



OIL & GAS

2024 HIGHLIGHTS | 2025 OUTLOOK



Foreword

This eighth edition of our Annual Oil and Gas Report, focuses on the key developments in Nigeria's oil and gas sector in 2024 with insights into the outlook for 2025. 2024 was dominated by a wave of acquisitions in the upstream sector including Oando's acquisition of NAOC's Nigerian assets and Chappal's acquisition of TotalEnergies' and Equinor's interests, setting the tone for increased participation by indigenous players in exploration and production activities in Nigeria. Another major highlight of 2024 was the emergence of many indigenous oil and gas companies as winners of onshore and deep offshore oil blocks from Nigeria's first oil bid round conducted under the Petroleum Industry Act (PIA) 2021, indicating a boost in Nigeria's oil and gas development strategy.

2024 also witnessed West Africa's emergence as the largest refining hub on the continent with the coming on stream of Dangote's 650,000 bpd refinery. This is a clear signal of not just Nigeria's path to self-sufficiency in refined products production but also energy security in West Africa. In the natural gas sector, the expansion of Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG) initiatives, attainment of over 70% completion on the much-anticipated LNG Train 7 project and the emerging Floating Liquefied Natural Gas (FLNG) developments, all signal Nigeria's commitment to its "Decade of Gas" and the country's rising prominence in the global gas market.

The regulatory landscape has also evolved, with industry participants trying to come to terms with new regulations and their impact on their operations. The roll out of new tax and investment incentives, demonstrates a deliberate effort to attract foreign and domestic capital into the oil and gas sector and further strengthen Nigeria's position as an energy powerhouse.

Despite external factors such as shifting supply policies, energy transition pressures, and ongoing geopolitical tensions, Nigeria's oil and gas sector has shown remarkable resilience. We are witnessing an uptick in Foreign Direct Investment (FDI) and the government's push for a greener energy landscape through initiatives like the National Gas Expansion Programme, which underscores the country's focus on positioning gas as a critical bridge in the energy transitions.

At Olaniwun Ajayi LP, we continue to enjoy the privilege of being at the forefront, providing strategic legal support on a wide range of industry-defining transactions and regulatory reforms. A major highlight of the year has been our involvement in advising Seplat Energy on its landmark acquisition of ExxonMobil's assets through Mobil Producing Nigeria Unlimited (MPNU). This long-awaited acquisition recently granted ministerial consent marks a significant milestone for Seplat Energy and the Nigerian oil and gas landscape. We received heartfelt appreciation from Seplat's leadership for our role in navigating the complexities and challenges of this acquisition, which underscores our commitment to excellence and our clients' success. This is just one example of how we continue to partner with clients to navigate the complexities of the industry, ensuring that they are well-positioned to capitalize on emerging opportunities. Our strong guidance, perseverance, and dedication to seeing deals through to completion have made us a trusted partner in some of the most industry-defining transactions of the year. We are deeply grateful for your continued trust and partnership. As we look to the future, we are excited about the prospects for the Nigerian oil and gas sector, and we remain committed to delivering unparalleled legal services as we navigate the next phase of this dynamic industry together.

Enjoy reading!



Tominiyi Owolabi

Managing Partner,
Olaniwun Ajayi LP

Table of Content

Foreward

01

02

Oil And Gas Mergers &
Acquisitions

03

Notable Oil And Gas
Infrastructure Projects

04

Nigerian Oil & Gas Market
Dynamics

05

Regulatory Developments

06

Global Oil And Gas Trends

07

Forward Look

08

Glossary of Terms





2024 HIGHLIGHTS

OIL AND GAS MERGERS & ACQUISITIONS

In 2024, a wave of divestments and acquisitions reshaped Nigeria's oil and gas landscape, influencing the industry's trajectory for the future.

Notably, in Q1 2024, Savannah Energy announced the execution of the sale and purchase agreement (**SPA**) for the acquisition of 100% of the shares in Sinopec International Petroleum Exploration and Production Company Nigeria Limited.¹

Also, in Q3 2024, Oando Plc (**Oando**) announced the completion of its acquisition of 100% of Nigerian Agip Oil Company for a total of US\$783 million.² This acquisition increases Oando's participating interests in OMLs 60, 61, 62, and 63 from 20% to 40%. In the same quarter, Chappal Energies Nigeria Limited which acquired Equinor Nigeria Energy Company in 2023, announced its acquisition of TotalEnergies EP Nigeria Limited (**TEPNG**)'s 10% interest in its onshore and shallow water assets within the SPDC JV, for an aggregate consideration of US\$860 million.

Renaissance African Energy Company Limited (**Renaissance**) also made headlines with its landmark acquisition of Shell Petroleum Development Company (**SPDC**)'s assets, valued at US\$1.3 billion. The SPA for the transaction was signed in January 2024. While ministerial consent was initially withheld, it was ultimately granted in December 2024, unlocking a major opportunity for Renaissance in the oil and gas industry.



The industry also saw Aradel Energy announce its execution of an SPA for the acquisition of 100% interest in the Olo and Olo West marginal fields from the NNPC/TEPNG JV for the sum of US\$16million and a deferred payment of US\$3.5million.³ Likewise, Africa Oil Corporation, a Canadian oil and gas company, obtained clearance from the Nigerian Upstream Petroleum Regulatory Commission (**NUPRC**) for the merger of its subsidiary Africa Oil Papa Corporation with BTG Pactual Holding S.a.r.l, with a view to holding 100% shares in Prime Oil & Gas Cooperatief U.A (*formerly, Petrobas Oil and Gas*).⁴

After two (2) years of entanglement in regulatory hurdles, President Bola Ahmed Tinubu directed the Ministry of State for Petroleum Resources and NNPC Limited, in May 2024, to resolve the protraction of the US\$1.28 billion deal for the acquisition of MPNU by Seplat Energy Plc. In effect, a settlement agreement was signed in Q2 2024 between the relevant parties, and this deal was closed in December 2024.⁵

1. <<https://nairametrics.com/2024/03/19/savannah-energy-acquires-49-stake-in-stubb-creek-oil-and-gas-field-in-akwa-ibom/>> accessed 10 December 2024
 2. <<https://www.afreximbank.com/afreximbank-facilitates-us650-million-financing-for-oandos-acquisition-of-naocs-20-interest-in-nigerian-joint-venture/>> accessed 10 December 2024
 3. <<https://raecafrika.com/renaissance-press-statement/>> accessed 28 January 2025
 4. <<https://punchng.com/aradel-to-acquire-nnpc-totalenergies-oil-fields/>> accessed 16 November 2024
 5. <<https://www.proactiveinvestors.com/companies/news/1059603/africa-oil-prime-consolidation-plan-cleared-by-nigerian-regulator-1059603.html>> accessed 10 December 2024

Moreover, increased participation by indigenous companies can improve relations between oil and gas players and host communities, while helping Nigerian companies gain global recognition and enhancing the technological ecosystem through technology transfer.

Undoubtedly, interesting times lie ahead for the acquirers, nonetheless as they must navigate the challenges connected with upstream operations, particularly for the brownfield assets with existing liabilities .



Financing

Access to finance will continue to be a concern for acquirers, given constrained financing opportunities for fossil fuel projects, competing investment destinations for capital, and increasing prioritizing of investments aligned with Environmental, Social, and Governance (ESG) principles, driven by climate change concerns and the push for a low-carbon economy.



Existing Liabilities

Perhaps at the top of the list, would be decommissioning and abandonment liabilities, environmental liabilities, and litigation risks associated with brownfield assets. Acquirers would have to deal with potential increase in acquisition-related costs required to provide for these liabilities whilst contending with any requirements imposed by the NUPRC, given the provisions of the PIA on existing liabilities.



Ramping-up Operations

Associated with brownfield assets are factors such as aging production infrastructure, maintenance issues, and frequent pipeline vandalism amongst others.



Security Concerns

Security concerns have always been a significant consideration for players in the oil and gas sector. Pipeline vandalism, illegal bunkering activities, militancy and community related conflicts continue to pose a threat to upstream operations, leading to production losses, environmental degradation, and attendant increased operational costs for repairs, surveillance, and mitigation measures.



Lifespan of Assets:

The acquisition of assets that are aging and nearing the end of their productive lifespans introduces further challenges. Principally, as infrastructure becomes older, it requires more frequent maintenance and upgrades, escalating costs and the likelihood of unplanned downtime.

The divestment trend in Nigeria's oil and gas sector, with indigenous companies acquiring assets and shares of International Oil companies (IOCs), is expected to bring significant changes to the industry. As IOCs scale back their operations, Nigerian companies are stepping in to acquire their assets, positioning themselves for greater control over the country's oil resources. This shift would lead to a more self-reliant oil and gas industry, with an increasing focus on local content development and increased revenue generation.

NOTABLE OIL AND GAS INFRASTRUCTURE PROJECTS



THE DANGOTE REFINERY



The Dangote Refinery made significant strides in its operations, positioning itself as a critical asset to the Nigerian oil and gas industry in 2024. Following the receipt of 3 million barrels of crude at the end of Q4 2023, with this figure doubling to 6 million barrels by 8 January 2024, test runs and production were on track by the end of Q1 2024.⁵ As of 2 April 2024, it was reported that Dangote Refinery had commenced the sale of automotive gas oil (diesel) to oil marketers across Nigeria.⁶ By 9 August 2024, the refinery had lifted a total of 50 million barrels of crude with a focus on securing more domestic crude supply⁷ and by December 2024, operational capacity of the refinery reached 85%.⁸

It is also noteworthy that the Federal Executive Council approved the sale of 450,000 barrels of crude oil to Nigerian refineries, with Dangote Refinery at the front line. Notably, payments for this crude are being made in Naira rather than US dollars, a strategic move aimed at reducing pressure on the Naira, thereby promoting economic stability and self-sufficiency. This move is also expected to contribute to more predictable and manageable fuel prices across the country.⁹

The progress and operational milestones of the Dangote Refinery presents a transformative opportunity for the Nigerian oil and gas industry. Its increasing capacity and strategies focused on domestic crude supply are poised to significantly reduce Nigeria's dependence on imported refined products and stabilize the local currency by reducing demand for foreign exchange.

5. <https://www.reuters.com/markets/commodities/nigerias-dangote-refinery-starts-production-after-years-delays-2024-01-13/> accessed 9 December 2024

6. Dangote Refinery commences supply of one million-litre diesel to each marketer - Businessday NG accessed 9 December 2024

7. <https://www.dangote.com/dangote-clarifies-its-stand-on-crude-supply-to-its-refinery/> accessed 9 December 2024

8. Reuters, 'Nigeria's Dangote Refinery Hits 85% Refining Capacity, Executive Says' (@CNBCAfrica20 December 2024) <<https://www.cnbc.com/2024/nigerias-dangote-refinery-hits-85-refining-capacity-executive-says/>> accessed 30 December 2024.



