

WINNING OR LOSING AT THE NIGERIAN 2025 PETROLEUM LICENSING ROUND

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EXECUTIVE SUMMARY

Nigeria's 2025 Petroleum Licensing Round (the "Licensing Round") is a competitive, performance-driven allocation process that will determine the next wave of Petroleum Prospecting Licence ("PPL") holders. Structured under the Petroleum Industry Act ("PIA") and administered by the Nigerian Upstream Petroleum Regulatory Commission ("NUPRC"), the process is designed to be transparent, competitive and performance-driven, with clear scoring metrics and enforceable post-award obligations. Investors must act strategically, as success would depend on technical depth, financial capability and compliance-driven structuring.

Who can participate

The process is open to:

- Companies already in existence as of the date of application;
- Foreign companies (subject to incorporating a Nigerian subsidiary prior to award); and
- Consortia operating under a formal, role-defined consortium agreement.



Key Financial Commitments

Prospective bidders should budget for both entry costs and performance-backed commitments, including:

- **US\$10,000** registration fee;
- **US\$25,000** application and processing fee per bid;
- **US\$10,000** optional data prying fees;
- Data leasing fee (cost dependent on dataset type and volume);
- Signature bonus (**minimum of US\$3,000,000 and maximum of US\$7,000,000**);
- Bid Guarantee (**5% of proposed signature bonus**);



- Work programme financial commitment; and
- Work performance security (**minimum of 5% of the proposed work programme financial commitment**).

A Three-Stage Competitive Process

- Pre-qualification: Financial capacity, technical experience, legal standing and health, safety and environment (“**HSE**”) track record are screened rigorously. Only credible operators advance.
- Technical Evaluation: This stage is substantive and execution focused. NUPRC assesses:
 - Acreage understanding and subsurface evaluation;
 - Realistic and phased exploration work programmes;
 - Credible development and production concepts;
 - Environmental, social and governance (“**ESG**”), HSE and host community integration;
 - Fiscal awareness and project economics; and
 - Lifecycle planning, including decommissioning obligations.
- Commercial Bid Evaluation: Only technically qualified bidders proceed. Scoring integrates:
 - Technical score;
 - Signature bonus;
 - Work programme financial commitment; and
 - Work performance security.

Post-Award Conditions

Winning bidders must, within ninety (90) days of receiving the offer letter, satisfy the following conditions.

- Pay the full signature bonus and first-year rent;

- Provide required guarantees;
- Submit affidavits confirming regulatory and financial integrity; and
- Satisfy incorporation requirements (for foreign bidders).

It is important to note that failure at this stage may trigger substitution with the reserve bidder.

Investor Takeaway

For well-prepared investors, this opportunity is significant and strategically timed. The competitive field will be sophisticated, but the framework is rules-based and navigable. The process will favour investors who integrate geological insight, disciplined financial structuring, regulatory compliance and credible execution capability into a coherent, defensible bid strategy to deliver sustainable production under Nigeria’s evolving upstream industry.

A. INTRODUCTION

The recently announced Nigeria’s 2025 Petroleum Licensing Round (the “**Licensing Round**”) presents a significant opportunity for investors seeking entry into, or expansion within, one of Africa’s largest hydrocarbon markets. Through this Licensing Round, the NUPRC seeks to award PPLs¹ across fifty (50) oil and gas blocks spanning on-shore, shallow-water, deep-offshore and frontier acreages². Prospective bidders are limited to **two (2) blocks**, and the range of assets allows for alignment of their investment strategies with varying risk profiles, funding commitments and development timelines.

In line with the approved Licensing Round timetable, the NUPRC opened the bid portal on December 1, 2025, and held a pre-bid conference on January 14, 2026, followed by a pre-bid webinar on January 28, 2026 (together, the “**Conference**”). The Conference provided regulatory guidance on eligibility requirements, timelines, financial commitments, and bid evaluation criteria. Applications are due by February 27, 2026, with pre-qualified bidders scheduled to be announced on March 16, 2026. Pre-qualified bidders will subsequently gain access to the NUPRC data room and will thereafter be required to submit their detailed technical and commercial bids.

This Licensing Round is part of the Federal Government’s broader initiative to accelerate the development of Nigeria’s petroleum resources. For prospective bidders, success will depend on their technical credibility, financial strength, regulatory compliance and execution capacity. The Licensing Round is highly competitive and early preparation is critical to success. Understanding the legal framework, bid evaluation metrics and post-award obligations is essential to positioning bids for success.

