

Nigeria's 2026 Decommissioning & Abandonment Regulations

What upstream operators, investors and lenders
need to know about the new regime.

Introduction

Decommissioning and abandonment are related but distinct end-of-life obligations in upstream petroleum operations. Decommissioning concerns the cessation of operations and the shutdown, removal or disposal of petroleum installations, structures and related infrastructure, together with debris management and environmental restoration where applicable. Abandonment refers more specifically to the plugging and abandonment of a well.¹ Although these obligations arise most visibly at the end of an asset's productive life, the governing legislation requires them to be planned and funded earlier.

The Petroleum Industry Act 2021 (PIA) establishes the statutory foundation of Nigeria's decommissioning and abandonment regime. It requires the decommissioning and abandonment of petroleum wells, installations, structures, utilities, plants and pipelines to follow good international petroleum industry practice and applicable regulatory guidelines. It also prohibits decommissioning and abandonment without the written approval of the Nigerian Upstream Petroleum Regulatory Commission (NUPRC or the Commission), or the relevant Authority.²

The Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026 (the 2026 Regulations) were issued under sections 232 and 233 of the PIA. They repeal the 2023 Regulations, subject to a savings provision for acts done under the repealed instrument that are not inconsistent with the 2026 Regulations.³ For operators, investors and lenders, the principal changes concern earlier decommissioning planning, stricter funding and custody requirements, and clearer consequences for transfers and non-compliance.



What Has Changed under the 2026 Decommissioning and Abandonment Regime

A central change is the replacement of the general timetable in the 2023 Regulations with a project-stage approach. Under the 2023 Regulations, a licensee or lessee was required, within one year of their commencement, to submit a decommissioning and abandonment plan or update an existing plan. Under the 2026 Regulations, a holder of a Petroleum Prospecting Licence must submit the plan with its application for approval of its work programme. A holder of a Petroleum Mining Lease must submit it with the application for approval of the Field Development Plan. Where a licence or lease already has a plan in an approved Field Development Plan, that plan must be submitted within six months of the commencement of the 2026 Regulations.⁴

This approach brings decommissioning considerations into the regulatory approval process earlier. Operators and investors must therefore consider anticipated asset-retirement methods and costs when preparing the work programme or Field Development Plan.

From general timetable → project-stage submissions

2023 Regulations · Repealed

One-year general timetable

Any licensee or lessee had to submit or update its D&A plan **within one year** of the Regulations' commencement — a single, calendar-driven deadline applied uniformly across the industry.

Trigger: commencement of regulations

2026 Regulations · In force

Project-stage approach

- PPL** Submitted with the application to approve the **work programme**.
- PML** Submitted with the application to approve the **Field Development Plan**.
- FDP** Existing approved FDP plans: submit within **6 months** of commencement.

D&A Plans, Programmes & Funding Obligations

The framework distinguishes between a D&A Plan and a D&A Programme. The plan forms part of the project-planning and funding architecture. Under the PIA, a Field Development Plan must include a decommissioning and abandonment plan and fund that comply with sections 232 and 233. The 2026 Regulations also require the plan to state the amount to be contributed annually to the Decommissioning and Abandonment Fund.⁵

The programme is the implementation document required before the relevant activities commence. Section 232(6) of the PIA requires it to state the estimated cost, shutdown and decommissioning measures, methods to be used, safeguards for facilities left in place or partly removed, and the environmental and social impact of the proposed measures.⁶ The plan therefore addresses long-term strategy and funding, while the programme addresses execution of the specific works.

The Decommissioning and Abandonment Fund is the financial mechanism securing these obligations. Section 233(1) of the PIA requires each licensee and lessee to establish, maintain and manage a fund with a financial institution that is not its affiliate. The fund must take the form of an escrow account accessible by the Commission or relevant Authority under the escrow agreement. It may be used exclusively for decommissioning and abandonment costs.⁷

The applicable establishment date depends on the petroleum interest. For a Petroleum Prospecting Licence, the Fund must be established within 180 days after approval of the work programme accompanied by the D&A Plan. For a Petroleum Mining Lease, it must be established within 180 days after the grant of the lease, subject to the approved Plan submitted at the Field Development Plan stage. An existing licensee or lessee operating without a D&A Plan must submit one within six months of the commencement of the Regulations and establish the Fund within 180 days after the Plan is approved.⁸

Where a licensee or lessee fails to comply with its Plan, the Fund shall be accessed by the Commission to pay for the performance of the outstanding obligations by a third party. Under the 2026 Regulations, this may occur only after written notice of the non-compliance and the operator's failure to rectify it within 180 days. Third-party performance does not discharge the operator from liability for complete decommissioning and abandonment.⁹

Long-term strategy

D&A Plan

Project-planning & funding architecture. States the **annual contribution** to the D&A Fund and forms part of the approved Field Development Plan.

Execution document

D&A Programme

Required before works commence. States **estimated cost**, shutdown measures, methods, safeguards, and environmental & social impact (PIA s.232(6)).

