025) [PIA Amendment: Nigeria’s Finance Ministry to Take over Petroleum; NUPRC Will Replace NNPC As Concessionaire - Africa’s premier report on the oil, gas and energy landscape](#). accessed on 9 September 2025.

NIGERIA’S OIL GOVERNANCE CROSSROADS: PROPOSED AMENDMENTS TO THE PIA AND THE DANGERS OF MAKING THE REFEREE A PLAYER

the Federation account, thereby departing from the extant PIA which provides that such monies shall be paid in to the Midstream and Downstream Gas Infrastructure Fund *which the penalties are levied* (section 104 (4)); and

- 8) an inclusion of the definition of “*integrated operations*” under section 318, which is the interpretation section of the PIA.

The Minister of Finance introduced the Bill in July 2025, explaining that the proposed changes aim to tackle the increasing fiscal leakage and revenue loss faced by the Federation.

The Bill designates the NUPRC as the official governmental representative for all model contracts associated with the licenses and leases outlined in section 85 of the PIA. NUPRC will also replace NNPC Ltd as the concessionaire in all subsisting Production Sharing Contracts. In this role, the NUPRC will be responsible for evaluating and approving all relevant work programs and verifying and approving all contractor costs to determine cost-recoverable expenditure under these contracts.

This article aims to analyse the proposed amendments in the Bill regarding regulatory changes in the existing roles of the NUPRC, particularly section 8, which provides for the commercial regulatory functions of the NUPRC. We will analyse the implications of these changes on ethical standards and corporate governance structures, address the potential benefits and risks

associated with the proposed modifications, and incorporate insights from similar legislative changes in other countries, thereby providing a broader understanding of their approaches and outcomes.

Historical Development of NNPC Ltd

The history of the governmental agencies which constitute the predecessors of the present NNPC Ltd is important. NNPC Ltd originated from a one-man unit in the Mines Division of the Ministry of Lagos Affairs called the Hydrocarbon Section², which was established in 1958. By 1963, it had grown into a division due to the expanding oil industry. In 1970, it was elevated to the Department of Petroleum Resources under the Ministry of Mines and Power, and in 1975, it became the Ministry of Petroleum Resources... Nigeria became a member of the Organisation of Petroleum Exporting Countries (OPEC) in 1971, and to implement OPEC’s decisions, a governmental agency was necessary. Thus, in 1971, the Nigerian National Oil Corporation (NNOC) was established by decree No. 18 of 1971.³ The NNOC was established as the government's commercial entity in the petroleum industry, handling exploration, production, refining, and marketing of oil and gas products. However, it operated alongside the Federal Ministry of Petroleum Resources, which regulated oil companies. This separation led to administrative conflicts and ineffective control, prompting the idea that consolidating authority under a single organisation could better achieve the government's goals in the sector.⁴

² NUPRC website, [History – Nigerian Upstream Petroleum Regulatory Commission](#) (NUPRC) accessed on 8 April 2026.

³ G Etikerentse, *Nigerian Petroleum Law* (2nd edn, Dredew Publishers 2004) 19–21

⁴ Ayomide Adekilekun “*The Founding and Evolution of the Nigerian National Petroleum Corporation (NNPC)*” (historicalnigeria, 9 October 2025) <[NNPC: Formation of Nigerian National Petroleum Corporation](#)> accessed 26 January 2026.

NIGERIA'S OIL GOVERNANCE CROSSROADS: PROPOSED AMENDMENTS TO THE PIA AND THE DANGERS OF MAKING THE REFEREE A PLAYER

NNOC later merged with the Federal Ministry of Petroleum Resources by virtue of Decree No. 33 of 1977, which also repealed the Nigerian National Oil Corporation Act of 1971 and dissolved the Federal Ministry of Petroleum Resources. The merger consolidated all policy, regulation, commercial operations and functions into the new Nigerian National Petroleum Corporation (NNPC) as a juristic person that could sue and be sued in its name. This decree also created the Petroleum Inspectorate as an integral part of the NNPC and entrusted it with the regulation of the petroleum industry. Thus NNPC began its life as an agency established by law to implement the Federal Government's policy on petroleum by the effective and active control (through the acquisition of participation interests in the major oil companies' working interests) and supervision of the operations of the oil companies to such a degree that in Nigerian petroleum matters, NNPC operated simultaneously as policy maker, regulator, and commercial participant.

In 1985, the Ministry of Petroleum Resources was re-established, and by March 1988, the Petroleum Inspectorate was transferred from NNPC to the Ministry, becoming the Department of Petroleum Resources (DPR). DPR regulated the entire petroleum industry, overseeing operations where NNPC was the majority joint venture partner.