B. THE LEGAL FRAMEWORK GOVERNING BID EVALUATION

Bid evaluation under the Nigerian oil and gas industry is a structured, statute-driven process governed by: (i) the Petroleum Industry Act, 2021 (“**PIA**”); (ii) the Petroleum Licensing Round Regulations, 2022 (the “**Regulations**”);

¹PPLs are awarded for a duration of three (3) years for onshore/shallow water and five (5) years for deep offshore, subject to an optional renewal for the respective terms. See Section 77 of the PIA.

²These include fifteen (15) onshore blocks, nineteen (19) shallow-water blocks, fifteen (15) frontier acreages and one (1) deepwater block.

³Sections 70 – 72 of the PIA.

⁴Section 73(1) of the PIA.

⁵Section 74(2) of the PIA.

and (iii) the licensing round guidelines issued by the NUPRC for each licensing round.

(i) The PIA:

- establishes the statutory framework for upstream licenses³;
- stipulates that PPLs or Petroleum Mining Leases shall only be granted based on a fair, transparent and competitive bidding process⁴; and
- sets the evaluation parameters for licensing rounds, including signature bonus, royalties, profit oil split, work programme commitment, or other round-specific metrics⁵.

(ii) **The Regulations:** operationalise the PIA by prescribing licensing round procedures, pre-qualification criteria, bid submission, and evaluation processes.

(iii) **The licensing round guidelines issued by the NUPRC for each licensing round:** sets practical rules from announcement to licence award, including bid timetable, pre-qualification, submission requirements, consortium rules, fees, and data acquisition.

Ultimately, the PIA, the Regulations and the guidelines issued by the NUPRC for each licensing round collectively constitute the legal framework that defines both the scope and limits of NUPRC’s discretion. While the NUPRC retains evaluative judgment within prescribed parameters, it is legally bound to apply the established criteria transparently and consistently.



C. BID EVALUATION UNDER THE LICENSING ROUND GUIDELINES

i. Stage One: Pre-Qualification – Clearing the First Hurdle

Clause 12 of the Licensing Round Guidelines (the “**Guidelines**”) details the prequalification criteria of applicants in the Licensing Round. We have detailed below a summary of the key criteria:

- Financial Capacity:
 - is assessed based on verifiable funding capacity for petroleum operations in the deep offshore, onshore, and shallow waters;
 - the prescribed financial threshold for deep offshore blocks is a minimum of US\$100,000,000 (One Hundred Million United States Dollars), compared to onshore and shallow water blocks, with a minimum of US\$40,000,000 (Forty Million United States Dollars)⁶;
 - applicants may present their annual turnover, cash reserves, bank guarantees, or parent company guarantees (for newly incorporated companies); and
 - consortium members may pool their financial capacity to meet any minimum financial threshold, provided this is supported by audited financial statements of each member and provided for under the consortium agreement.
- Technical Eligibility:
 - requires at least three (3) years’ relevant upstream experience⁷, either directly or through an operator in the case of a consortium; and
 - newly incorporated entities are permitted to meet the experience threshold through the demonstrated expertise of their majority management team, a qualified technical partner, or a parent company⁸.
- Legal and HSE Compliance:
 - incorporation documents, beneficial ownership and management information, letter of good standing from



the Corporate Affairs Commission (“**CAC**”), evidence of solvency, and a valid tax clearance certificate for the past three (3) years are required to meet the legal criteria⁹; and

- evidence of a robust HSE system and a safety and environmental track record over the past five (5) years, and evidence of compliance with the implementation and operationalisation of a host communities development trust are required to meet the HSE criteria.¹⁰

Only applicants who meet these requirements will be shortlisted as qualified bidders, and unsuccessful applicants will not be entitled to seek clarification regarding their application. ***Where an application is submitted by a consortium, each member must meet the legal and financial requirements, while at least one member, designated as the operator¹¹ must independently satisfy all financial, technical, legal and HSE criteria.***

Upon prequalification, applicants would be granted access to the NUPRC data room for the purchase and evaluation of relevant seismic data related to the blocks.

Data Purchase and Evaluation – Data First: Winning Starts Here

Data purchase and evaluation are critical to bid success as understanding the geological potential of a block and calibrating realistic work programmes and financial estimates are key to the preparation of a tenable bid. Prospective bidders should note the following¹²:

⁶Clause 12.2(a)&(b) of the Guidelines.

⁷This includes geological and geophysical capabilities, drilling and well engineering, production engineering and technology and reservoir evaluation and management in deep offshore, onshore and shallow waters operations.

⁸Clause 12.3 of the Guidelines.

⁹Clause 12.4 of the Guidelines.