Custody and Administration of the Fund

The 2026 Regulations require the fund to be maintained as an escrow account with a financial institution satisfying the prescribed minimum credit rating. A Nigerian institution must meet a national rating of A+ or its equivalent from a recognised agency specified in the Regulations. A foreign institution must meet an international minimum rating of A+ or its equivalent from one of the specified international agencies.¹⁰

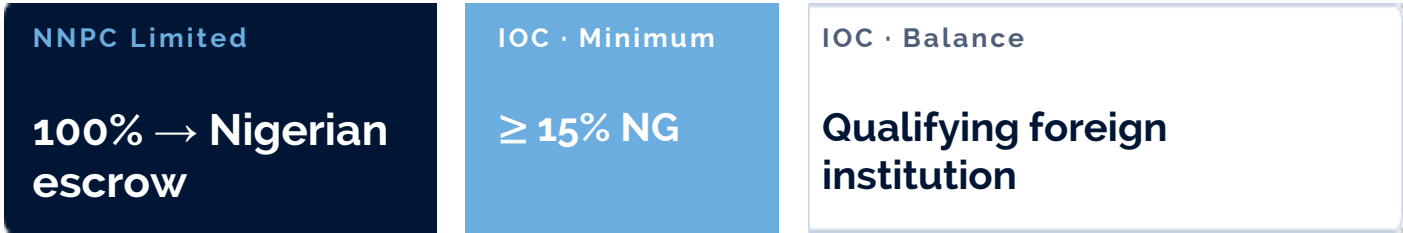
If the rating of a custodian falls below the prescribed threshold, the licensee or lessee must, within 90 days, apply to the Commission for approval of another qualifying institution and transfer the fund to the new escrow account. The Commission must communicate its approval or non-approval within 14 days, failing which the application is deemed approved.

As a general rule, the fund must be held entirely with a Nigerian financial institution. An exception applies where an international oil company holds a participating or economic interest in a licence or lease. In a joint venture with NNPC Limited, NNPC Limited must pay 100% of its contribution into the Nigerian escrow account. The international oil company must pay at least 15% of its pro-rata contribution into that account, while the balance may be held with a qualifying foreign financial institution. In a Production Sharing Contract with NNPC Limited, the Fund may similarly be held partly with a Nigerian financial institution and partly with a qualifying foreign financial institution.¹¹

Unlike the 2023 framework, which generally required the escrow account to be held by the Central Bank of Nigeria, the 2026 Regulations permit qualifying Nigerian and, where applicable, foreign financial institutions to hold the Fund in escrow.¹²

The Commission must be a party to every escrow agreement and has access to the funds under the Regulations. The agreement must restrict the use of the money to implementation of the approved plan, regulate disbursement, preserve the Commission's independent access rights, and limit investment to qualifying low-risk financial instruments. The account must remain free from encumbrances, attachment or distress, including any charge, pledge, lien, guarantee, letter of credit or garnishee order.¹³

Contributions commence upon approval of the Plan and must be made before submission of the annual statement of accounts for the Fund. The annual contribution must be reviewed every ten years, although the Commission may direct, or the licensee or lessee may apply for, an earlier review where there are significant changes in cost, technology or the assets to be decommissioned. Where the Fund is insufficient to meet eventual expenditure, the licensee or lessee remains responsible for the difference. Depletion of the Fund does not excuse completion of the required works.¹⁴



Commercial Implications for Transactions and Financing

The 2026 Regulations have direct implications for acquisitions, farm-ins, divestments and other transfers of upstream interests. Where all or part of an interest in a licence or lease is assigned, novated or otherwise transferred, the proportionate rights and obligations relating to decommissioning and abandonment attach to the property transferred and pass to the transferee.¹⁵ These obligations may affect asset valuation, purchase-price adjustments, completion conditions, indemnities and the allocation of post-completion exposure.

The transferor may retain statutory exposure. The PIA permits the Commission or relevant Authority to recall a former licensee or lessee that transferred or divested its interest to perform an outstanding obligation. That exposure ends where a new company has assumed all relevant obligations with regulatory approval.¹⁶ Contractual allocation should therefore be reflected in the transfer approval.

For lenders, the fund is not general collateral. The statutory restrictions on use, encumbrance and attachment require it to be carved out of debentures, account charges, cash sweeps and enforcement waterfalls. Lenders should also monitor compliance with the plan, contributions and reporting requirements.

Tax, Enforcement and Non-Compliance Risk

For companies to which Part I of Chapter 3 of the Nigeria Tax Act 2025 applies, a provision for a decommissioning and abandonment fund is not deductible unless the licensee or lessee deposits a minimum of 30% of the fund with a Nigerian bank in an escrow account accessible by the Commission or relevant Authority. The bank must be accredited under criteria determined by the Central Bank of Nigeria in collaboration with the Nigeria Revenue Service.¹⁷ A structure may therefore comply with the custody rules in the 2026 Regulations but fail the statutory condition for deductibility where the Nigerian escrow portion is below 30%.

