

Gas Flaring, Permits & Compliance

What **NUPRC's** Latest Approvals
Mean for **Energy Companies**



Introduction:

Nigeria's Gas Opportunity vs Flaring Reality

The Current Landscape

Nigeria sits atop Africa's largest natural gas reserves but has for decades opted to flare large quantities of gas that could otherwise be captured and commercialised. This practice, largely driven by infrastructure gaps and legacy regulatory frameworks, has contributed to significant environmental and economic losses.

In 2025 alone, Nigeria flared over 4 billion cubic meters of gas, ranking among the top ten gas flaring countries globally,¹ despite ongoing national and international pressure to reduce emissions and commercialise gas assets.²

Key Figures (2025)

Volume



4+ bcm

Gas flared in 2025 alone

Trend



7.16%

Flaring rate recorded in July 2025

Global Rank



Top 10

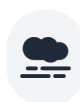
Global gas flaring country

Recent developments, however, indicate a decisive shift. The Petroleum Industry Act (PIA) 2021 and the Gas Flaring, Venting and Methane Emissions (Prevention of Waste and Pollution) Regulations of 2023 move to treat associated gas as a commercial resource and not a disposable by-product. This shift crystallised in December 2025, when the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) issued Permits to Access Flare Gas to 28 companies under the Nigerian Gas Flare Commercialisation Programme (NGFCP).³ These permits marked the transition from regulatory intent to implementation, repositioning what would ordinarily have been disposed off as flare gas (unutilised associated gas that is burned off at the stack), as a source of power generation and industrial input.



VAST RESERVES

Resource base for commercialisation



ENVIRONMENTAL COST

Urgent need for emissions reduction



STRICT COMPLIANCE

New PIA & NUPRC mandates

Regulatory Evolution:

From Exemptions to Enforcement

1979

Associated Gas Re-Injection Act

The foundational law. Established a system where gas flaring was permitted through Ministerial exemptions,⁴ which became a necessary operational standard due to lack of existing gas-gathering infrastructure.

2021

Petroleum Industry Act (PIA)

The Game Changer. Explicitly prohibits routine flaring except in emergencies. Penalties⁷ are non-tax deductible. Under Section 104 of the Act, routine flaring is now explicitly prohibited, except in the case of emergencies, approved safety practices, or a specific exemption granted by the Commission.⁸

Any flaring outside of these conditions is now treated as an offence.⁹ Penalties are to be paid in the same manner as royalties,¹⁰ but cannot be recovered as an operating cost or deducted for tax purposes.¹¹ Revenues from these penalties are directed toward environmental remediation and community relief.¹²

Failure to comply could attract regulatory and financial sanctions. Additionally, section 105 empowers the Commission to take, at no cost, any gas destined for flaring and redirect it for approved use. Section 105 (2), Petroleum Industry Act, 2021.¹³

DEC 2025

NGFCP Permits Issued

28 Companies received Permits to Access Flare Gas. Marks the transition from regulatory intent to implementation.

2018

Flare Gas (Prevention of Waste) Regulations⁵

A modern attempt to improve enforcement and introduce a market-based solution by allowing third-party access to associated gas.⁶ However, implementation was slow, and penalties remained cheaper than investing in gas capture infrastructure. There was also no unified enforcement structure to hold operators accountable across environmental, commercial, and operational fronts.

2023

Gas Flaring & Methane Regulations

Issued to operationalise PIA provisions. Provides detailed framework for compliance, enforcement, and permit to access flare gas.

Shift to Structured Compliance

The Nigerian Gas Flare Commercialisation Programme (NGFCP) has emerged as the government's operational tool for enforcing gas flaring compliance in the upstream sector. In essence, NGFCP provides a mechanism through which the Commission can take custody of associated gas that would otherwise be flared and reallocate it to third-party developers through a competitive bidding process. Implementation officially commenced in December 2025, when the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) issued Permits to Access Flare Gas (PAFG) to 28 companies under the NGFCP.¹⁴

While 42 entities were originally selected to manage these sites, either as standalone developments or as part of specialised clusters,¹⁵ the 28 firms that received permits in December 2025, represent the first wave of implementers to successfully execute the full suite of commercial and milestone development agreements required to begin physical work on-site.

Importantly, the new Permits to Access Flare Gas are mandatory and enforceable instruments rather than voluntary guidelines. Each permit carries binding obligations for the holder, including connection agreements, milestone development agreements and gas sale agreements ("the agreements"), which are all executed prior to issuance to ensure bankability and regulatory compliance.¹⁶

To ensure compliance, specific responsibilities are allocated between producers and permit holders in the agreements. The responsibilities for upstream operators include making associated gas available in accordance with permit requirements and providing safe access to gas infrastructure. Permit holders on their end are responsible for designing, financing, constructing and operating gas capture and utilisation facilities to approved technical and safety standards, meet flare-out milestones, maintain robust health, safety and environmental systems and manage fair relationships with host communities.¹⁷



Opportunities: Commercial & Industrial



Commercial and Industrial

The most immediate opportunity created by the new gas flaring regime is the emergence of a decentralised and modular gas utilisation market, built around flare sites. Instead of large and centralised infrastructure, the NGFCP enables permit holders to deploy small-scale capture and processing facilities directly at production locations, converting previously wasted gas into commercially viable energy products. This model creates localised supply chains, reduces logistics inefficiencies, unlocks new revenue streams from stranded gas, and introduces private investment into areas previously defined by environmental loss. The commercial framework also supports flexible downstream use across domestic fuel markets, virtual gas distribution, and industrial value-add.

