

Decommissioning and Abandonment of Oil and Gas Facilities in Nigeria: Obligations and Regulatory Imperatives

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Abstract

This article examines Nigeria's legal and regulatory framework for the decommissioning and abandonment of oil and gas facilities, with particular focus on the obligations created by the Petroleum Industry Act 2021 and the supporting upstream, midstream and downstream regulations. It argues that decommissioning and abandonment is not merely a technical end-of-life exercise, but a continuing legal obligation involving regulatory approval, dedicated funding, environmental remediation, host community considerations and residual liability. The article considers the role of the Nigerian Upstream Petroleum Regulatory Commission and the Nigerian Midstream and Downstream Petroleum Regulatory Authority, the operation of decommissioning funds and escrow arrangements, the tax and commercial implications of end-of-life liabilities, and the challenges posed by asset divestments, and institutional overlap.

Introduction

For decades, Nigeria's oil and gas industry has underwritten public revenue, foreign exchange earnings and a significant share of national

infrastructure, yet every oil or gas well has an economic endpoint. As fields age, production declines and these wells approach end of life, decommissioning and abandonment (D&A) moves to the centre of legal and regulatory discourse. Under the Petroleum Industry Act 2021 (PIA), D&A is not a final engineering event; it is part of a statutory obligation embedded in the life cycle of petroleum operations, with consequences for regulatory compliance, environmental restoration, transaction structuring and residual liability.

Section 318 of the PIA defines D&A, to include cessation of operations, plugging and shutting down wells and installations, removal of structures where required, disposal of debris and hazardous materials, and environmental restoration of affected areas. The legal duty therefore extends beyond dismantling physical infrastructure; it encompasses environmental remediation and sustained D&A responsibility. In practical terms, D&A is a composite obligation involving planning, regulatory approval, funding, technical execution and environmental remediation.

This article examines the issues arising from D&A of oil and gas facilities in Nigeria: the statutory architecture, funding and cost allocation, environmental governance, divestment-related liability, regulatory overlap, technical constraints and host community considerations. The central argument is that the PIA has supplied a framework, but its real test lies in implementation, particularly where assets are integrated, ageing, or recently divested.

Nigeria's Legal Architecture for Decommissioning and Abandonment

The PIA is the central legislative instrument governing Nigeria's D&A regime. It establishes the Nigerian Upstream Petroleum Regulatory Commission

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(NUPRC)¹ to regulate upstream operations and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) to regulate midstream and downstream operations²; and confers on the NUPRC and NMDPRA regulatory, supervisory and enforcement responsibilities within their respective statutory spheres. Sections 232 and 233 of the PIA provide the principal basis for D&A plans, annual funding obligations and regulatory oversight of end-of-life activities.

The statutory framework is supplemented by sector-specific regulations, notably the Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026 (which revoked the 2023 regulation³) and the Midstream and Downstream Decommissioning and Abandonment Regulations 2023. Together, these instruments translate the PIA's broad obligations into a more operational regime covering planning, public consultation, fund administration, execution and post-completion responsibilities.

A notable feature of the statutory framework is the dual requirement that licensees and lessees (operators) prepare regulator-approved D&A plans⁴ (in the form prescribed by the regulators, setting out the scope, timeline, and methods of D&A in line with good international petroleum industry practice), and that operators maintain a D&A fund⁵ for meeting the costs of executing those plans. The fund is to be held by a financial institution which is a non-affiliate of the lessee/licensee, in an escrow account accessible by the NUPRC or the NMDPRA as applicable. Operators are required to make annual contributions to this fund to ensure that resources are available for safe D&A

activities.

That structure carries two important legal consequences. First, it converts what might otherwise be regarded as future responsibilities into present regulatory obligations enforceable during the operating phase of the asset. Second, it addresses a recurring concern in energy law; whether D&A liability should be treated merely as an accounting provision or whether it should be backed by an actual funding mechanism that is ring-fenced for D&A activities. Both the NUPRC and NMDPRA regulations reinforce the latter position by requiring annual contributions, periodic reviews of those contributions and regulatory oversight of updating D&A plan, programme execution and post-completion matters.