THE BONGA NORTH PROJECT



In December 2024, Shell Nigeria Exploration and Production Company Limited announced final investment decision (FID) on the Bonga North project, a deep-water project that will be tied-back subsea to the Shell-operated Bonga Floating Production Storage and Offloading (FPSO) facility. While the financial outlay of the project remains undisclosed, the project involves the drilling and completion of eight (8) production wells and eight (8) water injection wells and the installation of new subsea hardware connected to the FPSO.¹⁰ With an estimated recoverable resource base exceeding 300 million barrels of oil equivalent, the project is poised to sustain national production levels as it will ensure stable liquid hydrocarbon production, thereby attracting investments and significantly stimulating economic growth.



GAS PIPELINE DEVELOPMENT



One of the pivotal ongoing gas projects is the Obiafu - Obrikom - Oben (OB3) Gas Pipeline project. Once operational, the pipeline is expected to introduce approximately 2.2 billion standard cubic feet of gas into the network, significantly boosting the country's export capacity and serving as a linchpin in realizing the objectives of the Nigerian Gas Master Plan.

However, despite an initial projected completion date in Q4 2018 and a further extension to March 2024,¹¹ the construction of the OB3 Gas Pipeline suffered some setbacks which resulted in continued extension of its construction completion timeline to August 2024¹² and now, 2025. These extensions have been attributed to several factors, with the River Niger crossing being one of the principal obstacles to the completion of the project due to challenges associated with the technology used to lay the 48-inch pipe beneath the riverbed between Ndoni in Rivers State and Aboh in Delta State.¹³

The Nigeria-Morocco Gas Pipeline (NMGP) and Ajaokuta-Kaduna-Kano (AKK) gas pipeline projects also constitute crucial developments in the evolving landscape of gas pipeline infrastructure in Nigeria. We discussed the increase in the participating countries' list for the development of the NMGP, as well as the Front-End Engineering Design Phase 2 Study which, as reported in our [2023 Report](#) has achieved over 70% completion.¹⁴

10. 'Shell Invests in Bonga North Deep-Water Project, Nigeria | Shell Global' (2024) <<https://www.shell.com/news-and-insights/newsroom/news-and-media-releases/2024/shell-invests-in-bonga-north-deep-water-project-nigeria.html>> accessed 26 December 2024.

11. <https://www.thecable.ng/ob3-gas-pipeline-to-be-completed-next-month-says-fg/> accessed 9 December 2024

12. <https://nnpcgroup.com/insights/nnpc-ltd-set-to-deliver-gas-revolution-with-ob-3-gas-pipeline-project-as-fg-expresses-satisfaction-with-project-s-progress> accessed 9 December 2024

13. Supra

14. <<https://www.olaniwunajayi.net/blog/wp-content/uploads/2024/01/Oil-and-Gas-Outlook-2024-1.pdf>> last accessed 9 December 2024



However, in 2024, the Group Executive Officer of NNPC Limited, Mele Kyari, announced that the NMGP project had progressed beyond the planning stage, with FID over the project scheduled to occur in Q1 2025.¹⁵ Further, on 21 June 2024, it was reported that the AKK gas pipeline is on track for completion by the end of Q1 2025¹⁶, as the project has attracted over US\$ 50 million in private investments.¹⁷

Upon completion, these pipelines will significantly address the nation's ever growing domestic demand by collectively contributing approximately 8.5 billion standard cubic feet of gas per day into the network and increasing the supply of gas to about four (4) geopolitical zones in Nigeria. These projects will also prove essential for providing the infrastructure needed to drive Nigeria's economic growth and industrialization



GAS INFRASTRUCTURE PROJECTS



In May 2024, the President inaugurated two (2) key gas processing plants:

the AHL Gas Processing Plant (GPP – 2), which expands the Kwale Gas Processing Plant (GPP-1);¹⁸

the ANOH Gas Processing Plant.

These projects, spearheaded by NNPC Limited and its private sector partners, are poised to significantly boost Nigeria's gas production and distribution capabilities as the combined output of the two (2) gas processing plants is estimated to augment domestic gas supply by over 25% with an approximate additional 500 mmscf earmarked for the domestic market.¹⁹

In relation to LNG projects, the NLNG Train 7 project, a strategic initiative crucial for diversifying the country's revenue sources, and which is expected to boost NLNG's current production capacity by 35%,²⁰ reached 67% overall completion in 2024²¹. NLNG also significantly contributed to the local Liquefied Petroleum Gas (LPG) sector by supplying a total of 3 million metric tons of LPG to the Nigerian market between 2007 and 2024,²² which represents nearly 40% of the country's total LPG demand. Increased local LPG production will reduce dependence on imported fuels and consequently lead to substantial foreign exchange savings and enhance the economy's resilience to fluctuations in global commodity prices.

15. <https://www.moroccoworldnews.com/2024/03/361498/nigeria-morocco-gas-pipeline-final-investment-decision-will-be-made-in-2024#google_vignette>; <https://pajonline.com/news/2024/may/nigeria-morocco-pipeline-investment-decision-postponed-to-early-2025> > last accessed 9 December 2024

16. <<https://nnpccgroup.com/insights/fg-highlights-akk-gas-pipeline-s-massive-impact-on-economy-industrialisation-as-kyari-assures-project-will-be-ready-1st-qr-2025> > last accessed 9 December 2024

17. <<https://www.vanguardngr.com/2024/06/akk-gas-pipeline-project-will-transform-northern-nigerias-economic-landscape-minister/>> last accessed 9 December 2024

18. How NNPC, Partners Broke Record with Three Critical Gas Projects Months before Delivery Date – THISDAYLIVE' <<https://www.thisdaylive.com/index.php/2024/05/19/how-nnpcl-partners-broke-record-with-three-critical-gas-projects-months-before-delivery-date/>> accessed 9 December 2024

19. FG Reiterates Commitment to Utilise Gas for Economic Growth, Prosperity ... as Tinubu Lauds NNPC Ltd, Partners over Three Commissioned Gas Projects' <<https://www.nnpccgroup.com/insights/fg-reiterates-commitment-to-utilise-gas-for-economic-growth-prosperity-as-tinubu-lauds-nnpcc-ltd-partners-over-three-commissioned-gas-projects-1>>

20. <<https://punchng.com/train-7-gas-project-at-67-completion-says-nlng-2/>> accessed 9 December 2024

21. Supra

22. NLNG's Domestic LPG Supply Hits 3m Metric Tons in 17 Years as FG Targets 5m MT – THISDAYLIVE' <<https://www.thisdaylive.com/index.php/2024/10/15/nlngs-domestic-lpg-supply-hits-3m-metric-tons-in-17-years-as-fg-targets-5m-mt/>> accessed 26 December 2024



Further, in June 2024, NNPC Limited entered into a project development agreement with Golar LNG Limited for the deployment of a FLNG vessel in offshore Niger Delta for the monetisation of about 500mmcf of natural gas and production of LNG and LPG.²³ This development facilitates the commercialization of Nigerian natural gas reserves while minimising the need for extensive onshore infrastructure, potentially leading to a reduced environmental impact. Lastly, it was reported that the UTM Offshore Limited obtained a licence to construct for the development of its 2.8 million tonnes FLNG facility²⁴ and would take FID by Q4 2024, with completion targeted for Q4 2028²⁵. However, it is anticipated that FID will be taken H1 2025 since no FID has been publicly announced.

Once operational, these projects and facilities are expected to augment supply of Nigeria's domestic LPG demand and are integral to increase technical know-how and generate significant employment opportunities for Nigerians thereby boosting in-country human capital capacity and promoting economic growth.



MIDSTREAM PETROLEUM LIQUIDS PROJECTS DEVELOPMENTS

Nigeria boasts of having the fourth-largest refining capacity in Africa, with a nameplate capacity of 445,000bpd across four (4) state-owned refineries. With the commencement of operations by the Dangote refinery as discussed in this report, Nigeria now approaches a total domestic refining capacity of almost 1.2 million barrels including the installed capacity of the state-owned refineries and other smaller private refineries.²⁶

Also, the ongoing rehabilitation of the refineries owned by Kaduna Refinery and Petrochemical Company Limited (**KRPC Refinery**)²⁷ and Port Harcourt Refining Company (**PHRC Refinery**)²⁸ by the NNPC Limited reached its zenith in 2024. While the PHRC Refinery currently operates at 70% capacity, the government intends to execute a quick-fix project to get the KRPC Refinery running at a production capacity of 60%, and subsequently, full capacity²⁹. This would enable the refineries to reach their full nameplate capacity of 320,000 bpd. As of 30 April 2024, the KRPC Refinery quick-fix project was reported to have reached 40% completion.³⁰ However, a November 2024 update from NNPC Limited revealed that the project's timeline is subject to the successful completion of the specified scope of work and potential additional work necessitated by third-party inspections of critical equipment.³¹ In a positive development, the PHRC Refinery commenced product loading.³²

In addition to the Dangote Refinery, the continued development of these refineries would stimulate domestic economic and midstream activity and also decrease reliance on fuel imports, potentially stabilising fuel prices in the country.

23. <https://nnpccgroup.com/insights/nnpc-ltd-progresses-floating-lng-project-with-golar-lng-signs-pda-on-400-500mmscf-gas-deal-eyes-fid-before-dec-2024-ending>, accessed 9 December 2024

24. <https://www.offshore-technology.com/projects/utm-flng-facility-nigeria/?cf-view>. We reported on the financing of the UTM FLNG plant being developed in Akwa Ibom State by Afrexim in our 2023 Wrap Up Report accessible on <https://www.olaniwunajayi.net/blog/wp-content/uploads/2024/01/Oil-and-Gas-Outlook-2024-1.pdf>. In December 2023, a shareholders' agreement was executed by NNPC Limited (20% equity), the Delta State Government (8% equity), and UTM Offshore (72% equity) over shares in the project company.

25. *Supra*

26. David Thomas, 'Nigeria Emerging Reluctantly as an Oil-Refining Powerhouse' (African Business 2 October 2024) <<https://african.business/2024/10/resources/nigeria-emerging-reluctantly-as-an-oil-refining-powerhouse#:~:text=Adding%20the%20installed%20capacity%20of,almost%201.2m%20barrels%20daily.>> accessed 24 December 2024.

