

THE DECOMMISSIONING AND ABANDONMENT REGULATIONS 2026

Brief Overview: *Nigeria's 2026 Decommissioning and Abandonment Regulations introduce a more commercially workable framework for managing upstream petroleum liabilities. This article examines key reforms to D&A plans, funding timelines and fund domiciliation, alongside new rules on well shut-ins, and considers how the changes may affect the financing, valuation, operation and transfer of upstream assets.*

Introduction

Decommissioning and abandonment have been an unavoidable feature of upstream petroleum operations in Nigeria. This is because Nigeria's upstream oil sector has accumulated decades of production activity across an increasingly mature asset base, with several fields now approaching or having reached the end of their productive lives. The obligation to safely plug wells, dismantle facilities, and restore the environment upon cessation of operations has therefore grown in both practical urgency and regulatory significance.

In recognition of this, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), exercising its powers under sections 232 and 233 of the Petroleum Industry Act, 2021, issued the Nigerian Upstream Petroleum Decommissioning and Abandonment Regulations, 2023, as the primary subordinate legislation governing upstream decommissioning and abandonment obligations in Nigeria.

However, the 2023 Regulations encountered significant implementation difficulties in practice. Most notably, the requirement that the Decommissioning and Abandonment Fund (D&A Fund) be domiciled with the Central Bank of Nigeria (CBN), an institution whose statutory mandate under the CBN Act 2007 does not extend to maintaining accounts for non-State-owned entities.

Consequently, in March, the NUPRC issued the Nigerian Upstream Petroleum Decommissioning and Abandonment Regulations, 2026, which repealed the 2023 Regulations and introduced targeted revisions to address these structural deficiencies. The objectives of the new regulations are to ensure that decommissioning and abandonment of petroleum wells, installations, structures, utilities, plants, and pipelines are conducted in accordance with good international practice, and to set the framework for establishing and administering a dedicated D&A Fund.

This article highlights key provisions and changes introduced by the 2026 Regulations, along with their implications for upstream petroleum operators in Nigeria.

Key Provisions

The core provisions of the 2026 Regulations and the key changes they introduce to Nigeria's upstream decommissioning and abandonment framework are highlighted as follows:

D&A Plans and Timeline for Submission: While the 2023 Regulations require new licensees and lessees to submit a Decommissioning and Abandonment Plan (D&A Plan) within 1 year of the regulations' commencement, and require existing licensees and lessees to submit an updated D&A Plan within the same one-year period, the 2026 Regulations state that the plan should:

- a. in the case of a Petroleum Prospecting Licence (PPL), be submitted with an application for approval of the Work Programme for the licence;

- b. in the case of a Petroleum Mining Lease (PML), be submitted with the application for approval of a Field Development Plan; and
- c. in the case of a licence or lease with an existing decommissioning and abandonment plan within an approved Field Development Plan, an updated D&A Plan should be submitted within 6 months of the commencement of the 2026 regulations.

The revised submission timelines for D&A Plans have been set to align with the relevant stage of asset development.

Revision of Timelines for Establishment of D&A Fund: Each licensee or lessee is required to establish a dedicated D&A Fund in respect of each licence or lease it holds. Such licensees and lessees are required to make annual cash contributions, as set out in the approved D&A Plan, into the D&A Fund (or in accordance with any other procedure NUPRC may prescribe).

The 2026 Regulations revise the D&A Fund establishment timelines as follows: (a) PPL holders must establish the D&A Fund within 180 days of Work Programme approval; (b) PML holders within 180 days of the grant of the PML; and (c) existing licensees or lessees without an approved D&A Plan must submit a plan within 6 months of the commencement of the 2026 Regulations and, within 180 days of plan approval, establish the D&A Fund.

This differs from the position under the previous regulation, which required licensees and lessees to establish the D&A Fund within 90 days. Under the 2026 Regulations, as under the 2023 Regulations, the NUPRC must be notified of the Fund's establishment within 14 days of its creation. With NUPRC approval, operators holding multiple licences or leases may consolidate contributions from those assets into a single Fund account.