On the environmental side, operators are required to comply with guidelines issued by the NUPRC and the NMDPRA. This include conducting Environmental Impact Assessments before commencing D&A activities, they must also prepare environmental remediation and monitoring plans as part of their D&A plan. The PIA also prescribes stricter penalties for breach of D&A obligations, aligning Nigeria's regime closely with international standards and ensuring compliance.

The Core Pressure Points in Nigeria's Decommissioning and Abandonment Regime

1. Funding and Cost Allocation

D&A is capital-intensive and may be materially underestimated until assets move from conceptual planning to engineered execution. In Nigeria, publicly reported NUPRC disclosures indicate that since April 2023 the NUPRC has approved 94 D&A plans with an

¹ Section 4 of the PIA

² Section 29 of the PIA

³ Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2023

⁴ Regulation 3 of the Nigeria Upstream Petroleum

Decommissioning and Abandonment Regulations 2026 and Regulation 3 of the Midstream and Downstream Decommissioning and Abandonment Regulations 2023

⁵ Section 233 of the PIA

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estimated liability of about US\$4.42 billion⁶. That figure indicates regulatory compliance, but it should not be mistaken for certainty. Early cost estimates in emerging D&A regimes are especially vulnerable to revision as engineering studies grow, offshore vessel requirements are priced, well-plugging complexities are better understood and disposal pathways for hazardous materials become clearer.

2. Environmental Compliance

Nigeria's history of oil-related contamination makes environmental remediation central to any serious D&A analysis. The United Nations Environmental Programme's assessment of Ogoni land documented extensive hydrocarbon pollution with remediation implications measured in decades rather than years.⁷ Against that background, D&A must address well integrity, contaminated soils, residual hydrocarbons, waste streams, site restoration and monitoring after physical works are complete. At present, however, Nigeria has limited publicly documented post-PIA D&A experience. As a result, the strength of the regime must still be judged mainly by its design, not by a settled body of enforcement practice. Its effectiveness will depend heavily on inspection capacity, the quality of environmental audit requirements, and the extent to which petroleum regulators coordinate in practice with environmental response institutions.

This is also where institutional coordination becomes critical. The petroleum regulators oversee sector-

specific compliance, but residual contamination, spill response and post-closure environmental incidents may engage the distinct statutory mandate of the National Oil Spill Detection and Response Agency under section 6 of its Establishment Act 2006 (NOSDRA). An adequate D&A regime therefore requires more than approval of D&A plans; it requires clear inter-agency protocols governing monitoring, incident reporting and the transition from petroleum-operation oversight to long term environmental supervision.

Economic Considerations in Decommissioning and Abandonment

D&A is capital intensive as it imposes large, unavoidable end-of-life costs on operators for plugging wells, removing installations, disposing of materials, and restoring the environment, often at a stage when production revenue has declined or ceased. In Nigeria, the scale of that exposure is substantial; by 2025, regulators had approved about \$4.42 billion in D&A plans since 2023⁸. The PIA addresses this issue through the escrow of D&A funds under section 233 of the PIA, which requires licensees and lessees to establish a ring-fenced escrow account with an independent financial institution and to make periodic contributions based on approved D&A plans and cost estimates. This mechanism addresses the issue by spreading the funding burden over the productive life of the asset, preserving funds exclusively for D&A purposes, and reducing the risk that insolvency, divestment, or late-stage cash-flow constraints will

⁶ Gift Ifeanyi, 'Nigeria moves to shield economy with \$4.4bn oilfield decommissioning plan' (naijapreneur, 12 September 2025) <<https://www.naijapreneur.com/nigeria-moves-to-shield-economy-with-4-4bn-oilfield-decommissioning-plan/>> accessed 15 May 2026.