27. <https://www.premiumtimesng.com/business/638009-kaduna-refinery-to-be-ready-in-q4-2024-minister.html?tztc=1> accessed 9 December 2024

28. <https://nnpccgroup.com/insights/nnpc-ltd-delivers-port-harcourt-refinery-as-plant-begins-truck-out-of-products> accessed 10 December 2024

29. <https://businessday.ng/news/article/kaduna-refinery-eyes-december-restart-at-60-production-capacity/>, accessed 8 December 2024

30. *Supra*

31. <https://tribuneonline.ng/no-specific-completion-date-for-kaduna-refineries-fix-nnpcc/> accessed 10 December 2024

32. <https://nnpccgroup.com/insights/nnpc-ltd-delivers-port-harcourt-refinery-as-plant-begins-truck-out-of-products>, accessed 10 December 2024

NIGERIAN OIL & GAS MARKET DYNAMICS



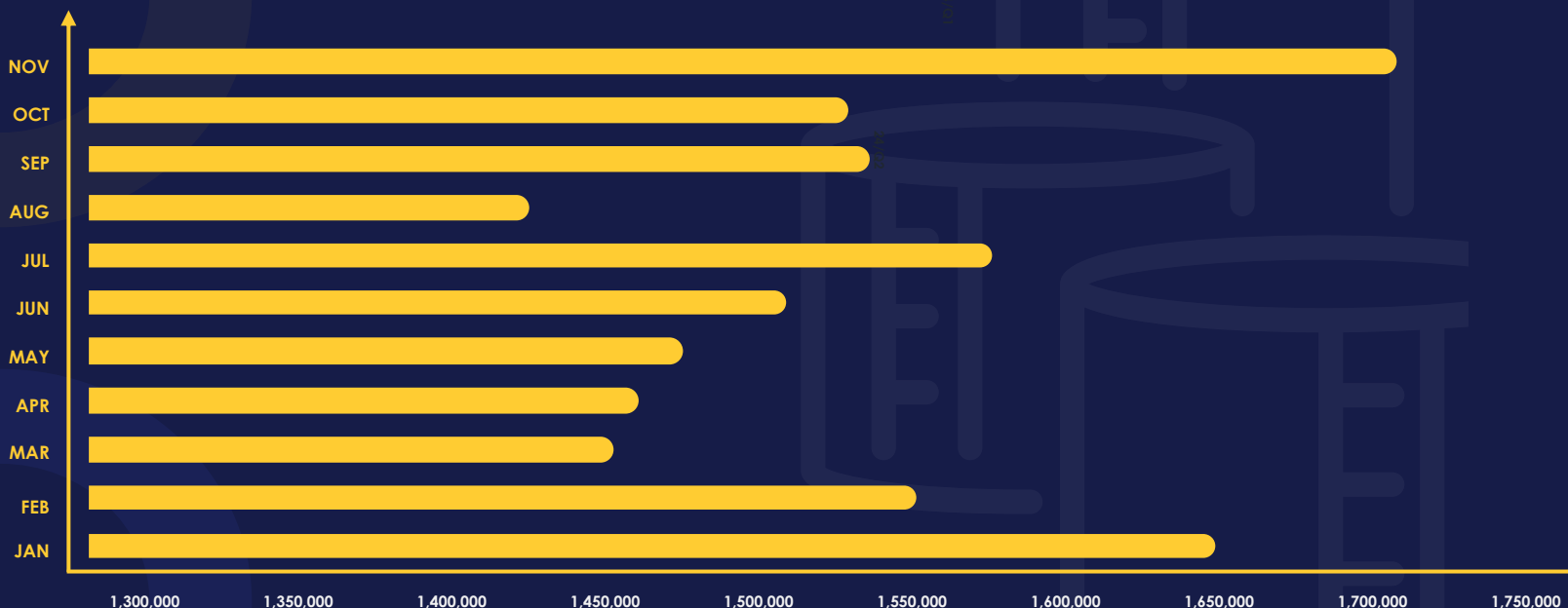
OIL PRODUCTION DATA 2024

Nigeria's oil production target for 2024 was set at 1.7 million barrels per day (m/bpd)³³, according to the status report for 2024 from the NUPRC. In the first half of 2024, Nigeria's oil production saw significant fluctuations. After starting strong in January 2024 with an increase in production, reaching 1.64 m/bpd up from 1.55 m/bpd in December 2023, oil production experienced a decline due to issues with the Trans Niger Pipeline and maintenance activities by some oil companies, dropping to 1.44 m/bpd³⁴. A recovery followed, with production gradually rising again, reaching over 1.5 m/bpd as operational challenges were addressed and some oil terminals resumed production.

In the second half of 2024, production continued with an upward trend. Output steadily increased, reaching 1.53 m/bpd and then 1.69 m/bpd at the end of November 2024. This resurgence was likely bolstered by the repair of the Trans Niger Pipeline and the recommencement of operation by some oil-producing terminals.

This consistent increase indicates a positive trajectory as Nigeria worked to maximize its output amidst recovering global oil prices and rising demand. Despite these challenges, Nigeria made some progress in 2024, however, it struggled to meet its oil production target of 1.7 m/bpd.

TOTAL DAILY AVERAGE CRUDE OIL PRODUCTION BARREL PER DAY



33. <https://dailypost.ng/2023/12/12/nigeria-1-7m-bpd-oil-production-target-in-2024-budget-lokpobiri/> accessed 9 December 2024

34. <https://proshare.co/articles/nigerias-crude-oil-production-fell-by-7-mm-in-march-2024?menu=Economy&classification=Read&category=Oil%20%26%20Gas#:~:text=Heineken%20Lokpobiri%2C%20the%20honourable%20minister,companies%2C%20which%20have%20been%20resolved,> Accessed 10 December 2024



GAS PRODUCTION DATA 2024

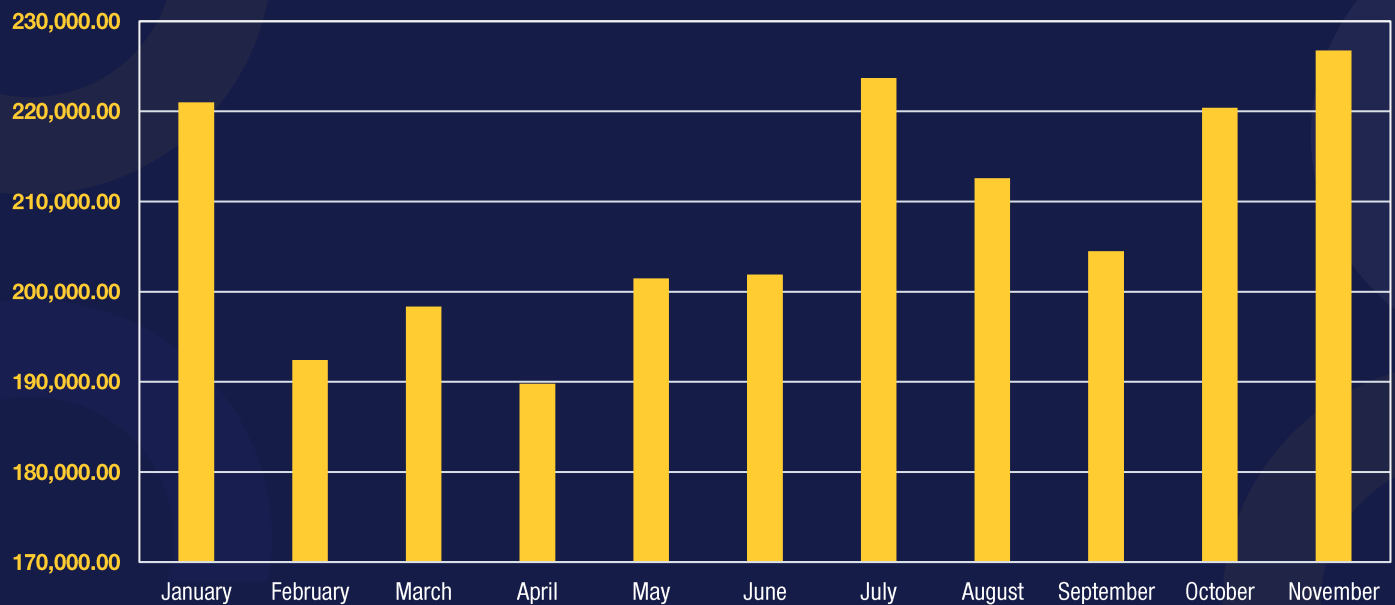
Nigeria's gas production reached a strong 221.026 million standard cubic feet (mmscf) in January 2024, setting a solid foundation for the year. However, this positive momentum was disrupted in April when production dropped to 189,794 mmscf, the lowest point of the year. This decline reflected challenges such as maintenance requirements and external operational factors. Despite the setback, the production figure in January indicated robust operational capabilities and a favourable market environment at the start of the year.



By August 2024, production experienced a slight decrease to 215,480 mmscf, following the peak in July of that year, when output surged to 229,604 mmscf, the highest of the year. This increase in July was driven by factors such as improved operational strategies, heightened market demand, and successful investments in technology. The slight decline in August 2024 was a minor adjustment, but still reflected a stronger performance compared to earlier months.

In conclusion, the gas production data for Nigeria in the first eight (8) months of 2024 revealed a landscape characterized by fluctuations and resilience. From the initial highs in January to the lows in April and the subsequent recovery in November, these figures highlight the importance of adaptability in the energy sector. As Nigeria continues to navigate the complexities of the global gas market, ongoing assessment and strategic planning will be essential to sustain production levels and respond effectively to future challenges.

TOTAL GAS PRODUCTION (MMSCF)



Dangote Refinery price reduction in December 2024, intensified price competition within the market and prompted an adjustment of ex-depot PMS prices nationwide. This shows that large downstream production entities can exert considerable pressure on other players and drive market prices.



