

Nigeria Launches 2025 Licensing Round – Key Considerations for Investors

November 2025

As part of the efforts to improve production numbers in Nigeria, the Nigeria Upstream Petroleum Regulatory Commission (**NUPRC** or the **Commission**) has announced the commencement of another licensing bid round scheduled to commence on 1 December 2025 (**2025 Bid Round**). Licensing bid rounds are conducted pursuant to section 73 of the Petroleum Industry Act 2021 (**PIA**), which provides for the grant of petroleum prospecting licenses (**PPL**) or petroleum mining leases (**PML**) based on a fair, transparent and competitive bidding process.

The 2025 Bid Round will be the second licensing rounds conducted following the passage of the PIA. Prior to the PIA, previous bid rounds were conducted by the Department of Petroleum Resources (**DPR**). Some of the previous bid rounds prior to the PIA also focused on marginal fields. However, the PIA overhauled the regulatory framework for the petroleum industry in Nigeria, replacing the DPR with NUPRC for upstream regulation and doing away with a separate bid round for marginal fields by providing that no new marginal fields are to be declared under the Act.¹

Since the passage of the PIA, the NUPRC has issued the Petroleum Licensing Round Regulations 2022 (the **Regulations**), the objective of which is to provide the regulatory framework for conducting the bidding process for grant of a PPL or PML.

Bid Structure

Prior to the commencement of a licencing round, the Regulations require the Commission to issue a press statement and publish the proposed licensing round on its website, issue and publish the licensing round guidelines on its website (the **Guidelines**), and open a data room, which shall be accessible by bid participants.²

Apart from the Act, and the Regulations, the Guidelines is the primary document that governs the bid process. The Regulations provide that the Guidelines shall contain amongst other things, the:³

- a. anticipated calendar of events;
- b. procedure for engagement with bid participants and stakeholders;

¹ Section 94(9), Petroleum Industry Act 2021.

² Regulation 6(b), Petroleum Licensing Round Regulations 2022.

³ Regulation 7, Petroleum Licensing Round Regulations 2022.

- c. provisions relating to participation by consortia;
- d. provisions relating to pre-qualification of participants;
- e. procedure for submitting and opening bid proposals; and
- f. nature and amount of the work commitment guarantee by the participant.

The Commission is yet to publish the Guidelines for the 2025 Bid Round, but this can be expected to be published before the announced official commencement date. In terms of duration, the Regulations provide that the licensing round shall not be more than 365 calendar days.⁴

However, the licensing round will broadly take place in two stages:

Pre-qualification stage

The licensing rounds are targeted at attracting investors with technical and financial capacity to undertake the exploration and development of oil and gas in Nigeria. Hence, the Regulations provide that an applicant must satisfy the legal, financial and technical criteria to qualify for participation in the licensing round process.⁵ No company or consortium of companies can participate in a licensing round unless they have first been pre-qualified.⁶

The legal criteria required to pre-qualify is the incorporation of a company pursuant to the Companies and Allied Matters Act 2020, and the submission of the relevant incorporation documents.⁷ The financial criteria required to pre-qualify will include any financial information prescribed in the Guidelines.⁸

The technical criteria for pre-qualification include:⁹

- evidence of operation of oil and gas field for the duration specified in the Guidelines;
- total level of daily net production to the operator which must be equal to the number of fields and daily net production indicated in the Guidelines to pre-qualify as operator, except exempted under the Guidelines; and
- such other information as may be prescribed in the Guidelines.

If the license or lease includes the obligation to drill one or more exploration wells, the interested party will also be required to list the exploration wells drilled previously as an operator which must be at a minimum, the number contained in the Guidelines for a pre-qualified operator.¹⁰

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

⁵ Regulation 10(1), Petroleum Licensing Round Regulations 2022.

⁶ Regulation 10(4), Petroleum Licensing Round Regulations 2022.

⁷ Regulation 10(5), Petroleum Licensing Round Regulations 2022.

⁸ Regulation 10(6), Petroleum Licensing Round Regulations 2022.

⁹ Regulation 10(7), Petroleum Licensing Round Regulations 2022.

