

NIGERIA'S 2025 OIL LICENSING ROUND: THE LEGAL AND REGULATORY ARCHITECTURE

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Introduction

The formal commencement of the Nigeria 2025 Petroleum Licensing Round on 1 December 2025 represents a landmark in the evolution of the country's energy policy. This exercise is not merely a technical auction of acreage but a strategic attempt by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) to fully institutionalize the mandates of the Petroleum Industry Act (PIA) 2021. By offering 50 oil and gas blocks across diverse geological terrains, including 15 onshore assets, 19 shallow-water blocks, 15 frontier assets, and a singular high-potential deep-water block, the government seeks to attract approximately US\$10 billion in new investments.¹ This round is designed to unlock up to two billion barrels of crude oil reserves over the next decade, providing a necessary buffer against declining production and reinforcing Nigeria's status as a premier investment destination in Africa. The architecture of this round is underpinned by a transition from discretionary ministerial awards to a purely competitive, automated, and digitalized framework that prioritizes technical competence and financial liquidity over political connectivity.²

The Statutory Pillars of the PIA 2021

The legal foundation for the 2025 Licensing Round is anchored primarily in Section 7(t) of the PIA, which empowers the Commission to conduct bidding rounds for the award of Petroleum Prospecting Licences (PPLs) and Petroleum Mining Leases (PMLs). Under Section 70 of the Act, the legal instruments for upstream rights are clearly delineated to provide clarity to prospective investors. A Petroleum Exploration Licence (PEL) grants a non-exclusive right to carry out exploration operations, while a PPL offers an exclusive right to search for, win, and work petroleum within a defined area, including the right to undertake test production. The ultimate instrument, the PML, authorizes the commercial production and disposal of hydrocarbons.³

1. NUPRC, "FG Begins 50 Oil Blocks Bid Round, Eyes \$10bn," *Punch Newspapers*, 2 December 2025.

2. NUPRC, "President Tinubu Approves Commencement of Licensing Round Effective December 1, 2025," *Official Statement*, 11 November 2025.

3. Sections 70, 71, and 72 of the *Petroleum Industry Act (PIA)*, 2021.

To ensure that these rights are not subject to the administrative delays of previous decades, Section 73(4) introduces the "Deemed Grant" principle. This revolutionary provision mandates that the Minister must act upon the Commission's recommendation within ninety days; if no decision is communicated within this window, the license is legally deemed to have been granted to the applicant.



Regulatory Governance under the 2022 Framework

While the PIA provides the broad statutory brushstrokes, the Petroleum Licensing Round Regulations 2022 provide the operational granularities. These regulations were enacted to ensure that every licensing round is conducted within a boundary of 365 calendar days, a timeline intended to balance the need for thorough technical evaluation with the imperative of investment speed.[4] Regulation 6 requires the Commission to initiate each round with a public statement, followed by the publication of specific Licensing Round Guidelines and the opening of a digital data room. For the 2025 exercise, the NUPRC has deployed a sophisticated online portal at br2025.nuprc.gov.ng, which serves as the centralized repository for all geophysical data, legal documents, and bid submissions.[5] This move toward digital governance is a deliberate strategy to align with the principles of the Extractive Industries Transparency Initiative (EITI), ensuring that the process remains measurable, auditable, and free from human interference.

4. Regulation 8(2) of the Petroleum Licensing Round Regulations, 2022.

5. NUPRC 2025 Licensing Round Portal: br2025.nuprc.gov.ng.

6. Regulation 10(2) and 16(1) of the Petroleum Licensing Round Regulations, 2022.

The Mechanics of Pre-qualification and Eligibility

The first stage of the 2025 round involves a rigorous pre-qualification process where the Commission acts as a gatekeeper of national wealth. In accordance with Regulation 10, all participants must be incorporated under the Companies and Allied Matters Act (CAMA) 2020, ensuring they are corporate citizens subject to Nigerian law. Where companies participate as a consortium, the regulations require that all members satisfy the legal and financial tests, while the designated operator—who must hold at least a 20% working interest—must also meet a high threshold of technical competence.⁶ The financial benchmarks for 2025 are designed to attract well-capitalized players; for deep-offshore assets, applicants are typically expected to show an annual turnover or bank guarantee of at least US\$200 million, while lower but proportionate figures apply to onshore and shallow-water assets. Furthermore, the Commission retains the power under Regulation 11 to exclude any applicant involved in government indebtedness, false submissions, or prior regulatory non-compliance, thereby filtering out speculative entrants who lack the capacity to develop the assets.⁷



8. Section 74(2) of the PIA, 2021; Regulation 17 of the Petroleum Licensing Round Regulations, 2022.

9. BusinessDay, "FG Offers 50 Oil, Gas Blocks in 2025 Licensing Round," 1 December 2025.

10. Regulation 23(1) of the Petroleum Licensing Round Regulations, 2022.

Bid Stage Dynamics and Evaluation Parameters

Once an applicant is pre-qualified, they move to the Bid Stage, where the competition shifts to commercial and technical proposals. Unlike older regimes that focused primarily on the signature bonus, the 2025 framework utilizes a multi-parameter scoring system. As prescribed by Section 74(2) of the PIA and Regulation 17, the winning bidder is determined by a combination of variables, including the signature bonus, royalty interest, profit-oil split, and the work-programme commitment for the initial exploration period. For the 2025 round, the government has strategically reduced signature bonuses to a range of US\$3 million to US\$7 million per block to lower the entry barrier for technically capable firms. Instead of front-loading revenue through high bonuses, the NUPRC is prioritizing the work programme, which requires bidders to commit to specific drilling and seismic activities. This shift ensures that the blocks are awarded to companies that will actively contribute to the national production target of 3 million barrels per day.