PMS PRICING

The average monthly premium motor spirit (PMS) price fluctuated between NGN668.30 and NGN769.62 during the period of January to June 2024.³⁵ In September 2024, NNPC Limited announced projected PMS prices of approximately NGN950.22 per litre for Lagos consumers and NGN999 for other states, based on purchases from the Dangote Refinery. As a result of the NNPC Limited's significant debt to petrol suppliers and international oil traders³⁶, by October 2024, prices surged to NGN1,025 in Lagos and NGN1,060 in Abuja, reflecting a significant upward adjustment. The surge in PMS prices coupled with scarcity led to increased transportation costs and a subsequent surge may significantly impact contracts and business operations, potentially requiring renegotiation of existing contracts to address increased costs. Additionally, a continued fluctuation may prompt a shift in consumer behaviour and a slight reduction in demand as Nigerians may seek alternative solutions to their power needs to mitigate the impact of higher fuel costs.³⁷

However, in December 2024, Dangote Refinery initiated a price reduction at its loading plant, setting the ex-depot price to NGN899.50, followed by a collaborative effort with MRS Oil Nigeria Plc to offer PMS at a retail price of NGN935 across the nation.³⁸ This move intensified price competition within the market and prompted a subsequent adjustment of ex-depot PMS prices by NNPC Limited to NGN899, resulting in a slight price disparity of NGN0.50 between the two (2) entities. This also demonstrates the potential for downstream entities with large production capacities, like the Dangote Refinery, to exert considerable pressure on other players and to drive market prices.



FUEL SUBSIDY REMOVAL

In 2023, the Nigerian government announced the complete removal of fuel subsidies³⁹. This move aimed to reduce government expenditure on subsidy payments and encourage private sector investment in the downstream sector. However, the subsidy removal also triggered inflation in the Nigerian economy, notably a sharp increase in PMS prices, which we will examine further in this report. There have also been speculations as to whether the subsidy has indeed been removed completely. It was reported that the Accelerated Stabilisation and Advancement Plan introduced by the Minister of Finance is an acknowledgement of ongoing fuel subsidies as the plan projected that expenditure on fuel subsidy would reach NGN5.4trillion by the end of 2024, as against NGN3.6trillion in 2023 and NGN2.0 trillion in 2022.⁴⁰

35. Reports | National Bureau of Statistics' <<https://nigerianstat.gov.ng/elibrary/read/1241459>> accessed 9 December 2024

36. https://punchng.com/from-n175-to-n1030-how-pms-prices-skyrocketed-under-tinubu-as-petroleum-minister/#google_vignette accessed 9 December 2024

37. <https://punchng.com/again-anncl-hikes-petrol-price-fixes-n1060-litre/> accessed 9 December 2024

38. Hector Igbikiwubo, 'Dangote Partners MRS to Retail PMS at N935/Litre Nationwide' (December 2024)

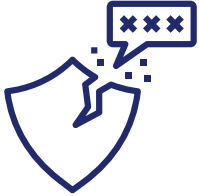
39. <https://www.bbc.com/news/world-africa-65737846> accessed 9 December 2024

40. <https://www.arise.tv/to-address-economic-volatility-in-nigeria-finance-minister-edun-presents-accelerated-stabilisation-plan-to-tinubu/> accessed 9 December 2024



KEY CHALLENGES IN THE NIGERIAN OIL AND GAS SECTOR

INSECURITY



Insecurity around key crude oil installations, pipelines as well as crude oil theft are topical issues affecting the Nigerian upstream petroleum sector as well as crude production. Insecurity contributes to the high cost of crude production as operators adopt alternative crude evacuation mechanism as well as incidental cost arising from losses due to pipeline vandalism and associated oil theft which lead to additional costs for repair works on vandalized oil pipelines. Insecurity continues to impact Nigeria's ability to meet its allocated OPEC quota for 2024.⁴¹ Further, it is arguable that oil theft from oil pipelines has contributed to divestments experienced in the Nigerian oil and gas industry as onshore and shallow water assets are the most divested by IOCs, while IOCs continue to favour deep-water assets. The persistent sabotage of pipelines and oil wells pose a serious challenge to oil production and meeting targeted quota.⁴²

LACK OF INVESTMENTS



The Minister of State for Petroleum Resources, Heineken Lokpobiri, reported that the government is targeting US\$20 billion as new investments in the oil and gas sector. The sector has been saddled with low investments, according to data by the National Bureau of Statistics, receiving only US\$72350,000 in Q1 2023 and US\$5,000,000 in H1 2024⁴³. Further, a comparison of H1 2023 to H1 2024 data indicates a substantial increase in capital importation. This lack of drilling investments in the sector invariably translated to low production output⁴⁴ as well as underinvestment in aging crude oil infrastructure. Data from the Statistical Review of World Energy, indicated that Nigeria's daily crude oil production was at about 1,540,000 mbpd⁴⁵. The foregoing, when compared to Nigeria's daily crude oil production of 1,430,000 mbpd as of October 2024, represents a shortfall in efforts to boost crude oil production.⁴⁶

HIGH OPERATING COSTS



The Chief Executive Officer of NNPC Limited, Mele Kyari stated in H1 2024 that the prohibitive costs are associated with insecurity in the Niger Delta region. Further, a lack of readily available contractors had stagnated investments in the upstream sector. This had impacted investments towards greenfield discoveries and development towards first oil. Given the costs, IOCs typically add a premium to the costs of crude oil production.⁴⁷ Nigeria with a crude oil production cost of US\$48 per barrel⁴⁸, is one of the few countries with an astronomically high crude production cost. This invariably translates to lower revenues for the government. In addition, the costs are prohibitive when compared to countries such as Saudi Arabia and Iran with crude production costs as low as US\$8 and US \$15 per barrel.

41. Okechukwu Nnodim, **'Nigeria has not met OPEC supply quota since 2022 – Report'** Punch (13 July 2024) <<https://punchng.com/nigeria-has-not-met-opec-supply-quota-since-2022-report/#:~:text=Oil%20theft%20remains%20major%20challenge,oil%20quota%20requirement%20from%20OPEC>> accessed 12 December 2024.
42. S&P Global, **'Nigerian oil output growth threatened by technical and security hurdles'** (22 November 2021) <<https://www.spglobal.com/commodity-insights/en/news-research/latest-news/crude-oil/112221-nigerian-oil-output-growth-threatened-by-technical-and-security-hurdles>> accessed 12 December 2024.
43. National Bureau of Statistics, **'Nigeria Capital Importation Q2 2024'** <https://www.nigerianstat.gov.ng/elibrary/read/1241568#:~:text=Key%20Highlights,%243%2C376.01%20million%20in%20Q1%202024> accessed 12 December 2024.
44. Emmanuel Anokam, **'FG Seeks More Investments as Oil Production Drops to 1.3mbpd'** News Agency of Nigeria (July 2024) <https://nannews.ng/2024/07/03/fg-seeks-more-investments-as-oil-production-drops-to-1-3mbpd/> accessed 12 December 2024.
45. Energy Institute, **'Statistical Review of World Energy'** (72nd edn, 2023) <[Statistical Review of World Energy.pdf](https://www.ei.net/~/media/Files/Publications/2023/Statistical_Review_of_World_Energy_2023.pdf)> accessed 12 December 2024.
46. **'Nigeria's Crude Oil Production Rises to 1.42 Million BPD in October 2024 - OPEC'** *Commercium Africa: Oil and Gas, Business Climate and Economy* (14 November 2024) <<https://commercium.africa/news/2024/11/nigerias-crude-oil-production-rises-to-1-43-million-bpd-in-october-2024-opec/#:~:text=Nigeria's%20daily%20crude%20oil%20production,data%20for%20the%20previous%20month>> accessed 12 December 2024.
47. Emmanuel Addeh, **'Kyari Links High Cost of Crude Oil Production in Nigeria to Insecurity, Others'** *This Day* (18 January 2024) <<https://www.thisdaylive.com/index.php/2024/01/18/kyari-links-high-cost-of-crude-oil-production-in-nigeria-to-insecurity-others/>> accessed 12 December 2024.
48. Kingsley Jeremiah, **'\$48 per barrel production cost drowns 60% of Nigeria's oil earnings'** *The Guardian* (28 August 2024) <<https://guardian.ng/news/48-per-barrel-production-cost-drowns-60-of-nigerias-oil-earnings/#:~:text=The%20cost%20of%20oil%20production,the%20first%20half%20of%202024>> accessed 12 December 2024.

REGULATORY DEVELOPMENTS



...only 2 regulations were gazetted in 2024 and these were in relation to midstream and downstream petroleum operations

When compared with 2023, the NUPRC and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) issued significantly fewer regulations in 2024. While a total of 23 (twenty-three) regulations issued by both regulators were gazetted⁴⁹ in 2023, only two (2) regulations were gazetted in 2024, and these were in relation to midstream and downstream petroleum operations.⁵⁰ That said, crucial executive orders and directives were issued in the course of the year to incentivise investments in the sector. Quite apart from the executive and regulatory activities above, there were two (2) interesting legislative developments in 2024, with the proposed Nigerian Oil and Gas Industry Content Development Amendment Bill and the Anti Gas Flaring (Prohibition and Enforcement) Bill 2024.⁵¹ A snapshot of these regulatory developments forms the focus of this portion of the report.

Midstream Petroleum Host Communities' Development Trust Regulations (NMDPRA HCDDT Regulations)

The NMDPRA Midstream Petroleum Host Communities' Development Trust Regulations (NMDPRA HCDDT Regulations or the Regulations) came into force on 5 October 2024. The Regulations outline the framework for administering the host communities' development trust fund and establish guidelines for implementing the provisions of the PIA towards the development of communities hosting midstream petroleum infrastructure and activities.

The NMDPRA HCDDT Regulations require licensees involved in midstream petroleum operations to incorporate the Host Community Development Trust (HCDDT) within twelve (12) months from the commencement of the Regulations.

49. We have tracked gazetted regulations given that gazetting serves as official communication to the public of the passing of a legislative instrument.

50. In addition to the gazetted regulations considered in this part, the NMDPRA issued the following draft regulations in 2024: (i) Midstream and Downstream Petroleum Operations Regulations, 2024; while the NUPRC issued the following draft regulations in 2024: (i) National Data Repository Regulations, 2024, and (ii) Amendment to Production Curtailment and Domestic Crude Oil Supply Obligation Regulations, 2023.

51. The Anti-Gas Flaring (Prohibition and Enforcement Bill), sponsored by Babajimi Benson, passed its second reading in the House of Representatives on December 5, 2024. The Bill aims to reduce the environmental, health, and economic impacts of gas flaring by prohibiting the flaring and venting of natural gas, except in regulated circumstances. It establishes enforcement mechanisms, including fines of US\$5 per 1,000 standard cubic feet of gas flared and potential suspension of operations for repeat offenders, with the NUPRC overseeing implementation and ensuring compensation and environmental restoration for affected communities. (Yemi Balogun, 'Reps pass anti-gas flaring prohibition Bill for second reading' (Daily Post, 5 December 2024) <[Reps pass anti-gas flaring prohibition Bill for second reading - Daily Post Nigeria](#)> accessed 19.12.2024

It is pertinent to note that the NMDPRA HCDDT Regulations seemingly allow licensees to establish the HCDDT beyond the prescribed timeframe. Such delayed incorporation is nevertheless subject to the prior approval of the NMDPRA, which is granted only after the imposition and payment of an administrative penalty by the licensee. A full analysis of the NMDPRA HCDDT Regulations can be found in our article linked [here](#).