⁷ United Nations Environmental Programme 'Environmental Assessment of Ogoni land' (2011) <<https://ejcj.orfaleacenter.ucsb.edu/wp-content/uploads/2018/03/2011.-UNEP-Report->

[Environmental-Assessment-of-Ogoniland-2011.pdf](#) > accessed 18 May 2026.

⁸ Gift Ifeanyi, 'Nigeria moves to shield economy with \$4.4bn oilfield decommissioning plan' (naijapreneur, 12 September 2025) <<https://www.naijapreneur.com/nigeria-moves-to-shield-economy-with-4-4bn-oilfield-decommissioning-plan/#:~:text=Nigeria%20has%20introduced%20tougher%20financial.been%20approved%20since%20April%202023>> accessed 1 June 2026.

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frustrate compliance. The tax treatment under sections 261–263 of the PIA is to the effect that D&A expenditure attracts capital allowances and annual fund contributions are deductible operating expenditure.

That framework lowers the after-tax burden.⁹ Interestingly, section 86 of the Nigeria Tax Act 2025 (NTA)¹⁰ appears to qualify this position by making deductibility contingent on at least 30% of the fund being deposited in an escrow account with an accredited Nigerian bank that is accessible to the NUPRC or NMDPRA. As a result, compliance with D&A funding obligations now also carries direct tax-planning and structuring implications.

For the Government, the reforms aim to reduce contingent liabilities. By mandating escrowed funds, Nigeria seeks to avoid the more difficult scenario of liability without adequate funding at the point of execution. This concern is not unique to Nigeria; in the UK North Sea, for instance, the use of Decommissioning Security Agreements reflects a similar effort to ensure that recognised liabilities remain backed by credible financial provision as cost estimates change.

One possible fiscal upside is that scrapped materials (steel, concrete) can be recycled. For example, the North Sea Brent Delta platform (dismantled in UK) had 97% of its steel reused.¹¹ If similar recycling occurs in Nigeria, it could create local value (steel for domestic steel industry) and reduce landfill needs.

Host Communities and Post-D&A Responsibility

D&A has significant host community consequences,

⁹ Sections 261–263 of the PIA

¹⁰ Section 86 of the NTA

¹¹ Victoria Masterson, ‘what to do with ageing oil and gas platforms - and why it matters’ (WEF, 2 April 2024) <<https://www.weforum.org/stories/2024/04/decommissioning-oil-and-gas->

especially in the Niger Delta where petroleum operations have long shaped employment, local contracting patterns and community expectations. Chapter 3 of the PIA requires operators to establish Host Community Development Trusts (HCDTs) and make annual contributions during operations.

The issue is not only regulatory, but rights based. Article 24 of the African Charter on Human and Peoples’ Rights, as domesticated in Nigerian law, supports the entitlement of communities to a satisfactory environment favourable to development. Inadequate restoration, lingering contamination or community exclusion from D&A planning may therefore raise broader public law and human-rights concerns. For communities already burdened by legacy pollution, D&A is not merely the end of extraction; it is a test of whether the legal system can deliver an orderly and just transition from operation to restoration.

The NC-DOGI Bill 2024: Promise of Institutional Reform?

A much-debated legislative development is the House of Representatives’ National Commission for Decommissioning of Oil and Gas Installations (NC-DOGI) Bill 2024 (HB.1968) (the Bill), currently before the National Assembly. The Bill proposes the establishment of a single autonomous body under the Presidency to consolidate oversight of all D&A activities in Nigeria’s oil and gas sector, replacing the current divided jurisdiction between the NUPRC and the NMDPRA.

The Bill has been the subject of critique by various stakeholders, including the NUPRC.¹² The rationale

[platforms/#:~:text=When%20this%20ceased%20production%20after,the%20United%20Kingdom%20for%20dismantlin g/>](#) accessed 3 June 2026.

¹² Chidi Ugwu, “Ministry of Petroleum, NUPRC, NNPCCL Unite against Proposed NC-DOGI Bill 2024” (*Independent Newspaper Nigeria*, November 1, 2025)

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for consolidation raises notable issues that merit careful consideration.

