



THE 2024 LICENSING ROUND: A REVIEW OF THE PROCEDURE AND LEGAL REQUIREMENTS FOR THE BID PROCESS





CONTENTS

Pages

2.	INTRODUCTION
2.	WHAT IS THE 2024 LICENSING ROUND AND WHAT ARE THE TIMELINES?
4.	THE LEGAL FRAMEWORK REGULATING THE BIDDING PROCESS
4.	THE PROCEDURE FOR THE BID AND EXAMINATION OF THE BIDDING CRITERIA
10.	CONCLUSION
12.	CONTRIBUTORS

THE 2024 LICENSING ROUND: A REVIEW OF THE PROCEDURE AND LEGAL REQUIREMENTS FOR THE BID PROCESS.

1.0 INTRODUCTION

On May 13, 2024, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) announced the commencement of the 2024 Nigeria Petroleum Licensing Round and the resumption of the 2022/ 2023 Mini Bid Round. The licensing round invites bids from prospective investors for seven oil blocks: PPL-269,¹ PPL-270,² PPL-271,³ PPL-300-CS,⁴ PPL-301-CS,⁵ PPL-2000,⁶ and PPL-2001.⁷

In addition to these 7 blocks, they included seventeen oil blocks (from the 2022 mini-bid rounds). These blocks include: PPL-2002, PPL-2003, PPL-2004, PPL-2005, PPL-2006, PPL-2007, PPL-2008, PPL-2009, PPL-3007, PPL-3010, PPL-3011, PPL-3012, PPL-3013, PPL-3014, PPL-3015, PPL-3016, PPL-3017. The bidding process commenced on May 10, 2024, and is scheduled to conclude within nine (9) months, ending in January 2025.

This Insight provides guidance on the bidding process and examines the legal and compliance considerations for prospective bidders. To provide stakeholders with information about the bid round, this Insight is divided into five major parts. The first part is the introductory part of the Insight. The second part clarifies the import of the 2024 licensing round and provides clarity on the licensing round timeline of events. The third part highlights the documentation and processes involved in the stages of the bidding process. The fourth part clarifies the legal and regulatory requirements for the bidding process. The fifth and final part is the concluding aspect of the paper.

2.0 WHAT IS THE 2024 LICENSING ROUND AND WHAT ARE THE TIMELINES?

A licensing Round is 'an occasion when a governmental body offers exploration acreage for leasing by exploration and production companies, typically in return for a fee and a performance or work obligation, such as acquisition of seismic

¹ PPL-269 is an oil block that can be found on Nigeria's Continental Shelf in the Niger Delta. The block has two oil wells drilled – Nedum-1 and Nedum-2.

² PPL-270 is an oil block in the transition zone, covering both offshore and onshore. It has only one oil well, Ojumole-1.

³ PPL-271 is an oil block that can be found in the transitional zone between offshore and onshore. One oil well has been drilled in the oil block – Omuro-1 which was drilled by Chevron Nigeria Limited in 1994.

⁴ PPL-300-CS is a block that sits offshore in the Continental Shelf of the Benin Basin. The block is in a relatively frontier part of the offshore area, and no oil well has been drilled there to date.

⁵ PPL-301-CS is a block that sits offshore of Nigeria and can be found on Nigeria's continental shelf in the Benin Basin. Only one oil well has been drilled in this oil block to date.

⁶ PPL 2000 is located in the deep offshore area of the Niger Delta. There are two oil wells on the block – Obeje-1 and Obeje-1ST1.