Midstream and Downstream Fees Regulations



The NMDPRA also issued the Midstream and Downstream Petroleum Fees Regulations (**MDPF Regulations**) which came into force in October 2024. The MDPF Regulations define the fees applicable to licences, permits, authorisations, and approvals required for midstream and downstream petroleum operations in Nigeria.⁵² Further, the MDPF Regulations categorise fees into schedules, including those for gas and petroleum liquids pipelines, storage facilities, environmental compliance, and transportation networks.⁵³

Under the MDPF Regulations, licensees are mandated to pay the prescribed fees to the NMDPRA for activities such as the establishment, construction, and operation of midstream and downstream facilities. Failure to comply with these obligations results in administrative penalties and, in certain cases, suspension of licences or operations.⁵⁴ Additionally, fees are non-refundable and non-transferable.⁵⁵

Oil and Gas Companies (Tax Incentives, Exemption, Remission, etc.) Order, 2024 (OGC TIER Order)⁵⁶

The OGC TIER Order, issued by the President, took effect on 28 February 2024. The OGC TIER Order introduced fiscal incentives for investments in gas infrastructure, including pipelines and processing plants, to boost domestic natural gas utilisation and export potential. Further, the OGC TIER Order offers companies a 25% deduction on capital expenditures related to new and ongoing midstream gas infrastructure projects.⁵⁷ However, this allowance may only be granted to an eligible company upon expiration of the tax-free period granted under section 39(1) of the Companies Income Tax Act.⁵⁸ To qualify for this allowance, companies engaged in midstream operations will also be required to possess the relevant licences as may be issued by the NMDPRA. The OGC TIER Order also introduces tax credits to promote the development of non-associated gas greenfield projects. These credits allow for cost recoupment, thus incentivising gas development projects.

52. Regulation 5(1), MDPF Regulations.

53. Regulation 5(1) and Schedules 1-9, MDPF Regulations.

54. Regulation 4(10) and (11), MDPF Regulations.

55. Regulation 5(2), MDPF Regulations.

56. "Federal Republic of Nigeria Official Gazette" <<https://www.nuprc.gov.ng/wp-content/uploads/2024/03/Oil-and-Gas-Companies-Tax-Incentives-Exemption-Order-2024-publication.pdf>>; A full analysis on the Order can be found in the OALP article on Presidential Directives for Promoting Investment in the Oil and Gas Sector in 2024 linked [here](#).

57. Paragraph 4(1) and 5, OGC TIER Order.

58. Paragraph 4(3) of the OGC TIER Order.

Presidential Directive on Reduction of Petroleum Sector Contracting Costs and Timelines, 2024 (RCCT Directive)⁵⁹

The RCCT Directive addresses Nigeria's uncompetitive investment climate by tackling the inefficient contracting cycle that currently exceeds global industry standards by four (4) to six (6) times.⁶⁰ The RCCT Directive therefore introduces several key innovations, including: (x) raising the contract approval threshold applicable to all Production Sharing Contracts or Joint Operating Agreements to US\$10 million (thus eliminating the need for NNPC Limited's prior consent for contracts below this amount),⁶¹ and (y) adopting a single level of approval by NNPC Upstream Investment Management Services (NUIMS) and Nigerian Content Development and Monitoring Board (NCDMB) for processes such as prequalification, technical, commercial and final approval stages.⁶² New strict timelines mandate that NNPC Limited/NUIMS must grant approvals within fifteen (15) days, and NCDMB within ten (10) to fifteen (15) days, with the introduction of a *deemed approval regime* if required consents or approvals are delayed beyond stipulated timelines.⁶³ The RCCT Directive also extends third-party contract durations from three (3) to five (5) years with an additional two-year option,⁶⁴ reducing the frequency of approvals.



Presidential Directive on Local Content Compliance Requirements, 2024 (LCCR Directive)⁶⁵

Pursuant to section 100 of the Nigerian Oil and Gas Industry Content Development Act, 2010 (the NOGICDA), President Bola Ahmed Tinubu, acting in his capacity as the Minister of Petroleum, issued the LCCR Directive on 28 February 2024. The LCCR Directive seeks to address inefficiencies emanating from the application of the NOGICDA, which had previously inflated costs and delayed project timelines. Additionally, the LCCR Directive mandates NCDMB not to approve a Nigerian content plan which involves intermediary entities without demonstrable capacity to execute projects. Such an approval would be considered a violation of local content requirements,⁶⁶ thus curtailing the practice of awarding contracts to obsolete intermediaries. It is intended that compliance with the LCCR Directive by the NCDMB and sector players will lower operational costs and increase project execution efficiency going forward.

59. A full analysis on the Order can be found in the OALP article on Presidential Directives for Promoting Investment in the Oil and Gas Sector in 2024 linked [here](#).

60. Preamble, RCCT Directive.

61. Paragraph 1, RCCT Directive.

62. Paragraph 2(1), RCCT Directive.

63. Paragraphs 2(4), 2(7), and 2(12), RCCT Directive.

64. Paragraph 3, RCCT Directive.

65. A full analysis on the Order can be found in the OALP article on Presidential Directives for Promoting Investment in the Oil and Gas Sector in 2024 linked [here](#).

66. Paragraph 1(2) and (4), LCCR Directive.

Nigerian Oil and Gas Industry Content Development Amendment Bill (NOGICD Bill)

The proposed NOGICD Bill passed for second reading on 9 February 2024 at the House⁶⁷ of Representatives and was referred to the House Committee on Nigerian Content Development and Monitoring Board.⁶⁸ The NOGICD Bill seeks to repeal the NOGICDA with a view to strengthening the legal framework regulating local content within the oil and gas industry.

Amongst other proposed introductions, the NOGICD Bill:

01 provides that all documents issued in relation to any transaction in the Nigerian oil and gas industry for the solicitation of bids or quotes must expressly indicate the considerations to be granted to manufacturers of made-in-Nigeria goods and Nigerian professionals,⁶⁹ as well as the minimum acceptable quality standard for such goods or services;

imposes primary responsibility for contracted works on the contractor if it subcontracts any part of the works without prejudice to any indemnity arrangement between the contractor and subcontractor;⁷⁰

03 empowers the NCDMB to establish and manage an oil and gas e-marketplace for Nigerian content development in the oil and gas industry;⁷¹

enables sector players submit a revised Nigerian content plan to the NDCMB within ten (10) days, if the NCDMB disapproves same, and provides for a deemed grant regime in relation to the Nigerian content plan; and

05 provides that operators shall set aside 0.5% of the taxable annual profit for the funding of research and development.⁷²

The ongoing legislative process highlights a critical moment for local content development in Nigeria, with potential impact on indigenous participation and capacity building within the oil and gas sector.

67. Lukman Abolade, 'NCDMB Poised to Have New Financial, Prosecutorial Powers, Keep 20% of Content Fund for Administrative Costs, under Proposed Amendment Bill' (Africa Oil+Gas Report, 6 March 2024) <<https://africaoilgasreport.com>> accessed 30.12.2024.

68. <https://nass.gov.ng/documents/download/11164>

69. Section 12(1) of the NOGICD Bill

70. Section 16 of the NOGICD Bill

71. Section 74 of the NOGICD Bill

72. Section 34 of the NOGICD Bill

Proposed Amendment to the NUPRC Decommissioning and Abandonment Regulations

The extant NUPRC Decommissioning and Abandonment Regulations (**Upstream D&A Regulations**) provide that the decommissioning and abandonment fund shall be held in an escrow account with the Central Bank of Nigeria (**CBN**). However, a combined read of sections 27(b) and (c) and 34 (i) of the CBN Act is to the effect that persons other than the federal, state and local governments, and the institutions, and corporations of all such governments, banks and other credit or financial institutions, are prohibited from maintaining accounts with the CBN.

The foregoing conundrum is the most probable reason why in July 2024, the NUPRC released an exposure draft of the Amendment to the Nigerian Upstream Petroleum Decommissioning and Abandonment Regulations, 2023 (the **Proposed Amendment**),⁷³ which, among other things, proposes that D&A accounts may instead be opened with:

01
any Nigerian financial institution that meets the national rating of A+ or A; or



02

any foreign financial institution that meets the minimum credit rating of A+ or its equivalent published by either Standard & Poor 500, Fitch Ratings Inc., or Moody's Investors Service Inc.



The Proposed Amendment also introduces new provisions that restrict investments of funds in the escrow account to low-risk financial instruments with A+ ratings (both locally and internationally). Consequently, the Proposed Amendment aims for more transparency by (x) making access to the escrow fund contingent on approval of the D&A program; and (y) stipulating that NUPRC's fund utilization must comply with the Public Procurement Act.

As such, due to the current legal conundrum, we believe the 90-day deadline to establish and notify the Commission of D&A funds is suspended until the Upstream D&A Regulations are fully implemented.

The practical impact of the Proposed Amendment is twofold: first, upstream operators must wait for finalisation of the Proposed Amendment before establishing D&A funds, as the current CBN account requirement is legally untenable. Second, once finalised, operators must select qualifying financial institutions while ensuring compliance with the new investment restrictions and transparency requirements.

73. <https://www.nuprc.gov.ng/wp-content/uploads/2024/06/AMENDMENT-TO-DECOMMISSIONING-AND-ABANDONMENT.pdf>

74. See s. 233(9) of the PIA; Reg. 19 (2) of the Regulations

GLOBAL OIL AND GAS TRENDS



As a critical sector in the global economy, the oil and gas industry is currently navigating one of the most volatile periods in recent history, exacerbated by a combination of geopolitical events, market fluctuations, and the global commitment to decarbonizing energy systems.



Global Supply, Conflicts, And OPEC Supply Policy

Various geopolitical events defined the global energy landscape, leading to a decrease in crude oil demand and an increased supply of crude oil...