The re-establishment of the Ministry of Petroleum Resources and the transfer of regulatory functions out of NNPC to the DPR were driven by the desire to eliminate conflicts of interest arising from NNPC acting simultaneously as operator, regulator, and policy executor, strengthen

independent regulation, clarify institutional accountability, and separate commercial participation from regulatory and policy functions in the petroleum sector.

The Structure Under the PIA

The PIA maintains the structure of having a separate regulator and national oil company by establishing the NUPRC as a replacement of the Upstream Division of the DPR. NUPRC's role is limited to the regulation of all upstream petroleum operations, including technical, operational, and commercial activities.⁵ On the other hand, the PIA prescribes the incorporation of NNPC Ltd (as a commercial entity without recourse to public funds). NNPC Ltd holds Nigeria's majority interest in the upstream and downstream sectors of the oil and gas industry, as the concessionaire of all Product Sharing Contracts, as well as other model oil and gas contracts.⁶

This arrangement is in accordance with the global Extractive Industries Transparency Initiative (EITI), a framework that strengthens transparency to combat corruption, promote gender equity, improve revenue collection, and ensure natural resource wealth benefits the public. Nigeria adopted the EITI in 2003 to complement the series of reforms construed to redress its history of misgovernance and outright plunder of its commonwealth, prominent among which was oil money.⁷

An Analysis of Cases Involving Historic National Oil Company-Regulator Mergers and the Rationale for Separation.

⁵ Section 5 & 6 of the PIA

⁶ Section 64 of the PIA

⁷ Nigeria Extractive Industries Transparency Initiative (NEITI), NEITI Strategic Plan 2022–2026 (NEITI 2022) 3 <<https://neiti.gov.ng>> accessed 20 April 2026.

NIGERIA’S OIL GOVERNANCE CROSSROADS: PROPOSED AMENDMENTS TO THE PIA AND THE DANGERS OF MAKING THE REFEREE A PLAYER

In several countries like Angola, Ghana, Indonesia, Brazil, and Mexico, the national oil company (NOC) and the oil and gas regulator have at times been the same entity, meaning a single organisation simultaneously carried out commercial petroleum operations and industry oversight. These mergers arose from efforts to centralise control over oil and gas resources, often in the context of new resource nationalism or limited institutional capacity. Over time, many countries introduced institutional reforms to separate the NOC and regulatory functions, aiming to improve governance, reduce conflicts of interest, and encourage investment. The overview of the countries below surveys notable examples around the world where the NOC and regulator were unified, describing each country’s merged entity, the timeframe, rationale for the merger, and any subsequent separation or reforms.

ANGOLA⁸

After its independence in 1975, the government established Sonangol (Sociedade Nacional de Combustíveis de Angola) in 1976 as a state oil company that also acted as the industry’s concessionaire and de facto regulator. For over four decades, Sonangol held multiple roles: it was the national oil producer, the manager of oil block licenses, and the overseer of industry operations. The post-colonial government focused on rebuilding the oil sector after the war. It placed control in the hands of Sonangol to manage resources and income closely. This unified model was common in the era, especially where local capacity was limited – Sonangol could partner with

foreign companies while also policing them. By the late 2010s, the Angolan government recognised that Sonangol’s “multiple roles as regulator, concessionaire and operator” were hindering efficiency and transparency.

In 2019, President João Lourenço’s reforms stripped Sonangol of its regulatory and licensing powers, creating a new independent regulator – the National Agency for Oil, Gas and Biofuels (ANPG). ANPG now awards exploration licenses and supervises operations, ending Sonangol’s concessionaire function. This allowed Sonangol to refocus purely on commercial activities (production, refining, and marketing), and the government is even pursuing partial privatisation of Sonangol. The 2019 reform is widely viewed as successful, resulting in quicker project approvals and renewed investor confidence.

GHANA⁹

The Ghana National Petroleum Corporation (GNPC) was established in 1983 as a state oil company with dual mandates of operator and regulator in the nascent petroleum sector. In its early years, GNPC’s “primary role was to monitor and regulate the petroleum sector on behalf of the Ministry of Energy”, in addition to pursuing exploration and production. When GNPC was formed, Ghana had no significant oil production and limited institutional infrastructure. Combining roles in one entity was a practical choice to jump-start the sector, given scarce human and financial resources. GNPC could negotiate with international oil companies, award blocks, and ensure compliance, all under one roof, which was seen as

⁸ Mukund Dhar, Nicholas Macheras “*Fueling economic diversification and growth: Angolan oil & gas takes center stage*” (White & Case, 12 July 2023) < [Fueling economic diversification and growth: Angolan oil & gas takes center stage | White & Case LLP](#) > accessed on 8 October 2025

⁹ David Manley, Andrea Funero, Christopher Olk, and Giovanni Tagliani “*National Oil Company Profile: GNPC*” (Natural Resource Governance Institute 25 April 2025) < [National Oil Company Profile: GNPC | Natural Resource Governance Institute](#) > accessed on 8 October 2025

NIGERIA'S OIL GOVERNANCE CROSSROADS: PROPOSED AMENDMENTS TO THE PIA AND THE DANGERS OF MAKING THE REFEREE A PLAYER

efficient for an emerging producer.