⁷ PPL 2001 is located in the deep offshore area of the Niger Delta. There are currently no wells on the block.



data or drilling a well'.⁸ Nigeria, a country blessed with immense oil and gas reserves, explores ways to ensure the optimal use of these resources. The 2024 licensing round is the second in a series of bid rounds managed by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), which aims to develop Nigeria's petroleum basins.⁹ The objectives of the licensing round include:

- a. Ensuring the growth of Nigeria's oil and gas reserves.
- b. Boosting oil and gas production in Nigeria.
- c. Expand the opportunity for gas utilisation in Nigeria.
- d. Creating employment opportunities for Nigerians in the oil and gas industry.
- e. Reinforce the commitment of the Nigerian government to transparency and openness.
- f. To create value for the Nigerian government and investors.
- g. Contributing to long-term global energy sufficiency.
- h. To attract foreign direct investment.
- i. To enhance Nigerian content development.

As already mentioned above, the 2024 licensing round is scheduled to run for nine (9) months, from May 2024 – January 2025. The underlisted activities are the timelines for the 2024 licensing round (as amended):

Event	Timeline
Announcement/ Advertisement/ Portal Launch a. Announcement b. Advertisement c. Portal Launch	April 2024– May 10, 2024
Registration/ Prequalification a. Registration/Submission of Prequalification Documents b. Pre-bid Conference c. Evaluation of Submissions/ Publication of Prequalified Applicants	May 13, 2024– July 5, 2024
Technical and Commercial Bid Submission a. Data Access/ Data Purchase/ Evaluation/ Bid Preparation and Submission b. Technical Bid– Evaluation/ Publications of Pre-qualified Companies c. Commercial Bid Conference	July 8, 2024 – December 13, 2024
Ministerial Consent/ Contracting a. Ministerial Consent b. Contract Negotiation & Signing	December 20, 2024– January 29, 2025

⁸ See SLB Energy Glossary @ https://glossary.slb.com/en/terms//licensing_round#:~:text=1.%20n.%20%5B%20Oil%20and,data%20or%20drilling%20a%20well.

⁹ See generally, 'About the Nigeria 2024 Licensing Round' Available online at <https://br2024.nuprc.gov.ng/about> on June 4, 2024. The first round of the series of bidding round was the one held in Mini-Bid Round in 2022.



3.0 THE LEGAL FRAMEWORK REGULATING THE BIDDING PROCESS

There are three major legal frameworks regulating the bidding process, to wit:

- a. The Petroleum Industry Act, 2021
- b. The Petroleum Licensing Round Regulations, 2022; and
- c. Nigeria 2024 Licensing Round Guidelines

Sections 73 and 74 of the *Petroleum Industry Act* empower the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) to publish a licensing round plan periodically and to ensure that petroleum prospecting licenses and petroleum mining leases are only granted after a fair, transparent and competitive bidding process in compliance with the provisions of the Act, other regulations made under the Act, and in accordance with the licensing round guidelines issued by NUPRC for each licensing round.

In furtherance of the above statutory provisions, in April 2024, the NUPRC issued the *Petroleum Licensing Round Regulations, 2022* (the Regulations) and the *Nigeria 2024 Licensing Round Guidelines* (the Guidelines). The Regulations and the Guidelines have overlapping provisions; hence, the subsequent part of this Insight shall examine their provisions holistically instead of a piecemeal analysis.

4.0 THE PROCEDURE FOR THE BID AND EXAMINATION OF THE BIDDING CRITERIA

The bidding process has been automated for transparency, and the registration portal can be accessed here: <https://client.br24.nuprc.gov.ng/auth/register>. The Regulations and the Petroleum Industry Act, 2021 make provisions for an additional requirement for the physical delivery of the bidding documents.¹⁰ Accordingly, Paragraph 15 of the 2024 Licensing Rounds Guidelines states that all applications shall be submitted physically and electronically. The physical applications must be received at an address to be published by NUPRC no later than 11.59pm on November 29, 2024. We note that although no time zone was defined by the Guidelines since the transaction would be concluded in Nigeria, it is safe to assume the time would be Nigerian time.