In 2024, key geopolitical events such as the unrest in the Middle East and the continuation of the Russia-Ukraine war defined the global energy landscape, particularly resulting in a general decrease in crude oil demand and an increased supply of crude oil. At the beginning of 2024, the IEA projected that global oil supply would rise by 1.5 million barrels per day (mb/d) to reach a record 103.5 mb/d for the year,⁷⁵ with significant crude oil production emanating from the Americas, building upon the momentum from 2023.⁷⁶ In January 2024, Organisation of Petroleum Exporting Countries (OPEC) crude production stood at 26.34 mb/d followed by a 0.2% increase in February, which was maintained in March.⁷⁷ In April however, OPEC and its ally countries announced voluntary reduction in production resulting in circa 6% decrease in global oil supply.⁷⁸ It has been reported that this was a strategic move towards facilitating market stability.⁷⁹ These output cuts have now been extended till the end of March 2025, with a gradual monthly phasing until the end of September 2026.⁸⁰ The United States of America (the US) on the other hand, in maintaining its position as the global top crude oil producer,⁸¹ recorded an average estimate of 13.3 m/bd crude oil production in 2024, only falling below 13.0 m/bd once in January.⁸²

75. World Energy Outlook – January 2024. International Energy Outlook. <https://www.iea.org/reports/oil-market-report-january-2024> accessed 17 October 2024

76. Ibid.

77. Ibid.

78. OPEC expected to extend oil output cuts as it waits on Trump. Financial Times. <https://www.ft.com/content/6e1a2bbb-09a5-405f-81c6-5f8c64315fd1> accessed 10 December 2024

79. Why did OPEC cut oil production? Key reasons explained | Reuters accessed 13 December 2024

80. OPEC+ delays oil output increase until April 2025 and extends cuts until end-2026. <https://www.enerdata.net/publications/daily-energy-news/opec-delays-oil-output-increase-until-april-2025-and-extends-cuts-until-end-last> accessed 10 December 2024

81. Today in Energy. Energy Information Administration. <https://www.eia.gov/todayinenergy/detail.php?id=37053> accessed 10 December 2024

82. Short-Term Energy Outlook. Energy Information Administration. <https://www.eia.gov/outlooks/steo/> accessed 10 December 2024

In August, the Energy Information Administration (EIA) reported that U.S. oil production reached a record high of 13.4 million barrels per day (mb/d), surpassing production for December 2023. Despite weak oil demand and voluntary production cuts by OPEC, non-OPEC producers—such as the U.S., Canada, Guyana, and Brazil—are on track to increase supply and meet global demand, thereby significantly mitigating the impact of OPEC's production cuts.⁸⁴

At the continental level, Africa's crude oil supply has been marked by instability. Increased U.S. crude oil production has expanded its market reach, capturing a substantial share of the Asian market—historically a key destination for African oil. Meanwhile, Russia has been offering its oil at heavily discounted prices to buyers like India and China due to Western sanctions and restrictions on its crude exports following the invasion of Ukraine. Reports indicate that China, a major consumer of African crude from producers such as Angola, South Sudan, and Nigeria, has increasingly turned to more competitive suppliers, particularly Russia and the Middle East. These factors have reduced demand for African oil, putting pressure on the continent's oil-producing economies, which rely heavily on oil revenues for fiscal stability and development.



Global Decarbonisation And Energy Transition



Although, global energy transition may not have progressed at the expected pace, the regulatory landscape, political commitment, and required human capital development are taking shape.

Global decarbonisation and energy transition gradually continue to gain momentum ahead of the 2030 and 2050 target dates set under the Paris Agreement. Driven by the need to mitigate the risks posed by greenhouse gas emissions, as of June 2024, 107 out of 120 countries had made progress in their energy transition and decarbonization goals.⁸⁸ Developed nations such as Sweden, Denmark, and Finland led the Energy Transition Index, while Lebanon, Ethiopia, Tanzania, and Zimbabwe ranked highest among developing countries.⁸⁹

83. Today in Energy. US crude oil production established a new record in August 2024. <https://www.eia.gov/todayinenergy/detail.php?id=63824> accessed 10 December 2024

84. Reuters. OPEC again cuts 2024, 2025 oil demand growth forecasts. <https://www.reuters.com/business/energy/opec-again-cuts-2024-2025-oil-demand-growth-forecasts-2024-11-12/> accessed 10 December 2024

85. <https://oilprice.com/Energy/Crude-Oil/Why-Africa-Is-Missing-Out-on-The-Oil-Boom.html> accessed 27 December 2024

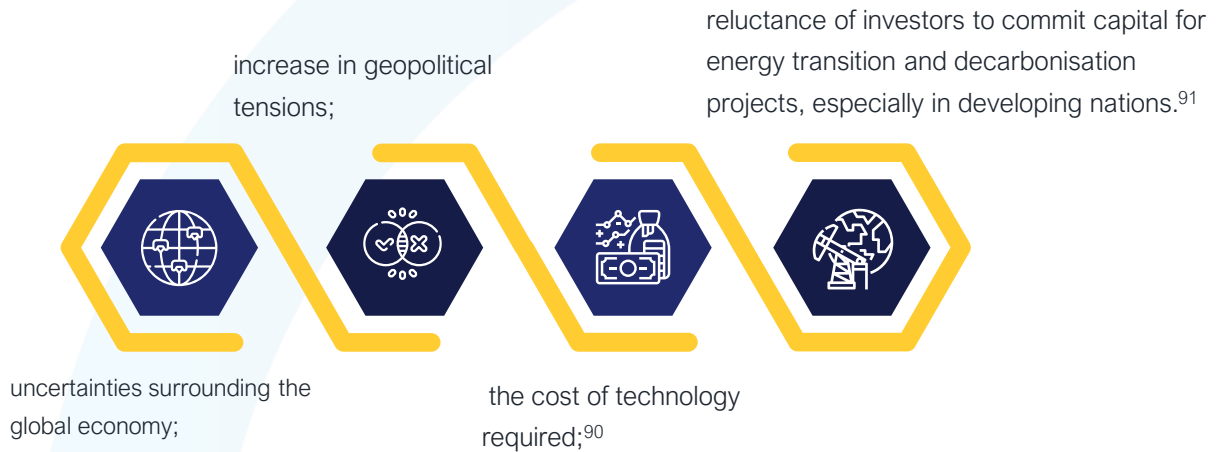
86. <https://oilprice.com/Latest-Energy-News/World-News/India-Surpasses-China-as-Largest-Importer-of-Russian-Oil.html> accessed 27 December 2024

87. <https://carnegieendowment.org/research/2024/05/how-is-chinas-economic-transition-affecting-its-relations-with-africa?lang=en> accessed 27 December 2024

88. World Economic Forum. 2024. These 4 countries are leading the way in the energy transition. <https://www.weforum.org/stories/2024/06/energy-transition-index-top-countries-2024/> accessed 16 December 2024.

89. *Ibid.*

Notwithstanding the seeming progress, the adoption rate of decarbonization and eco-friendly techniques remains low compared to the 2050 target. The slow progress has been attributed to:



Over the past year, companies have invested in strategic projects that are antithetical to their net-zero emissions goals. For example, global technology firms like Google and Microsoft have developed or heavily invested in Artificial Intelligence (AI) technologies, which consume vast energy resources and increase greenhouse gas emissions. Additionally, due to geopolitical uncertainty and declining profitability in renewable projects, major European oil and gas companies such as Shell, Equinor, and BP are reassessing their low-carbon initiatives, considering divestment, and re-evaluating their previously firm stance on hydrocarbons.⁹³

Although global energy transition has not progressed at the expected pace, the regulatory landscape, political commitment, and required human capital development are taking shape. With annual investments in clean energy approaching USD 2 trillion, the adoption of clean energy sources is expected to continue expanding in the coming years.⁹⁴



Digital Transformation And The Use Of AI In Oil And Gas Operations



With an estimated value of USD 3.14 billion in 2024 and projected to reach USD 5.70 billion by 2029, the global market for AI in oil and gas is experiencing tremendous growth. This growth, at a compound annual growth rate of 12.61%, reflects increasing investment by oil and gas operators in AI technologies.⁹⁵ The rationale for this rapid adoption is not farfetched as AI promises to optimise production, improve operational efficiency and assist oil and gas operators reduce carbon emission.

90. Ibid.

91. D.H. Diaz, H. Tai, T. Hundertmark, M. Nivard, N. Zanardi. The Energy Transition: Where are we, really? <https://www.mckinsey.com/industries/electric-power-and-natural-gas/our-insights/the-energy-transition-where-are-we-really> accessed 16 December 2024

92. E. Kemene, B. Valkhof, T. Tladi. 2024. AI and energy: Will AI help reduce emissions or increase demand? Here's what to know. <https://www.weforum.org/stories/2024/07/generative-ai-energy-emissions/> accessed 16 December 2024

93. Ron Busso. 2024. European oil giants step back from renewables path. <https://www.reuters.com/business/energy/european-oil-giants-step-back-renewables-path-2024-11-18/> accessed 16 December 2024

94. World Energy Outlook. International Energy Agency. <https://www.iea.org/reports/world-energy-outlook-2024> accessed 16 October 2024

95. AI in Oil and Gas Market Analysis | Mordor Intelligence <https://www.mordorintelligence.com/webpkgcache.com/doc/-/s/www.mordorintelligence.com/industry-reports/ai-market-in-oil-and-gas/market-size> accessed 17 October 2024

More specifically on oil exploration activities, AI is being used to analyse vast datasets—ranging from seismic surveys, well logs, satellite imagery, geological data as well as to identify patterns and anomalies that signal potential oil reservoirs.⁹⁶ Global giants like BP, Chevron and ExxonMobil are employing AI in their oil exploration activities to streamline the identification of optimal drilling sites and to process seismic data for improved subsurface imaging and reserve identification.⁹⁷ In addition, AI-powered predictive analytics are assisting operators to anticipate equipment failures before they occur, reducing downtime and lowering maintenance costs. This ensures assets are managed more effectively and helps to mitigate operational risks. For example, leveraging AI-powered gas facilities has been reported to significantly reduce gas flaring and achieve an 18% increase in gas optimization.⁹⁸



Financing African Hydrocarbon Projects: The Africa Energy Bank



In June 2024, the Africa Energy Bank (the **Bank**) was established as a Pan-African development bank, a joint initiative of the African Petroleum Producers' Organisation and Afrexim. The establishment was flagged off by the execution of the Bank's establishment agreement and charter in Cairo, Egypt, concluding two years of negotiations since the signing of the memorandum of understanding in 2022.⁹⁹ Given the global drive towards energy transition, the establishment of the Bank is expected to assuage the imminent funding crisis in the African oil and gas industry. The Bank, a fossil fuel-focused entity, will provide the necessary funding for energy sector development in Africa to bridge the energy gap. Nonetheless, while renewable energy projects are not a priority, the Bank remains open to supporting them as part of Africa's energy transition.