Failure to submit a plan within the prescribed period, or to establish the fund within the applicable time, attracts an administrative penalty of US\$500,000 for every year of non-compliance or revocation of the relevant interest. Failure to make an annual contribution attracts a penalty equal to one year's contribution, in addition to the amount due, or revocation.¹⁸

Where a party to a joint venture or Production Sharing Contract defaults on its annual obligation, the Commission must, within 60 days, authorise the lifting of that party's share of crude oil equivalent to the value of the default, with the abandonment escrow account named as beneficiary.¹⁹ A licensee or lessee that carries out the abandonment or suspension of a well, or commences a decommissioning programme, without approval is liable to an administrative penalty of US\$1 million. Penalties under the Regulations are not cost recoverable.²⁰

Practical Steps for Operators, Investors and Lenders

Operators should review their existing D&A Plans against the applicable timelines under the 2026 Regulations and obtain the Commission’s approval for any proposed update before implementation. They should also confirm that the D&A Fund is maintained in the prescribed escrow structure, that the custodian satisfies the applicable credit-rating requirements, and that annual contributions and statements of account are made and submitted when due.²¹

The Fund should be excluded from security packages, cash-sweep arrangements and other financing structures. In acquisitions, divestments and other transfers of upstream interests, the parties should verify the Fund balance and contribution history and expressly allocate existing and future D&A liabilities. This is particularly important because the relevant obligations attach to the transferred interest, while a former holder may retain statutory exposure unless the transferee assumes the obligations with the requisite regulatory approval.²²

Operators should also assess whether the Fund structure satisfies the separate requirement under section 86 of the Nigeria Tax Act 2025 that a minimum of 30% of the Fund be deposited with an accredited Nigerian bank for the relevant provision to qualify for tax deductibility. No abandonment, suspension or decommissioning programme may commence without the required regulatory approval, subject to the limited emergency procedure prescribed by the Regulations.²³

Practical Steps

Operators Realign D&A Plans with the 2026 timelines	Investors & Purchasers verify Fund balance and contribution history	Lenders Exclude the D&A Fund from security packages,	Operators Ensure Fund structure satisfies Nigeria Tax Act 2025
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Conclusion

The 2026 Regulations establish decommissioning and abandonment as continuing legal, financial and commercial obligations rather than matters to be addressed only at the end of production. They require operators to plan for asset retirement from the project-development stage, make progressive contributions to a protected escrow fund and obtain regulatory approval before implementing the relevant works.

For investors, purchasers and lenders, D&A compliance affects asset value, transaction risk, financing structures and potential liability. The central lesson is that the last barrel does not mark the end of responsibility: decommissioning and abandonment obligations must be properly planned, funded, allocated and monitored throughout the lifecycle of the petroleum asset. Effective D&A compliance is therefore not merely a condition for closing an asset's productive life; it is a continuing requirement for preserving its regulatory standing, commercial value and transferability.

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Endnotes

1. Petroleum Industry Act 2021, s 318; Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, reg 26. The PIA's definition includes cessation of operations, removal of installations, disposal of materials and environmental restoration, while regulation 26 defines abandonment as the plugging and abandonment of a well.
2. Petroleum Industry Act 2021, s 232(1)–(2).
3. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, preamble and reg 25(1)–(2). The Regulations were gazetted on March 9, 2026.
4. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2023, SI No 50 of 2023, reg 3(1); Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, reg 3(5)(a)–(c).
5. Petroleum Industry Act 2021, s 79(2)(i); Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, reg 3(6).
6. Petroleum Industry Act 2021, s 232(6).
7. Petroleum Industry Act 2021, s 233(1)–(2).
8. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, reg 19(2)(a)–(c).
9. Petroleum Industry Act 2021, s 233(3); Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, reg 21(7)–(9).
10. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, reg 19(4), (7)–(8).
11. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, regs 19(5) and 20(3)–(4).
12. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2023, SI No 50 of 2023, reg 19(4); Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, reg 19(4)–(5).
13. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, reg 19(9)–(12).
14. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, regs 3(8), 20(5) and 21(5)–(6).
15. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, reg 23.
16. Petroleum Industry Act 2021, s 232(13).
17. Nigeria Tax Act 2025, ss 65(1), 86 and 87(1). Section 65(1) identifies the companies to which Part I applies; section 86 prescribes the minimum 30% Nigerian-bank escrow requirement; and section 87(1) addresses unconverted legacy oil prospecting licences and oil mining leases.
18. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, reg 24(1)–(3).
19. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, reg 24(4).
20. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, reg 24(6)–(8).
21. Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, regs 4(1)–(2), 19(4), (7)–(12), 20(5) and 22. Regulation 4 requires proposed updates to a D&A Plan to be approved before implementation; regulation 19 prescribes the escrow and custodian requirements; regulation 20(5) governs the timing of contributions; and regulation 22 requires the yearly statement of accounts.
22. Petroleum Industry Act 2021, s 232(13); Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, regs 19(12) and 23.
23. Nigeria Tax Act 2025, s 86; Petroleum Industry Act 2021, s 232(2); Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations 2026, SI No 15 of 2026, regs 5(1)–(3).



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