This arrangement persisted until Ghana's major offshore discoveries (e.g. Jubilee field in 2007) raised the stakes. Anticipating a booming industry, the government opted to separate regulation from commercial interests. It passed the Petroleum Commission Act in 2010 (effective 2011), creating the Petroleum Commission as an independent upstream regulator and transferring GNPC's regulatory functions to the new commission. Since 2011, GNPC has focused on commercial operations (often partnering in oil fields), while the Petroleum Commission handles licensing, monitoring, and enforcement. This reform aimed to avoid conflicts of interest as Ghana's oil production grew, ensuring clearer oversight and accountability.

BRAZIL¹⁰

Petróleo Brasileiro S.A. (Petrobras) from 1953 until 1997, Petrobras held an exclusive legal monopoly over Brazil's oil exploration and production, effectively making it the operator and gatekeeper for the sector. During this period, there was no distinct regulatory agency regulating Petrobras in the upstream; the company was overseen only by the government as owner.

The merger of roles was a deliberate strategy by Brazil's government to build a domestic oil industry under state guidance. Petrobras, as an integrated oil company, would explore, produce, refine, and transport oil, while also effectively controlling who could operate (initially, no one else could). This protected the infant industry and aimed to ensure oil wealth served Brazil's development. However, by the 1990s, Brazil recognised that

Petrobras's monopoly and lack of independent regulation might be holding back investment and efficiency.

In 1997, Brazil enacted Law No. 9,478, which fundamentally restructured the sector. This law broke Petrobras's monopoly and created a separate regulatory body, the National Petroleum Agency (Agência Nacional do Petróleo, ANP). ANP was established to "regulate and supervise the petroleum industry" in Brazil. From 1999 onward, ANP began licensing areas to other companies, ending Petrobras's role as sole concessionaire. Petrobras remained a major (majority state-owned) company but now had to compete under ANP's oversight. Thus, Brazil moved from a merged NOC-regulator model to a standard competitive framework with an independent regulator, aligning with global best practices.

Key Observations

Merging the NOC with the oil and gas regulator has been a recurring structural choice, especially in the early stages of developing a petroleum sector or during periods of strong resource nationalism. Countries like Angola, Indonesia, Mexico, Brazil, and Ghana initially adopted this model to concentrate expertise and control. The rationale typically involved strengthening state oversight of resources, simplifying decision-making, or compensating for weak institutions. However, as industries matured, most countries moved to separate the NOC and regulatory functions. Independent regulators were introduced to curb conflicts of interest, improve efficiency, and attract investment by ensuring a level playing field. This trend reflects an understanding that the objectives

¹⁰ Laís Palazzo Almada and Virgínia Parente, *'Oil & Gas Industry in Brazil: A Brief History and Legal Framework'* (2013) 1(1) *Panorama of Brazilian Law* 223-251

<<https://www.epublicacoes.uerj.br/pbl/article/download/34368/24284/114960>> accessed 21 April 2026.

NIGERIA’S OIL GOVERNANCE CROSSROADS: PROPOSED AMENDMENTS TO THE PIA AND THE DANGERS OF MAKING THE REFEREE A PLAYER

of a commercial oil company (profit and production) can conflict with those of a regulator (fair oversight, safety, resource management). Indeed, many of the historical mergers have since been undone through reforms – for example, Nigeria’s and Indonesia’s NOCs transitioned to pure operators decades ago, and Angola made the change in 2019.

A few contemporary holdouts like Petronas in Malaysia and MOGE in Myanmar show that the merged model can persist under certain political economies. Yet even in these cases, there are pressures (internal or external) to eventually delineate regulatory authority from commercial interests. Overall, the global trajectory has been toward institutional separation in the oil and gas sector. The experiences summarised here demonstrate both the initial logic for merging NOC and regulator, and the eventual impetus for reform. Each country’s path has been shaped by its unique political context, but the lesson has often been the same: in the long run, clarity in roles – a strong, autonomous regulator alongside a focused NOC, tends to yield better governance and industry outcomes.

The Benefits of a Separation Model

The benefit of a separation of function model, compared with a regime in which the NOC also has some degree of responsibility for regulating the industry or determining national policy, was brilliantly outlined by Mark Thurber, David Hults, and Patrick R.P. Heller¹¹ to include the fact that the NOC can focus more exclusively on its commercial competitiveness, enhancing its operational performance and increasing the (short- or long-

term) financial return to the State. Additionally, by establishing a focused and independent regulator, the government may be able to ensure better performance, both by the NOC (through establishing a more level playing field and improving benchmarking) and by other actors in the sector, including private companies.