To achieve its objectives, the Bank's initial capital base has been set at USD 5 billion. At the Angola Oil and Gas 2024 conference, it was reported that 45% of this capital has been successfully secured. Notably, Nigeria has strategically positioned itself as the host country for the Bank's headquarters. This move is expected to enhance Nigeria's international profile and reputation while placing it at the forefront of Africa's energy future.

The establishment of the Bank comes at a critical time, marking a significant investment in Africa's future energy security. With operations set to commence in 2025, the long-drawn issue of funding shortages is expected to gradually diminish. The Bank presents a unique opportunity for African countries to access substantial investments, drive infrastructure development, and advance technology-driven energy solutions.

96. Daramola, Jacks, Ajala & Akinoso. 2024. Enhancing Oil and Gas Exploration Efficiency Through AI-Driven Seismic Imaging and Data Analysis. <https://efpb.com/index.php/esti/article/view/1077/1301> accessed 17 October 2024

97. 2024 Oil and Gas Industry Outlook. Deloitte Insights. <https://www.bing.com/ck/a?!&p=cc85595563d586c219f6bf3c97de216096366ad19722557293dc0a560fcc365ajmltdHM9MTczNDMwNzlwMA&ptn=3&ver=2&hsh=4&fclid=397c0e01-c9ee-66d6-10da-1a13c82267ac&psq=2024+Oil+and+Gas+Industry+Outlook.+Deloitte+Insights.+https%3awww.2.deloitte.com%2fus%2fen%2finsights%2findustry%2foil-and-gas-industry-outlook.html&u=a1aHR0cHM6Ly93d3cyLmRibG9pdHRlMmNvbS91cy9lbi9pbmNpZ2h0cy9pbmR1c3RyeS9vaWwTYW5kLWdhcy9vaWwTYW5kLWdhcy1pbmR1c3RyeS1vdXRsb29rlTlwMjQuaHRibA&ntb=1> accessed 16 October 2024

98. The Economic Times. Oil and Gas Companies dig deep for AI Gold. <https://m.economictimes.com/tech/artificial-intelligence/oil-and-gas-companies-dig-deep-for-ai-gold/articleshow/113013503.cms> accessed 16 October 2024.

99. AfeximBank. 2024. APPO and Afreximbank Sign the Establishment Agreement of the AEB, Declaring it Open for Signature by Prospective Member States. <https://www.afreximbank.com/appo-and-afreximbank-sign-the-establishment-agreement-of-the-aeb-declaring-it-open-for-signature-by-prospective-member-states/> accessed 9 October 2024



Significant African Oil Discoveries And The Potential Impact On The Energy Market

As African countries take deliberate steps toward achieving energy security, recent oil discoveries have further reinforced this commitment. In the past year, Algeria alone recorded oil discoveries in eight oil and gas fields. These discoveries by Algeria's state-owned oil company, Sonatrach, are expected to significantly boost the country's national reserves. Building on this momentum, Sonatrach has also signed multiple exploration agreements with global oil giants like TotalEnergies and ExxonMobil to unlock additional basins.¹⁰⁰

In March, ENI made a discovery offshore Côte d'Ivoire named Murene 1X or Calao in block CI-205, a discovery that has been reported as the largest in Côte d'Ivoire¹⁰¹ with a potential production of 1 to 1.5 billion barrels of oil.¹⁰² Namibia is also rapidly attracting interest from global energy players due to recent oil discoveries. In the past year, significant finds were made at the Mopane-1X and Mangetti-1X wells, prompting increased evaluations and bidding for ownership interests in these assets. However, not all exploration efforts have been successful—Shell has encountered technical and geological challenges in PEL 39, leading to the conclusion that some drilled wells are not commercially viable. As a result, the company is set to write down US\$400 million on an oil discovery within this license. Despite these setbacks, Namibia remains on track to produce first oil and emerge as a major oil producer in Africa by 2030.¹⁰³ TotalEnergies also made significant discoveries about 180 miles offshore Namibia.¹⁰⁴

Mid-year 2024, in Senegal, Woodside Energy announced the commencement of oil production from an offshore field named Sangomar offshore project, signalling Senegal's first oil project with an expectation to produce 100,000 to 125,000 barrels per day.¹⁰⁵ The field is jointly owned by Woodside Energy and Senegal's national oil company, Petrosen. In Q4 2024, Chevron Nigeria announced a significant oil discovery in Petroleum Mining Lease (PML) 49 in the shallow waters of the Western Niger Delta. This near-field discovery has the potential to produce up to 17,000 bpd. The well, named Meji NW-1, is located within the Meji field, where production had declined from a peak of 51,000 bpd in 2005 by approximately two-thirds.¹⁰⁶

With these discoveries, Africa is being strategically positioned to meet the needs of its energy market – both feedstock and refined products. With the boost of oil discoveries, African countries can also maximize these resources to drive economic and infrastructural development as well as ultimately increase oil exporting countries in Africa.

100. African Energy Week (AEW) 2024 National Oil Companies (NOC) Lineup to Unlock Project, Partnership Opportunities in Oil and Gas <https://www.africa.com/african-energy-week-aew-2024-national-oil-companies-noc-lineup-to-unlock-project-partnership-opportunities-in-oil-and-gas/#:~:text=At%20AEW%3A%20invest%20in%20African%20Energy%202024%2C%20NOCs%20to%20the%20Liberia%3B%20and%20Petroci%20have%20joined>, accessed 09 October 2024

101. OE Digital. *Eni Makes Major Discovery Offshore Côte d'Ivoire*. <https://www.oedigital.com/news/512094-eni-makes-major-discovery-offshore-c-te-d-ivoire>, accessed 10 October 2024

102. The President of Côte d'Ivoire Alassane Ouattara and the CEO of Eni Claudio Descalzi announce a major discovery in block CI-205, offshore Côte d'Ivoire

103. Oil exploration boom in Namibia | Reuters

104. Namibia to rival Guyana as world's newest oil and gas hotspot following massive offshore discoveries (worldoil.com)

105. Senegal joins oil-producing nations with launch of first offshore field (rfi.fr)

106. S&P Global. Chevron, NNPC make Niger Delta oil find

Nigeria – Equatorial Guinea Bilateral Agreement On The Gulf Of Guinea Gas Pipeline



On 15 August 2024, Nigeria and Equatorial Guinea, through their Presidents, entered into a bilateral agreement for the construction of a USD 2.5 billion, 200-kilometre gas pipeline—the Gulf of Guinea Gas Pipeline Project.¹⁰⁷ This agreement was entered into further to the memorandum of understanding between Nigeria and Equatorial Guinea in 2022.¹⁰⁸ The project is aimed at developing a regional pipeline for transporting gas from Nigeria to Equatorial Guinea, where it will be processed at Punta Europa, home to a 3.7 mmtpa LNG plant and a 1.1 mmtpa methanol plant.¹⁰⁹

Nigeria, with its vast gas reserves, stands to benefit significantly from the project, particularly through revenue generation from gas transportation.¹¹⁰ Upon completion, the pipeline is expected to facilitate the transportation of up to 30 billion cubic metres of gas.¹¹¹

107. [Nigeria, Equatorial Guinea sign \\$2.5-billion pipeline deal - The Energy Year](#)

108. [Op-Ed: Kaase Gbakon: Strategic Gas Infrastructure: The Gulf of Guinea Pipeline and Equatorial Guinea's Mega Hub Vision | Pipeline Online](#)

109. [Opinion: The "After Exxon" Begins New Oil and Gas Chapter for Equatorial Guinea - Petroleum Africa](#)

110. [Equatorial Guinea, Nigeria Sign Gulf of Guinea Gas Pipeline Agreement, Signaling New Era of Bilateral Cooperation - African Energy Chamber](#)

111. [Nigeria and Equatorial Guinea to construct gas pipeline \(offshore-technology.com\)](#)



FORWARD LOOK

NIGERIAN OIL & GAS SECTOR



EXPLORATION ACTIVITIES

Following the emergence of winners of the 2024 licencing bid rounds and the award of licences scheduled to commence on 12 January 2025 and end on 29 January 2024, we envisage an increase in exploration activities and market opportunities for oil field service providers.



STRENGTHENED DOMESTIC GAS MARKET

The completion of key gas infrastructure projects in 2024, including the AHL Gas Processing Plant 2 (GPP-2), a scalable 240 mmscf/d facility developed by Ashtavinayak Hydrocarbon Ltd (AHL) in partnership with NNPC Limited and SEEPCO, and the ANOH-OB3 CTMS Gas Pipeline Project, strengthens Nigeria's domestic gas processing and transportation capacity. Additionally, ongoing developments such as the AKK Gas Pipeline, the OB3 Gas Pipeline, and the ANOH Gas Project are expected to further enhance gas supply for industrial and commercial use, support Nigeria's energy transition efforts, and drive economic growth.



INCREASED INVESTMENTS

With renewed interest in Nigeria's deep offshore sector— Shell's Final Investment Decision (FID) on the Bonga North project—and increasing commitments in the gas industry, Nigeria's oil and gas industry is expected to witness increased investments in 2025. TotalEnergies' planned investments in shallow-water gas projects¹¹² along with over \$20 billion in commitments¹¹³ from other International Oil Companies (IOCs) underscore the growing confidence of investors in the sector, especially the deep offshore. Additionally, with gas demand projected to outpace supply¹¹⁴ and the NUPRC set to launch its 2025 licensing round with a focus on natural gas development¹¹⁵, investment momentum is expected to accelerate. Despite the global shift towards sustainable energy, it is also expected that there will be continued investment in the production of fossil fuels. The completion of the 2024 licencing bid round presents an opportunity for investments in exploration and development of new fields.

We envisage that the strategic infrastructure projects, increased exploration, processing, and refining activities as well as executive and regulatory effort will continue to attract significant investments in the oil and gas sector.

112. <https://businessday.ng/news/article/totalenergies-targets-750m-gas-project-in-nigeria-amid-2025-investment-drive/>

113. <https://punchng.com/iocs-to-invest-20bn-in-nigeria-fg/>

114. <https://www.nuprc.gov.ng/rising-gas-demand-in-nigeria-could-outpace-supply-by-2030-despite-major-projects-nuprc-warns/>

115. <https://www.nuprc.gov.ng/nuprc-announces-2025-licensing-round-to-harness-undeveloped-fields/>



PROGRESS ON CLEAN ENERGY AND COMPRESSED NATURAL GAS INITIATIVE

As part of efforts to provide a cleaner and more cost-effective energy source while advancing Nigeria's commitment to environmental sustainability, the Presidential Compressed Natural Gas (CNG) Initiative was introduced in 2023. The initiative aims to lower carbon emissions and reduce transportation costs following the Federal Government's fuel subsidy removal policy. It promotes the adoption of CNG as an alternative fuel for transportation through a conversion incentive program, which, as of 2024, has established over 160 conversion centers, converted 100,000 vehicles, and attracted investments exceeding US\$200 million.