¹⁰ Regulation 8, Petroleum Licensing Round Regulations 2022.

If applying as a consortium, all members must satisfy the legal and financial requirement, while the operator must satisfy all three.¹¹ At least one member of the consortium must be designated as the operator and the consortium must notify the Commission in writing of the membership and working interest percentages of the members. The member designated as operator must have a minimum working interest of 20% in the consortium.¹²

An application for pre-qualification must also be accompanied by the payment of fees prescribed in the Guidelines.¹³ Applicants who pre-qualify to participate in the bid will be required to sign a confidentiality agreement prior to being granted access to the data room.¹⁴ The data room is defined in the regulation as *“the online repository containing the relevant data for review and an online virtual workstation containing seismic information”*.

It should however be noted that pre-qualified applicants may still be excluded from participation in the bid process due to the factors listed in Regulation 11 of the Regulations such as where the applicant:

- is prohibited or banned from participation in the licensing round or any bidding process by the Government or any of its agencies;
- has previously presented false information or forged documents;
- is indebted to the Government;
- has obtained information relating to the bid process through unauthorised means.

Bid stage

An applicant who has been pre-qualified to participate in the bid, must pay the bid administration fee prescribed in the Guidelines.¹⁵ The bid stage involves the submission of the bid which can be made electronically or physically.¹⁶ A bidder can bid for more than one licence or lease by submitting separate bid proposals. A physical submission can be made by a duly authorised representative of the bidder or by registered courier on or before the due date and time at a place specified by the NUPRC.¹⁷ However, the procedure for electronic submission will be specified by the NUPRC in the Guidelines.¹⁸

The bid consists of a bid proposal and bid guarantee in separate sealed envelopes.¹⁹ The bid guarantee of the highest and reserve bidder will remain in force until the licence or lease is granted, while the bid guarantee of other bidders must be returned to them.²⁰

¹¹ Regulation 10(2), Petroleum Licensing Round Regulations 2022.

¹² Regulation 16(3) of the Petroleum Licensing Round Regulations, 2022.

¹³ Regulation 10(3), Petroleum Licensing Round Regulations 2022.

¹⁴ Regulation 14, Petroleum Licensing Round Regulations 2022.

¹⁵ Regulation 16(1), Petroleum Licensing Round Regulations 2022.

¹⁶ Regulation 12(2), Petroleum Licensing Round Regulations 2022.

¹⁷ Regulation 12(3), Petroleum Licensing Round Regulations 2022.

¹⁸ Regulation 12(4), Petroleum Licensing Round Regulations 2022.

¹⁹ Regulation 12(5), Petroleum Licensing Round Regulations 2022.

²⁰ Regulation 12(6&7), Petroleum Licensing Round Regulations 2022.

Section 74(2) of the PIA provides that the winning bidder shall be determined on the basis of single bid parameter or a combination of bid parameters. Regulation 17(2) provides that the bid parameter shall be any of the following parameters:

- signature bonus to be paid in full prior to the granting of the licence or lease;
- royalty interest;
- profit split or profit oil split;
- work programme commitment during the initial exploration period; or
- any other parameter as may be defined specific to a bid round.

The bid guarantee becomes effective for the NUPRC if the winning bidder, reserve bidder or any member of their consortium:²¹

- did not sign the contract attached to the lease or licence;
- did not provide the related work commitment guarantee or the parent company guarantee;
- did not make the required payments; or
- provided false information during the bid process.

A bid must be opened publicly at the same time and place published prior to the commencement of the licensing round, and it is done in three stages:

- **First Stage-** this includes the opening of envelopes containing the bid guarantee and a determination of the validity of the guarantee in accordance with the Regulations and Guidelines.
- **Second Stage-** this entails the opening of envelopes containing the bid proposal and the recording and announcement of the offer stated in the bid proposal.
- **Third Stage-** here, the bid with the highest value and the next highest value bid are announced as the winning bid and the reserve bid respectively. A declaration is also made that all other bids have been unsuccessful.