Data Transparency and the Online Data Room

A critical innovation in the 2025 Licensing Round is the de-risking of exploration through high-quality geophysical data. Regulation 14 defines the data room as an online repository containing seismic and geophysical information that allows bidders to perform accurate subsurface evaluations.⁸ The Commission has reprocessed thousands of kilometers of 2D and 3D seismic data to provide high-resolution images of Nigeria's petroleum systems. Access to this data is contingent upon the execution of a binding confidentiality agreement, which ensures that proprietary information is protected while providing parity of information across all applicants. By providing sharper images of subsurface structures, the NUPRC reduces the "exploration risk" for investors, making the 2025 blocks "irresistible" according to recent policy pronouncements from the Presidency.

8. NUPRC LAUNCHES TRANSPARENCY-DRIVEN INITIATIVES IN UPSTREAM AND GAS SECTOR – Nigerian Upstream Petroleum Regulatory Commission

9. NNPC Ltd, Partners Launch 97mmscf/d Capacity Five Mini-LNG Plants in Ajaokuta ...As FG Restates Commitment to Use Gas for Economic Growth, Development

10. Afreximbank launches US\$3 Billion Revolving Intra-African Oil Import Financing Programme - African Export-Import Bank

11. Oando expands upstream footprint with Angola's oil assets win - Businessday NG

Post-Award Obligations and Fiscal Discipline

The selection of a winning bidder is followed by a ninety-day window during which the awardee must satisfy several post-award obligations. These include the payment of the signature bonus in US dollars, the provision of a parent-company guarantee, and the submission of a work-commitment guarantee in the form of a performance bond or bank guarantee.⁹ Failure to meet these conditions within the prescribed ninety days results in the automatic forfeiture of the bid, at which point the Commission is empowered by Regulation 23 to invite the reserve bidder to take up the asset. This strict adherence to timelines is part of a broader "use-it-or-lose-it" philosophy designed to eliminate the fallow acreage problem that has historically plagued the Nigerian upstream sector. Once these conditions are met, the final grant of the PPL or PML is recommended to the Minister, who remains the final signatory on behalf of the Federation.

ESG and Community Integration in the New Regime

Modern upstream operations in Nigeria cannot be divorced from Environmental, Social, and Governance (ESG) considerations. Under the PIA, every new licensee is required to establish and contribute to a Host Community Development Trust (HCDDT), allocating 3% of



An environmental remediation fund to manage the decommissioning and abandonment of oil fields at the end of their lifecycle.¹⁰ These provisions ensure that the 2025 Licensing Round does not just generate revenue but also fosters social stability and environmental sustainability.

12. *Nigeria announces Africa Energy Bank's launch in Q1, targets \$120 billion asset base* | *Business Insider Africa*

13. *FG Hosts Investor Forum Ahead 1.23tr Power Sector Bond Launch*

14. <https://punchng.com/fg-issues-n590bn-bond-to-settle-gencos-n4tn-debts/>

15. *Nigeria, China Sign €7.6 Billion Green Hydrogen Deal in Liberty Oil & Gas Free Zone* | *The Economic Times*

Bidders are required to include clear environmental management plans in their submissions, specifically addressing gas flaring reduction in line with Nigeria's "Decade of Gas" ambitions and global decarbonization trends.

Tenure, Relinquishment, and Resource Maturation

The tenure of licenses awarded in the 2025 round is strictly bounded to encourage rapid development. A PPL for onshore and shallow-water acreage typically lasts for six years, divided into two phases of three years each, while deep-offshore and frontier acreage may extend to ten years.⁷⁷ If a discovery is not declared commercial by the end of the permitted retention period, the acreage must be relinquished to the national pool for re-auctioning. This mechanism prevents the "banking" of petroleum assets for speculative purposes. For commercial discoveries that transition into a PML, the term is fixed at a maximum of twenty years, subject to renewal conditions that prioritize continued production and the payment of royalties and taxes. This tenure structure provides the long-term stability required for capital-intensive offshore projects while maintaining a high level of accountability for the operator.



16. *Electricity: Nigerian Govt announces transfer of regulatory oversight to 10 states - Daily Post Nigeria*

17. *Nigeria and China Launch Renewable Energy Research Centre*

18. *Transgrid Enerco acquires 60% stake in Nigeria's second largest DisCo - Businessday NG*

Conclusion

The Nigeria 2025 Petroleum Licensing Round stands as a litmus test for the country's commitment to regulatory excellence and fiscal discipline. By moving away from discretionary processes and embracing a digital, multi-parameter bidding framework, the NUPRC is sending a clear signal to the global energy market that Nigeria is open for transparent business. The integration of high-quality seismic data, reduced entry costs, and strict "drill or drop" conditions ensures that the winners of this round will be those most capable of contributing to Nigeria's long-term energy security. As the round progresses toward its mid-2026 conclusion, its success will be measured not just by the immediate signature bonuses collected, but by the volume of rigs mobilized and the new barrels of oil and cubic feet of gas added to the national wealth.