By 2025, NNPC Retail Limited is expected to have launched 100 CNG stations and we expect this expansion to drive the adoption of CNG, contribute to Nigeria's sustainability targets and support the nation's transition towards cleaner energy alternatives



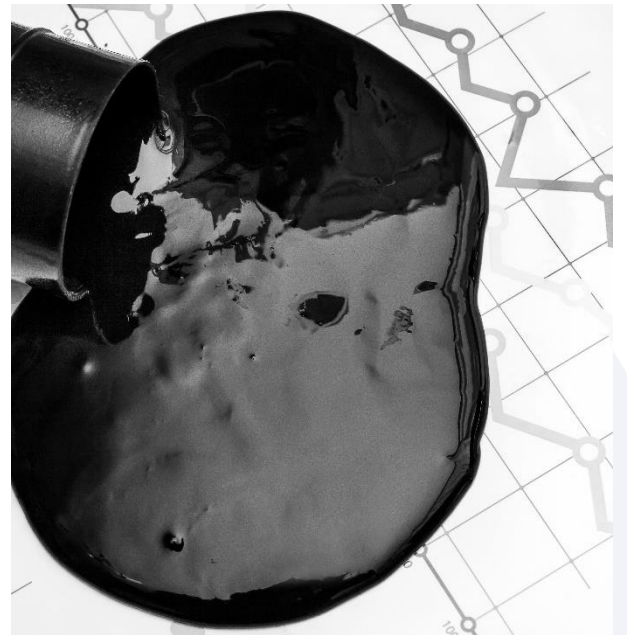
MERGERS AND ACQUISITIONS

With the completion of the licensing bid rounds, continued IOC divestments, and a growing emphasis on gas as a transitional fuel, we anticipate increased operational synergies among industry players. This will facilitate portfolio optimization and diversification through mergers and acquisitions

GLOBAL CRUDE OIL AND GAS MARKET

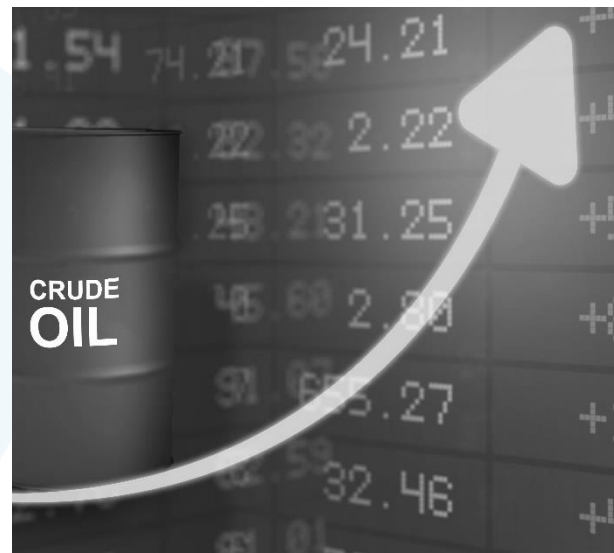
Production Output and Supply Dynamics

Global crude oil production is projected to rise in 2025, as the International Energy Agency (IEA) in its December Oil Market Report, forecasts a global oil surplus of up to 1.4 million bpd even as demand rises by 1.1 million bpd. The IEA cites "China's recent economic stimulus measures, economic recovery in Asia and increased petrochemical consumption" as key drivers for this uptick. The IEA also expects non-OPEC+ members to contribute an additional 1.5 million bpd in 2025. Meanwhile, OPEC+ remains committed to managing market stability, having extended production cuts of 2.2 million bpd through Q1 2025, despite increasing supply pressure from non-OPEC producers.

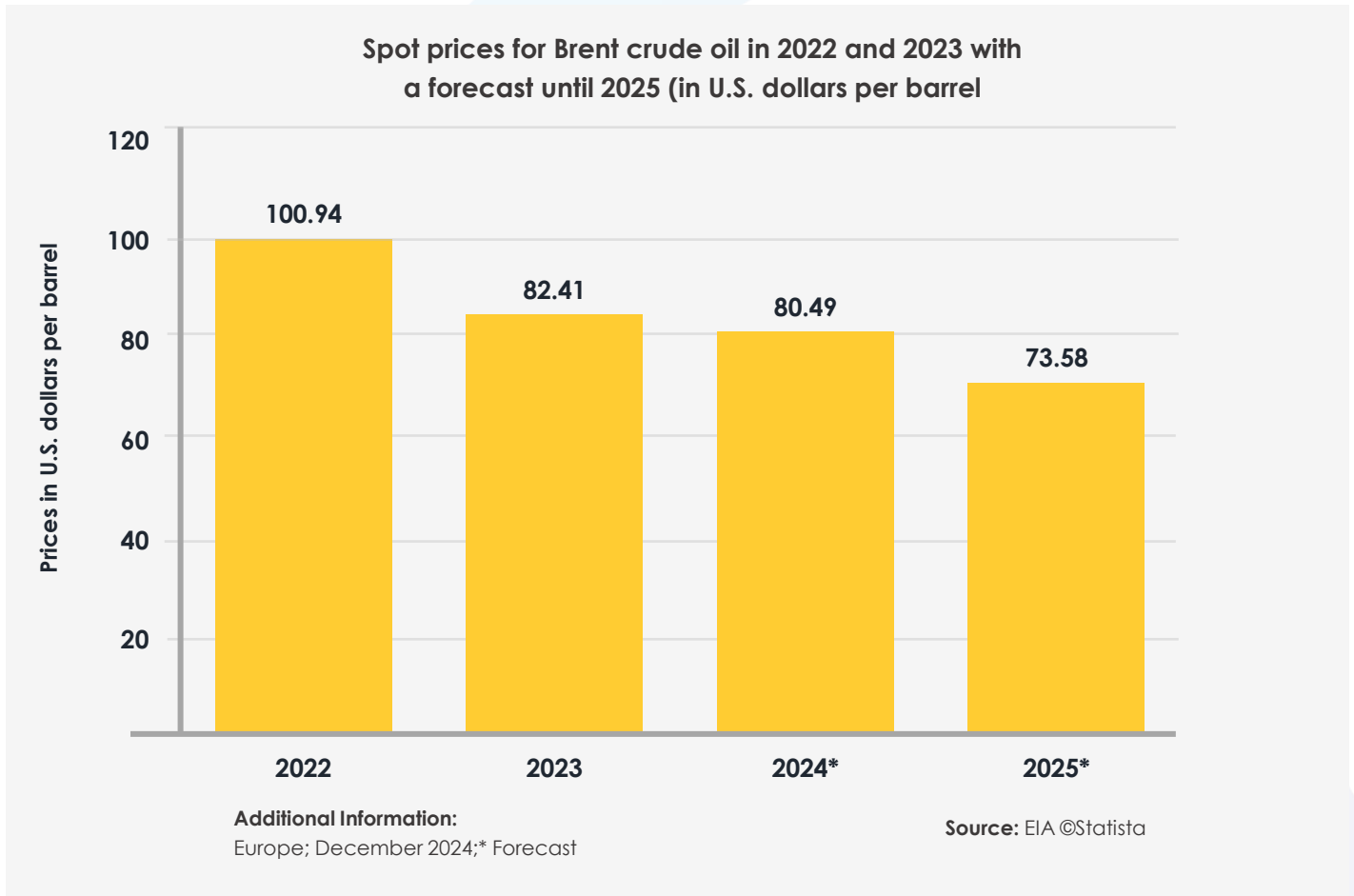


Natural Gas Market Growth

The global natural gas market is set for significant expansion in 2025, with LNG demand expected to increase, particularly in Europe and Asia, as countries continue to diversify energy supply sources. The reduction in Russian gas imports occasioned by the war in Ukraine has accelerated investments in LNG infrastructure in Europe. China's LNG imports are forecasted to increase substantially due to energy diversification efforts and government policies to combat air pollution. Japan has also seen a shift towards renewables and nuclear power, influencing its LNG consumption trajectory.



Pricing Trends and Market Stability



Oil price forecasts for 2025 suggest a potential decline due to oversupply concerns. A Reuters survey of 41 economists' projects Brent crude averaging US\$74.53 per barrel, while the United States Energy Information Administration (EIA)'s outlook puts it at an average of US\$73.58 per barrel. J.P. Morgan anticipates an average price of US\$73 per barrel, with prices possibly falling into the low \$60s by year-end. These trends have been attributed to global supply expansion, geopolitical uncertainties, the rapid adoption of electric vehicles, and the anticipated increase in U.S. production under President Donald Trump's administration.



GLOSSARY OF TERMS

ABBREVIATION

MEANING

Afrexim Bank	African Export-Import Bank
AG	Associated Gas
AI	Artificial Intelligence
AKK	Ajaokuta-Kaduna-Kano
bbbl	barrel
BP	British Petroleum
bpd	barrel per day
bopd	barrel of oil per day
CNG	Compressed Natural Gas
DBP	Domestic Base Price
DOOP	Notice of Tax Incentives on Deep Offshore Oil and Gas Production, 2024
DPR	Department of Petroleum Resources
ECOWAS	Economic Community of West African States
ELPS	Eastern-Lagos Pipeline System
ETP	Energy Transition Plan
FDI	Foreign Direct Investment
FID	final investment decision
FLNG	Floating Liquefied Natural Gas
HCDT	Host Community Development Trust
HCL	Hydrocarbon Liquid
IOCs	Major international oil companies
kb/d	thousand barrels per day

GLOSSARY OF TERMS

ABBREVIATION

MEANING

KRPC	Kaduna Refinery and Petrochemical Company Limited
LCCR	Local Content Compliance Reforms
LNG	Liquefied Natural Gas
Local Content Directive	Local Content Compliance Requirements, 2024
LPG	Liquefied Petroleum Gas
m/bpd	million barrels per day
MDGIF	Midstream and Downstream Gas Infrastructure Fund
MIPS	MDGIF Investment Policy Statement
MMboe	Million barrels of oil equivalent per day



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