¹⁰ Regulation 12(2) the Petroleum Licensing Round Regulations, 2022; Section 74(7) Petroleum Industry Act. From our observation of Section 74(7) of the Petroleum Industry Act 2021, there is no requirement that the bid must be comprised of both physical and electronic bids. Instead, the section provides that “the bids received based on the bid parameters prescribed in subsection (2) through an open, transparent and competitive bidding process, shall include an electronic bidding process, open to public and conducted in the presence of a representative of the Nigerian Extractive Industry Transparency Initiative, the Federal Ministry of Finance and the Federal Ministry of Petroleum Resources”.

***Who can bid for the Oil Block?***

Any applicant [local (individual or a consortia) or foreign company] may bid during the bidding process provided they meet the legal, financial, and technical requirements for the bid. Where a foreign company (not registered in Nigeria) participates in the bid and qualifies for the award, the foreign company is required to be incorporated in Nigeria.¹¹

What are the Stages for the Bidding Rounds?

There are three major stages for the bidding rounds: pre-qualification, qualification, and submission of bids.

What are the Pre-Qualification Requirements?

For the pre-qualification stage, an applicant is required to fulfil the financial, technical, legal, health, safety and environmental requirements set out in the Nigeria 2024 Licensing Round Guidelines.

1. Financial Criteria

Compliance with the stated financial criteria is a fundamental requirement for pre-qualification. Applicants are expected to meet the financial demands to be qualified for the award. Applicants shall include verifiable evidence of funds available to finance petroleum operations deep offshore. The financial criteria are as follows:

- a. Minimum average annual turnover of US\$200 Million for deep offshore and US\$50 Million for shallow waters and onshore assets.
- b. Minimum cash in bank of US \$200 Million for deep offshore and US\$50 Million for shallow waters and onshore assets.
- c. A bank guarantee of US \$200 Million for deep offshore and a bank guarantee of US \$ 50 Million for onshore and shallow water assets.
- d. A market capitalisation of not less than US\$ 1 Billion for deep offshore while US \$200 Million for shallow waters and onshore assets.
- e. The parent company guarantee to the tune of US \$200 million for newly incorporated companies or a minimum of USD 50 million for non-operators.¹²

¹¹ See Rule 6 (Eligibility and Participation) of the Nigeria 2024 Licensing Round Guidelines; Regulation 10 of the Petroleum Licensing Round Regulations, 2022;

¹² See Paragraph 13.2 of the 2024 Nigeria Licensing Round Guidelines



Where an Applicant is being financed by a financial provider, the Applicant is mandatorily expected to provide an agreement evidencing the financial agreement, including the terms and conditions of the funding.

It is notable that while the companies will be required to submit financial results for the 2019-2023 period, the financial results of 2023 will be considered outliers due to the pandemic and will not negatively affect the financing qualification should the company meet the minimum requirement for the other four (4) years.

2. Technical Criteria¹³

Companies applying for the 2024 Licensing round must have the following technical competence:

- a. At least 3-5 years' experience in deep offshore and shallow waters.
- b. For an existing production company, there is evidence of production of at least 40,000 barrels of oil per day deep offshore and the production of 5,000 barrels of oil per day in both shallow waters and onshore terrains.
- c. Where an Applicant is a newly incorporated company and does not have the experiences mentioned in (a) above, it would be sufficient if the majority of its promoters and/or management team and/or technical partner have the experience set out above.¹⁴
- d. An Applicant may choose to partner with a technical partner, but such an Applicant must provide an agreement evidencing the partnership and its terms and conditions.¹⁵

3. Legal Criteria

Certain documents are required to comply with the legal requirements. Some of the required documents include:

- a. Certificate of Incorporation from the CAC (Corporate Affairs Commission)
- b. Particulars of shareholders of the Applicant's company
- c. Particulars of directors of the Applicant's company
- d. Beneficial Ownership Information
- e. Letter of Good Standing of the Applicant from the Corporate Affairs Commission