¹⁰Clause 12.5 & 12.6 of the Guidelines.

¹¹The operator must have a minimum participating interest of 30% in the Consortium. See Clause 6.4(e) of the Guidelines.

¹²Clause 7 of the Guidelines.

- Certain blocks have detailed, limited, or no data;
- Data prying is optional and provides access to block-specific data in the NUPRC physical data room upon payment of the prescribed US\$10,000 (Ten Thousand United States Dollars)¹³;
- Data purchase or lease is mandatory, and applicants are required to purchase available multibeam, 2D seismic data, 3D seismic, well data and other relevant datasets¹⁴;
- Evidence of purchased or leased data must be uploaded prior to technical bid submission; and¹⁵
- Early data evaluation enhances bid coherence, credibility and alignment of technical and financial planning.

II. Stage Two: Technical Bid Evaluation – Technical Excellence Wins

The technical bid stage assesses each bidder’s technical capability to responsibly explore, develop and operate the specific block(s) for which it has bid. Bidders are required to submit evidence of their relevant technical and operational experience, together with a detailed, block-specific work programme, setting out clear milestones for the entire duration of the PPL¹⁶. The focus of this stage is on technical qualifications and demonstrated ability to transform technical expertise into a realistic and executable plan for asset development.

In evaluating technical bids, NUPRC typically considers several interrelated metrics¹⁷. These include:

- a) **Acreage understanding and subsurface evaluation:** NUPRC assesses the bidder’s understanding of the geology and subsurface characteristics of the block, use of available seismic and well data, and identification of the risk-reward profile of the block. Strong bids demonstrate that the bidder has invested time in data acquisition and interpretation, understands reservoir uncertainties, and can articulate how these uncertainties will be managed through phased exploration and appraisal activities.
- b) **Exploration work programme:** The exploration work programme is evaluated based on its technical soundness, sequencing and feasibility. NUPRC considers whether proposed activities such as seismic acquisition, exploratory drilling and appraisal are appropriate for the block’s maturity and terrain. Programmes that are clearly phased, time-bound and aligned with statutory PPL timelines score better than speculative proposals that lack a clear path to execution.
- c) **Development and Production Concept:** This metric focuses on the credibility of the bidder’s proposed development strategy. NUPRC examines whether the proposed production concept (including facilities design, evacuation routes, recovery techniques and technology) is technically viable, cost-effective and suitable for the block’s location. Alignment between reservoir characteristics and the proposed development approach is critical, as is the evidence of experience executing similar projects.
- d) **ESG, HSE and Host Community Development:** Bidders are assessed on their ESG framework, HSE systems and approach to host community engagement. NUPRC expects clear policies on environmental protection, safety management and regulatory compliance, as well as practical plans for stakeholder engagement, community development and conflict prevention. Proposals that integrate these considerations into project planning, rather than treating them as standalone obligations, are likely to be viewed more favourably.



¹³Schedule F of the Guidelines
¹⁴Data can be purchased from the National Data Repository and other accredited vendors such as the TGS ASA and TGS-PetroData Offshore Services Limited.
¹⁵Clause 9.1 of the Guidelines.
¹⁶Clause 19.1 of the Guidelines.
¹⁷These metrics were highlighted by the NUPRC at the Conference.

- e) **Project Economics and Fiscal Awareness:** NUPRC evaluates whether the bidder demonstrates a sound understanding of project economics under the fiscal regime established by the Nigerian Tax Act, 2025 and the PIA. This includes awareness of royalties, taxes, and fees and how these impact project viability. Credible bids reflect cost assumptions, production profiles and economic thresholds that are supported by market realities.
- f) **Lifecycle Planning and Abandonment Considerations:** The NUPRC increasingly emphasises full-cycle asset management. Bidders are expected to demonstrate early consideration of asset lifecycle planning, including field maturation, decline management and decommissioning and abandonment obligations. Proposals that acknowledge future liabilities, regulatory requirements and funding strategies for decommissioning and abandonment signal long-term responsibility and regulatory compliance.

Finally, it is important to note that the submission of a successful technical bid does not confer any right to an award; it merely qualifies the bidder to proceed to the commercial evaluation stage. Notably, the NUPRC has repeatedly emphasised that under the Licensing Round, technical competence would feed into the commercial scoring process, ensuring that bid outcomes reflect overall project credibility and execution capacity.

iii. Stage Three: Commercial Bid Evaluation – Delivering Overall Value

Only bidders that have successfully passed the technical valuation stage are eligible to participate in the commercial bid conference, at which their commercial bids are formally

opened. Evaluation is based on five (5) core parameters:

- a) the bidder’s technical score;
- b) the proposed signature bonus;¹⁸
- c) the bid guarantee;¹⁹
- d) the work programme financial commitment; and
- e) the work performance security.²⁰

Each of these parameters is weighted in accordance with Schedule G of the Guidelines, with allocated points adding up to one hundred percent (100%), and the bid with the highest score, delivering the best overall long-term value to the Federal Government, particularly in terms of reserves growth, production and fiscal benefits is selected as the winning bid.