In addition to direct gas utilisation, flare capture projects also create an emerging climate finance opportunity.



From Passive to Active:
NUPRC's transition to an active market maker has unlocked a tiered ecosystem of opportunities, shifting focus from environmental loss to commercially viable energy products.

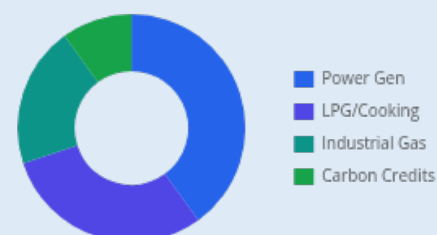
Gas that would ordinarily be flared represents avoidable greenhouse emissions. Where permit holders capture and process this gas under the NGFCP, the avoided emissions can be measured and verified under recognised carbon accounting standards, allowing project developers to generate tradable carbon credits. These credits can be sold in the voluntary carbon market to companies seeking to offset their environmental footprint and strengthen their ESG reporting.¹⁸ This introduces a parallel revenue stream for investors and further enhances the commercial attractiveness of modular gas capture investments at upstream sites.



Public Health

The most significant benefit created by flare elimination is the improvement in public health and living conditions within host communities located near flare sites. Reduced exposure to flare-related emissions and environmental disturbances supports better respiratory health, strengthens community welfare, and lowers the long-term healthcare burden on affected populations.

Potential Value Drivers



The Shift:

From Penalties to Monetisation & Accountability



Active Enforcement Era

Nigeria has decisively moved from passive tolerance of gas flaring to active, commercially driven enforcement. Regulatory focus has shifted from simple fines to compulsory gas capture obligations.



Operationalising the PIA

The NGFCP creates the mechanism to enforce the PIA and 2023 Regulations. The new permits transform abstract policy into bankable, mandatory projects with clear delivery duties.



Early Mover Advantage

Companies that adapt quickly will reduce regulatory risk and unlock significant commercial value from associated gas, while those delaying face compounding penalties and asset risk.

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The regulatory focus is no longer limited to penalties for non-compliance but now centres on compulsory gas capture, third-party access, and monetisation through enforceable permits.”

Strategic Imperative

Strategic Priorities for Energy Companies

- ✓ Prioritise site-by-site capture plans & data integrity.
- ✓ Execute required NGFCP & commercial agreements.
- ✓ Maintain milestone discipline to avoid sanctions.
- ✓ Engage early with NUPRC on interconnects.

Endnote

1. National Oil Spill Detection and Response Agency (NOSDRA), Nigerian Gas Flare Tracker (<https://gasflaretracker.ng>), accessed January 15, 2026.
2. Federal Ministry of Environment, Nigeria's Updated Nationally Determined Contribution (NDC) 2025; IEA, Africa Energy Outlook 2025; World Bank, Global Gas Flaring Tracker Report 2025.
3. NUPRC, 'NUPRC Issues Permit to 28 Firms for Flare Gas Utilisation, Projects \$2bn Investments, 100,000 Jobs' (15 December 2025) <<https://www.nuprc.gov.ng/>> accessed 12 January 2026.
4. Section 3, Associated Gas Re-injection Act, 1979.
5. Flare Gas (Prevention of Waste and Pollution) Regulations, 2018.
6. Section 8(1), Flare Gas (Prevention of Waste and Pollution) Regulations, 2018.
7. Section 105 (1), Petroleum Industry Act, 2021.
8. Section 104 (1), Petroleum Industry Act, 2021.
9. Supra.
10. Section 104(2), Petroleum Industry Act, 2021.
11. Section 104(3), Petroleum Industry Act, 2021.
12. Section 104 (4), Petroleum Industry Act, 2021.
13. Section 105 (2), Petroleum Industry Act, 2021.
14. NUPRC, 'NUPRC Issues Permit to 28 Firms for Flare Gas Utilisation, Projects \$2bn Investments, 100,000 Jobs', (December 15, 2025) <<https://www.nuprc.gov.ng/>> Accessed January 12, 2026.
15. Nigerian Upstream Petroleum Regulatory Commission, 'NUPRC Announces Successful Bidders for the Nigerian Gas Flare Commercialisation Programme' (13 September 2023) <<https://ngfcp.nuprc.gov.ng/>> accessed January 17, 2026.
16. Supra
17. Akpandem James, 'Gas Flare Commercialisation: Economic gains for all, breath of fresh air for communities and oil firms' This Day (18 December 2025) <<https://www.thisdaylive.com/>> accessed 19 January 2026.
18. Dapo Akinosun, 'Harnessing Carbon Credits: A Sustainable Path For Nigeria's Gas Sector' (18 June 2024) <<https://www.mondaq.com/>> accessed 26 January 2026

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