Revision of Fund Domiciliation: Under the 2023 Regulations, the Fund was required to be held in escrow with the CBN, except for licences or leases held by International Oil Companies (IOCs) in joint venture with NNPC Limited (NNPC) or for licences or leases under a Production Sharing Contract with NNPC. Licensees and lessees under this exception are required to escrow with the CBN a minimum of 15% of their annual counterpart contributions to the Fund, proportionate to their equity interest in the licence or lease.

The 2026 Regulations depart significantly from this framework and now requires that 100% of the Fund be held in an escrow account with any qualifying Nigerian financial institution rated A+ or its equivalent, as published by Standard & Poor 500, Fitch Ratings Inc., Moody's Investors Service Inc., Agosto & Co., or GCR Ratings.

For IOC-held licences and leases in a Joint Venture arrangement with NNPC, or for any licence or lease in which an IOC holds a participating or economic interest, the amount to be held in a Nigerian financial institution shall be 15% of the total annual contribution to the Fund.

The balance of the total annual contribution to the Fund may be held in any foreign financial institution rated (at least) A+ or its equivalent, as published by Standard & Poor's 500, Fitch Ratings Inc., or Moody's Investors Service Inc.

Where the credit rating of a financial institution falls below the prescribed threshold, the operator must apply to the NUPRC within 90 days for approval of a replacement institution, with deemed approval if the NUPRC fails to respond within 14 days. Funds accruing to the Fund may be invested only in low-risk financial instruments that meet the prescribed minimum rating.

Extended Timeline: The 2026 Regulations extend the maximum suspension period for a well from 3 years under the 2023 Regulations to 4 years, with the possibility of extension upon the operator's justification. No well shall be shut-in for operational reasons for more than 1 year without express approval from the NUPRC.

Our Analysis

The foregoing provisions outline the revised framework now governing upstream decommissioning and abandonment obligations in Nigeria. The 2026 Regulations aim to resolve several practical and structural implementation issues that arose under the 2023 Regulations while strengthening regulatory oversight of decommissioning liabilities across the upstream petroleum sector.

Analysing the 2026 Regulations against the background of the 2023 Regulations, the key shift is the move to a commercially workable, project lifecycle-based approach. Under the 2023 Regulations, operators were required to submit D&A Plans within one year of the Regulations coming into force, irrespective of the production stage of the relevant asset. The 2026 Regulations now align the D&A Plan submission timeline with the actual stage of the licence or lease, thereby introducing a more practical framework that reflects the operational realities of upstream petroleum projects.

The revised timelines for establishing the Fund also provide a more commercially practical framework by linking funding obligations to project development stages. Similarly, the revised Fund domiciliation framework resolves the practical difficulties created by the 2023 Regulations by permitting the Fund to be held with qualifying Nigerian or offshore financial institutions, rather than being held exclusively with the CBN.

The 2026 Regulations introduce explicit guidelines on well shut-ins, a category of operational activity not addressed in the 2023 Regulations. By establishing that no well shall be shut-in for operational reasons for more than 1 year without express NUPRC approval, the 2026 Regulations address a previously unregulated activity, closing a gap that would have denied Nigeria much-needed revenue for national development.

Conclusion

The 2026 Regulations reflect the growing recognition that decommissioning and abandonment obligations are no longer merely end-of-life operational concerns but are key commercial, financial, and regulatory considerations that directly affect the operation, financing, valuation, and transfer of upstream petroleum assets. For upstream petroleum operators, financiers, and investors, the practical implication is that decommissioning liabilities must now be central to operational planning, transaction structuring, and financial risk assessment from the earliest stages of a project's lifecycle.

The 2026 Regulations and the accompanying administrative penalty regime demonstrate the NUPRC's intention to adopt a stringent approach to monitoring and enforcing compliance with decommissioning and abandonment obligations. Early and proactive engagement with the NUPRC will therefore be essential for all stakeholders operating in this evolving regulatory landscape.

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