First, there is no reference to the NMDPRA, whether in the composition of the Board under Clause 4 of the Bill or in the provisions dealing with relationship with other regulatory bodies under Clause 6 of the Bill. This omission is difficult to reconcile with the nature of D&A obligations, which are not limited to upstream activities. Midstream and downstream infrastructure, pipelines, terminals, processing and storage facilities, also generate D&A liabilities. By not contemplating the role of the NMDPRA at all, the Bill effectively narrows what is under the PIA, a lifecycle obligation across the value chain. The result is a framework that risks being structurally incomplete from the onset.

Also, there is the issue of funding. Clause 7(b) of the Bill provides that the National Commission is to be funded, in part, through contributions from oil and gas operators into a Decommissioning Fund. This sits uneasily with the structure already established under Section 233 of the PIA. Under the PIA, D&A funding is not conceived as a regulatory levy; it is an operator specific obligation, typically implemented through escrow arrangements tied to approved decommissioning plans. The D&A funds are put in escrow to meet identified D&A liabilities, not to finance a regulatory body.

The Bill also does not address the status of D&A plans already approved under Section 233 of the PIA, the treatment of existing escrow accounts, or how regulatory oversight would shift from the NUPRC (and, where relevant, the NMDPRA) to the proposed Commission. These are not minor drafting gaps. D&A obligations are long-term and capital-intensive, and

<https://independent.ng/ministry-of-petroleum-nuprc-nnpcl-unite-against-proposed-nc-dogi-bill-2024/> accessed 16 June 2026.

¹³ Oronsaye S and others, “White Paper on the Report of the Presidential Committee on Restructuring and Rationalization

operators rely on a stable regulatory framework in structuring those obligations. Leaving these questions open creates avoidable uncertainty.

Also, the proposal to create an additional agency to oversee D&A is difficult to justify. The Bill does not expressly repeal any part of the PIA, and even if the necessary portions of the PIA are repealed to avoid direct duplication, the more immediate issue would be how the proposed Commission aligns with the existing framework (the “PIA”). The PIA already contains provisions dealing with decommissioning plans, cost estimates, and funding arrangements, and the introduction of a new body would require careful harmonisation across these areas to avoid overlap or inconsistency in practice. Beyond this, there is the question of governance cost. As noted in the Oronsaye Report,¹³ the expansion of public agencies tends to carry additional administrative and fiscal burdens, and it is not clear that the creation of a separate agency would be justify the cost of setting up the agency.

Indeed, it may be argued that the challenges and disadvantages of establishing the proposed Commission outweigh the perceived benefits of its creation. The PIA already allocates D&A responsibilities to the NUPRC and the NMDPRA, supported by the statutory funding framework established under section 233 of the PIA and the regulations issued thereunder. As presently structured, the PIA provides a relatively clear and comprehensive framework for the management of D&A obligations and even if there are any gaps in the current framework, these can be addressed by amending the PIA.

of Federal Government Parastatals, Commissions and Agencies” (2014) <https://theeagleonline.com.ng/wp-content/uploads/2024/02/Steve-Oronsaye-Report.pdf/> accessed 16 June 2026.

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Conclusion

The PIA and the supporting regulations provide an identifiable framework for D&A planning, funding, regulatory approval and environmental restoration.

The Nigerian market is entering the phase at which D&A will influence not only environmental and regulatory outcomes, but also how petroleum assets are valued, financed and transferred. A framework that is clear on D&A standards, continuity and sufficiency of funds, reduces uncertainty across the asset life cycle.

For operators, regulators, investors and counsel alike, the significance of D&A lies in the way it concentrates multiple legal questions at the end of an asset's life. Questions bothering on statutory compliance, environmental restoration, funding adequacy, residual liability and transactional risk allocation. Nigerian law is equipped with a firmer basis for analysing those questions; the PIA and subsidiary legislation should be read together, and all stakeholders should treat D&A as an integral part of petroleum project governance.

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