Following the opening of the bid, and the publication of the winning bidder and reserve bidder on the NUPRC's website within the timeframe specified in the Guidelines, the NUPRC must issue an offer letter to the winning bidder within 14 working days.²²

Prior to the grant of the licence or lease, the winning bidder is required to provide the NUPRC with the offer letter within 90 days of the issue, and also provide.²³

²¹ Regulation 12(8), Petroleum Licensing Round Regulations 2022.

²² Regulation 12(14), Petroleum Licensing Round Regulations 2022.

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

- the parent company guarantee;
- the work commitment guarantee;
- the applicable fees;
- evidence of payment of rent for the first year;
- payment of signature bonus, where applicable;
- duly executed model contract; and
- any other matters or payments prescribed in the Guidelines.



Opportunities for Investors

1. **International investors:** The licensing rounds represents an opportunity for foreign investors who are new to the Nigerian oil and gas investment landscape. A foreign investor may undertake a bid by itself or in conjunction with other foreign investors or an existing local investor.
2. **Local Investor collaboration:** Local investors who would otherwise not be able to participate in the bid process by themselves can collaborate in order to meet the financial and technical

criteria. Where technical capacity is lacking locally, it may be necessary to collaborate with a foreign investor with the relevant capacity to ensure that the technical criteria are met.

Key consideration for Investors

Incorporation of Nigerian company

The key element of the legal criteria to pre-qualify as a bidder is that the applicant (and if a consortium, all members) must satisfy the legal criteria. As already discussed, the primary element of the legal criteria is the incorporation of a company in Nigeria. As such, all investors wishing to participate in the bid must first incorporate a company in Nigeria even if they are participating as part of a consortium. This is pursuant to section 70(2) of the PIA which provides that a licence or lease may be granted under the Act only to a company incorporated and validly existing under the Companies and Allied Matters Act.

Minister's discretion to grant lease after bid process

Section 73(3) of the PIA provides that the Minister may, on the recommendation of the NUPRC, grant a PPL or PML to a winning bidder. The key issue is that this gives the Minister discretion to grant or withhold the grant of a PPL or PML to a successful bidder. By implication, there is no guarantee that a successful bidder will be granted the licence or lease notwithstanding the investment of time, money and effort.

The PIA however introduces a deemed grant regime, which requires the Minister to inform the NUPRC of his decision within 90 days of the application for licence or lease. If the Minister fails to do so within this period, the licence or lease is deemed to have been granted.

Nevertheless, the risk of the Minister refusing to grant a licence or lease to a winning bidder may be considered remote since such an action would undermine confidence in the licensing round process and discourage future potential bid round participants.

Minimum work programme commitment and guarantees

Potential investors must also note that the regulatory framework is designed to ensure that awardees of a licence or lease actually carry out the work programmes they commit to. To provide security for this commitment, they will be required to provide work programme guarantees and must relinquish areas not being appraised.

Section 76 of the PIA provides that the model licence or model lease for each round must include clauses relating to the minimum work programme and minimum level of investment, and details of guarantees to be provided regarding the performance of obligations by a licensee or lessee.

Furthermore, as already discussed, one of the parameters that may be applied to determine the winning bid is the work program parameter. Regulation 21(1) provides that the work program parameter during the initial exploration period shall be an additional exploration well commitment, except for frontier basin where the work program parameter during the initial exploration period may only consist of geophysical work. In addition to the minimum exploration well commitment for the initial exploration period, Regulation 21(2) provides that NUPRC shall determine the minimum number of additional exploration wells acceptable under a bid proposal, which may be any number specified in the Guidelines including zero.

Section 82(1) of the PIA further provides that a PML will only be granted on the basis of a commitment from an applicable lessee to develop and produce the commercial discovery of crude oil or natural gas or to restart or continue petroleum production.

Regulation 21(5) provides that any work commitment guarantee shall be for 100% of the value of the minimum work programme commitment, and the additional work programme commitment as provided for in the Guidelines. As previously highlighted, one of the key documents to be provided by a winning bidder is a work commitment guarantee.

The PIA also requires the model licence or model lease to detail the licensee or lessee's obligation regarding relinquishment.²⁴ In relation to PPLs, section 88(1) and (2) of the PIA provide that the licensee shall be required to relinquish every area that is not an appraisal area, retention area of lease area. For PMLs, section 88(5) provides that after 10 years of the commencement of a PML, the applicable lessee shall relinquish all parcels that do not fall within the boundary of a producing field, and any formation deeper than the deepest producing formation.