¹³ See Paragraph 13.3 of the 2024 Nigeria Licensing Round Guidelines

¹⁴ See Paragraph 13.3 (a) of the 2024 Nigeria Licensing Round Guidelines

¹⁵ See Paragraph 13.2 of the 2024 Nigeria Licensing Round Guidelines



- f. Valid Tax Clearance Certificate for the past three years, where applicable or for each year since incorporation for a company incorporated for less than three years.
- g. Memorandum and Articles of Association of the Applicant.
- h. The organisational chart of the Applicant.
- i. Profiles of the Applicant's promoters/management team.
- j. Security Clearance from the Department of State Security or its equivalent in foreign jurisdiction (to be obtained for shareholders with 5% or more holdings and directors of the company)
- k. A sworn affidavit confirming the following:
 - that the Company or any of its directors has not been the subject of any investigation or disciplinary proceedings or been issued a warning or reprimand by the Commission or any other regulatory authority or government agency, whether in Nigeria or elsewhere;
 - that the Company or any of its directors has not been subjected to any proceedings of a disciplinary or civil/ criminal nature or been notified of any potential proceedings or of any investigation which might lead to proceedings under any law in any jurisdiction;
 - that the Company or any of its directors has not been convicted of any offence relating to fraud, misrepresentation, or dishonesty in any civil or criminal proceeding in any jurisdiction, that the company is solvent; and
 - that there are no insolvency proceedings of any character, including, without limitation, bankruptcy, receivership, reorganisation, composition, arrangement with creditors, voluntary or involuntary, affecting the company or any of its assets or properties, is pending or, to the knowledge of the company, threatened. The company has not taken any action in contemplation of, or that would constitute the basis for, the institution of any such insolvency proceedings
- l. Only a company incorporated in Nigeria under the Companies and Allied Matters Act, 2020, may be awarded a Petroleum Prospecting License.¹⁶

4. Health, Safety and Environmental Criteria

All applicants must also provide evidence of a high Health, Safety, and Environment standard in their operations and processes. The applicant must provide evidence of the company's safety and environmental policies,

¹⁶ See Paragraph 13.4 of the 2024 Nigeria Licensing Round Guidelines



relevant safety and environmental management systems, and the company's safety and environmental records.¹⁷

If the applicant is a consortium, the 2024 Nigeria Licensing Round Guidelines contain other requirements in addition to the above prequalification requirements. The deadline for the physical submission of the application is **November 29, 2024, at 11:59 pm.**

What happens during the Qualification and Submission of the Bid Stage?

After applicants submit their pre-qualification documents, the NUPRC publishes the names of the pre-qualified companies. Thereafter, the pre-qualified companies would be required to submit the bid proposal, which shall include the technical bid, commercial bid, and bid guarantee. The physical Bid proposal shall be packaged in three (3) parts: Part A: Technical Bid, Part B: Commercial Bid, and Part C: Bid Guarantee.¹⁸

The three (3) parts shall be wrapped in separate sealed envelopes or packages and marked as follows: "Part A: Technical Bid for 2024 Licensing Round," "Part B: Commercial Bid for 2024 Licensing Round," and "Part C: Bid Guarantee for 2024 Licensing Round." The Bidder's name is also to be clearly marked on each package.

The three (3) envelopes or packages should be packaged in an outer envelope/ package. The outer envelope/ package is to be marked "Bid for 2024 Licensing Round" and should be addressed to the Chief Executive Officer of the NUPRC in the manner described in Rules 17.2© of the 2024 Nigeria Licensing Round Guidelines.

The package must be hand delivered or submitted by courier to the address provided no later than 4:30 p.m. on the date notified by the Commission. The electronic version of the bid must also be uploaded to the Bid website no later than 11.59 p.m. on the bid submission date. Upon uploading the commercial bid, the Commission shall encrypt the Commercial Bid and issue the Bidder a code which the Bidder would use to decrypt the Bid at the Commercial Bid Conference.

Thereafter there is an award of the oil block to the successful bidder following evaluation of the bid proposal. The successful bidder is required to:

¹⁷ *ibid*, Paragraph 13.5.