A significant issue with the combination of business and regulatory functions within the same entity is the issue of conflict of interest, which undermines investor confidence and hinders governance reforms. Efficiency and transparency are the bedrock for good governance in any country’s ecosystem, and where this is disrupted, it is bound to create uncertainty for potential investors and increase the political, legal and regulatory risk profile of any investment in Nigeria.

Where a regulator like NUPRC acts as the concessionaire, it could use its regulatory or policy powers against competitors, or to grant favourable terms and disposition to itself (or its partners’), cover up lapses where it has been wanting and to promote its commercial interests over the revenue-generation goals of the State, are potentially reduced. The question could then be asked: Do the framers of the Bill intend to create a scenario where NUPRC, acting as concessionaire, assigns part of its interest to NNPC Ltd and other private companies? Indeed, this situation could also erode the notion of checks and balances as the regulator will be in essence regulating itself as an industry participant, which could lead to abuse of power and raise anti-trust concerns. On the other hand where the regulatory functions are vested in a different entity than the concessionaire, the issues

¹¹ Mark Thurber, David Hults and Patrick RP Heller, *The Limits of Institutional Design in Oil Sector Governance: Exporting the “Norwegian Model”* (Paper presented at the

ISA Annual Convention, New Orleans, 18 February 2010).

NIGERIA’S OIL GOVERNANCE CROSSROADS: PROPOSED AMENDMENTS TO THE PIA AND THE DANGERS OF MAKING THE REFEREE A PLAYER

surrounding conflict of interest would be averted.

The State’s assertion of independent control over hydrocarbon policy and regulations may put it in a stronger position to prevent a concessionaire-cum regulator from capturing other state institutions (including political ones) and thus prevent it from becoming a distorting and destabilising “state within a state”. To foster innovation and improve the effectiveness of strategies, it is beneficial to distribute decision-making responsibilities across multiple organisations rather than relying on a single agency. Establishing two distinct organisations to oversee sector development can lead to more achievable outcomes and better address the diverse challenges faced.

In many countries that began petroleum activities in the middle of the last century, it was customary to entrust both the commercial and regulatory functions of the government to a national oil company (NOC).¹² The State completely owned the NOC, with the minister or president as the chairman. Unfortunately, however, the reality has been at variance with the States’ national objectives. The NOCs have, in most cases, developed into power centers in the economic and political structure of their respective countries.¹³

In addition to the points above, at the core of oil project economics is risk allocation. Under Production Sharing Contracts (PSCs), investors take the exploration and development risk: they finance seismic, drill wells, build facilities, and only recover costs if oil flows. Government avoids upfront cash calls and earns through royalties, taxes, and profit oil—but only if credibility and

contract discipline exist. That’s why the PIA separated policy (Ministry), regulation (NUPRC/NMDPRA), and commerce (NNPC Ltd.). The proposed amendment collapses that separation, replacing a transparent three-handed handshake with a two-handed sleight of hand.

History shows that the separation of regulatory and commercial functions of the NNPC, initiated between 1985 and 1988 and reinforced by the PIA, was the result of longstanding reforms rather than an abrupt policy change. This context highlights that the proposed move to make the NUPRC a concessionaire would be a step backward, overlooking valuable lessons from the past, rather than just a minor adjustment.

Conclusion

The PIA’s true promise was never about perfect terms; it was about predictable institutions. That predictability trimmed transaction costs, reduced regulatory risk, and improved Nigeria’s rank on investors’ internal scorecards. Undoing it now is like swapping a compass for a weathervane mid-voyage. Bottom line: Governance, not geology, creates investability. The PIA gave Nigeria a credible operating system. Rewriting Section 8 to fuse the regulator and concessionaire is a regression that raises the cost of capital, delays FIDs, and erodes future fiscal flows. If we want more barrels, more FX, and more jobs, we must defend the PIA’s separation of roles and execute the law we already have. Keep the referee impartial. Keep the player commercial. Keep the policy steady. That is how petroleum economics turns resources into results.

¹² Baker Institute Energy Forum, “*The changing role of NOCs in International Energy Markets: Report Series*,” (Houston: Rice University, 2007) 17.

¹³ Leslie Lopez, *Reconciling Tensions Between Company and State: State-Owned Enterprises and the World Energy Supply* (Cambridge University Press 2012) 12.

NIGERIA'S OIL GOVERNANCE CROSSROADS: PROPOSED AMENDMENTS TO THE PIA AND THE DANGERS OF MAKING THE REFEREE A PLAYER

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