It should also be noted that failure to fulfil the terms and conditions of the applicable licence or lease or the approved field development plan is grounds for revocation of a licence or lease.

Possible amendment of bid guidelines

Regulation 15 of the Regulations provides that NUPRC may amend the Guidelines at any time not later than 30 days before the due date of submission of bid. The implication of this for potential bidders is that there may be changes to the bid parameters and would necessarily compel the bidders to review their proposed bid.

Financial Criteria

The financial criteria will be prescribed in the Guidelines when they are published. However, an examination of the financial criteria under the 2024 Licensing Round Guidelines (**2024 Guidelines**) may provide an idea of what is expected. Paragraph 14.2 of the 2024 Guidelines provides that the Applicant shall provide a verifiable source of funding, which amongst other things, includes the following:

- a) minimum average annual turnover of US\$200 million for deep offshore or minimum average annual turnover of US\$50 million for onshore and shallow water assets; or
- b) minimum cash in bank of US\$200 million for deep offshore or minimum cash in bank of US\$50 million for onshore and shallow water assets; or
- c) bank guarantee to the tune of US\$200 million for deep offshore or bank guarantee of US\$50 million for onshore and shallow water assets; or
- d) a market capitalization of not less than US\$1 Billion for deep offshore or US\$ 200 million for shallow waters and onshore assets; or
- e) Parent Company Guarantee to the tune of US\$200 million for newly incorporated companies; or

²⁴ Section 76(e), Petroleum Industry Act 2021.

- f) a minimum of US\$50 million for non-operator.

Payment of signature bonus

By section 74(2)(a)(1) of the PIA, one of the parameters that may be applied for determining the winning bidder is a signature bonus which is to be paid in full prior to the granting of the licence or lease by or on behalf of the winning bidder. Regulation 18 provides that the signature bonus is an amount in US dollars, offered by the winning bidder upon the granting of the PPL or PML.

If two or more bidders offer the same signature bonus, they will be invited on the day following the bid date to offer an increase in the signature bonus, and the bidder offering the highest increase will be the winning bidder.

It should however be noted that the signature bonus referenced above is separate from the signature bonus which the model licence or lease may provide for. By Regulation 18(3), the signature bonus offered by the winning bidder is in addition to the signature bonus that may already be prescribed in the model licence or model lease.

Mr Heineken Lokpobiri, the Minister of State for Petroleum Resources (Oil) is reported to have stated in May 2024 that the government was reconsidering the structure of the signature bonus for bid rounds.²⁵ Whilst this was not formally documented for the 2024 bid rounds, to the government's credit, the signature bonus payable in the 2024 bid rounds was reduced from about US\$200m²⁶ to a maximum of:

- a) US\$10m per block for deep offshore blocks; and
- b) US\$7m per block for shallow waters and onshore blocks.

Speaking at the NUPRC's Project 1MMBOPD Additional Production Investment Forum held in London on 11 November 2025, the Commission reiterated the intention to implement a restructured and deferred signature bonus framework for the 2025 Bid Round. However, the implementation strategy for this approach is yet to be formally communicated and it remains to be seen whether the framework will be included in the Guidelines or in a new regulation.

In our view, the approach taken in relation to the signature bonus will be pivotal in signalling the Government's commitment to genuine focus on increased production, as an effective system will undoubtedly ensure that available investor funds are channelled towards field development and progression.

Parsons: What we do

At Parsons, our lawyers have expertise advising on the Nigerian oil and gas sector and are familiar with the regulatory framework. With our experience in this sector, our firm is uniquely positioned to guide stakeholders on the 2025 licensing rounds.

To explore opportunities in the 2025 Bid Rounds, reach out to us at info@parsons-legal.com.

²⁵ See <https://punchng.com/fg-scraps-signature-bonus-payment-for-oil-blocs/>

²⁶ See <https://punchng.com/oil-bid-round-fg-cuts-signature-bonus-from-200m-to-10m/>





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