¹⁸ See, Rule 17 of the 2024 Nigeria Licensing Round Guidelines



- a. Pay a signature bonus within 90 days from the date the Offer Letter for the oil block is issued and before the grant of the relevant license or lease.
- b. Sign the model contract and
- c. Sign the license or lease instrument following the Ministerial approval.

What are the Legal and Contractual Requirements for the Licensing Round?

The applicants in the Licensing Round are required to sign the following contracts and agreements:

The License/Lease Package

The License/Lease Package comprises various documents such as the License/Lease Instrument, General License/Lease Conditions, and Model Contract.

- a. **The License/Lease Instrument** is the granting instrument vesting Petroleum Prospecting Licences (PPL) or Petroleum Mining Leases (PML) upon winning bidders or entitled entities and contains crucial details such as commencement dates, duration, and the rights and obligations of licensees/lessees.
- b. **The General License/Lease Conditions** document provides the default terms governing the PPL/PML including defining operational boundaries, outlining environmental and community obligations and establishing the regulatory framework within which licensees/lessees must operate.
- c. **The Model Contract** serves as the blueprint for the contractual relationship between the Commission and the licensee/lessee. Tailored to each awardee, it encapsulates fiscal obligations and bid parameters.

Commercial Contracts

- a. **Joint Operating Agreement (JOA):** The Joint Operating Agreement (JOA) is executed by winning bidders for each (PPL) or (PML). Its purpose is to establish an unincorporated joint venture relationship among bidders, facilitating joint ownership, governance, funding, and operation of the designated Block. Key requirements for the JOA include:
 - **Clear Governance Structure:** The JOA must delineate roles and responsibilities, including the designation of an Operator as the lead



partner responsible for driving operations and interfacing with regulatory authorities.

- Risk Allocation: It should outline mechanisms for allocating risks between partners, ensuring equitable distribution and mitigating potential disputes.
 - Operational Procedures: The JOA should detail procedures for developing and approving operational plans, work programmes, procurements, and other essential activities.
- b. Shareholders Agreement: When a Consortium is awarded a percentage of a Block, the Consortium is required to incorporate a special purpose vehicle (SPV) to hold their interests. The SPV acts as the entity awarded the PPL/PML on behalf of the Consortium. A Shareholders Agreement between the Consortium members and the SPV is essential, with the following requirements:
- Rights and Responsibilities: The agreement should clearly outline the rights and responsibilities of Consortium members and the SPV, including governance structures and funding mechanisms.
 - Compliance with Regulatory Provisions: It must incorporate sections 96-99 of the Petroleum Industry Act (PIA).
 - Enforcement Undertakings: Consortium members must undertake to enforce provisions of the PIA.

The Work Programme is a commitment by the licensee/lessee in its winning bid to an operational schedule, with specific milestones agreed upon in the Model Contract.

5.0 CONCLUSION

The 2024 Nigerian Energy Development Strategy, highlighted through the licensing round, represents a significant step in the country's efforts to optimise its petroleum resources under the guidance of the Petroleum Industry Act, 2021. With twelve deep offshore and shallow water blocks available for investment, the initiative aims to bolster oil and gas reserves, enhance production, and expand opportunities for gas utilisation, thereby creating employment and attracting foreign direct investment.



The structured four-stage process ensures a transparent and competitive bidding environment. By setting clear guidelines and fostering a conducive environment for investment, Nigeria aims to achieve long-term energy sufficiency and economic growth while enhancing local content development. This Licensing Round is poised to reinforce Nigeria's position as a leading oil producer in Africa and a significant player in the global energy market.

It is therefore recommended that any entity intending to participate in the bid process ensures compliance with regulatory requirements. Establishing comprehensive documentation protocols, conducting regular compliance audits, and forming a dedicated regulatory compliance team are essential steps to ensure compliance. Consulting with legal and regulatory experts further bolsters an organisation's ability to navigate complex regulatory landscapes. Strict adherence to the timelines as established by the commission is also crucial for prospective bidders.



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