Following the process, the NUPRC shall publish the winning bidder and the reserve bidder on its website, and issue an offer letter to the winning bidder within fourteen (14) working days of the commercial bid conference. Importantly, following receipt of the offer letter, the winning bidder must, within ninety (90) days and before the PPL is granted, satisfy a set of post-award conditions precedent. These include submitting any applicable parent company guarantee, a work programme commitment guarantee, and payment of the prescribed fees, first-year rent, and the full signature bonus.

In addition, the winning bidder must provide an affidavit confirming its regulatory and financial integrity. This affidavit must state that neither the company nor its directors are subject to regulatory investigations, disciplinary actions, civil or criminal proceedings, or convictions relating to fraud or dishonesty, and that the company is solvent, with no pend-



¹⁸A minimum of US\$3,000,000 (Three Million United States Dollars) and a maximum of US\$7,000,000 (Seven Million United States Dollars).

¹⁹The bid guarantee must be submitted with the bidder’s commercial bid and shall be:

- I. an amount equivalent to 5% of the proposed signature bonus.
- II. in the form of an on-demand payment bond payable upon presentation in Nigeria valid for one hundred and twenty (120) calendar days after the commercial bid conference (or for such extended period as may be mutually agreed between the NUPRC and the Bidder);
- III. from an international bank with a “BBB” rating from S&P Global, Fitch Ratings, or Moody’s, or a Nigerian Bank with a “BBB” rating from GCR, Augusto & Co, AM Best, or Data Pro; and
- IV. in the form provided in Schedule D of the Guidelines.

See Clause 17.7(a) of the Guidelines.

²⁰Minimum of 5% of the proposed work programme financial commitment.

ing or threatened insolvency proceedings affecting it or its assets.

Where the winning bidder fails to satisfy these conditions, the bid shall be declared unsuccessful, and the NUPRC shall invite the reserve bidder to fulfil the conditions. Upon the winning or reserve bidder fulfilling the conditions, the Minister of Petroleum Resources shall grant the PPL to the winning bidder or reserve bidder, as the case may be.²¹

D. KEY LEGAL RISKS THAT COMMONLY DERAIL OTHERWISE STRONG BIDS

- i) **Non-compliance with Fiscal Obligations:** Fiscal compliance should be fully regularised well before bidding for existing licensees, as nonpayment of outstanding taxes, royalties, rents or statutory fees²² is a strict reason for disqualification under the Guidelines.²³ NUPRC applies this provision with zero tolerance. Liability may arise not only at the bid stage but also post-award, meaning that fiscal non-compliance issues that surface later may invalidate an award. Additionally, for consortium bids, non-compliance by one member may lead to the disqualification of the consortium's entire bid.
- ii) **Misrepresentation:** Overstating capacity, experience or financial strength affects the integrity of the bid submission and may trigger immediate disqualification at any stage of the bid process. Furthermore, the Guidelines empower the NUPRC to revoke any award issued to the winning bidder where it discovers any such misrepresentation in the bid submission.²⁴ This includes falsification, omission or inaccuracy in any document, statement, information, or representation,



whether intentional or negligent. Notably, the Guidelines also provide that the bid guarantee will be forfeited where a bid is found to contain any false statement or material misrepresentation.²⁵

- iii) **Breach of Existing Licence Conditions:** A poor compliance history under existing licences materially undermines credibility, regardless of bid strength. Bidders with a history of breaching existing petroleum licence conditions face disqualification²⁶, reflecting NUPRC's shift toward performance-based licensing awards. Failures such as inability to meet work programme commitments, non-payment of rents or royalties, and regulatory non-compliance under prior licences or leases are reasons that may result in a bid disqualification. The NUPRC typically depends on its own internal records rather than solely on what bidders disclose, meaning that any past compliance issues are likely to come under scrutiny
- iv) **Confidentiality Breaches:** The Guidelines impose strict confidentiality obligations over bid data, evaluation processes and commercially sensitive information. A breach of the confidentiality obligations, whether through unauthorised disclosures, media engagement or information sharing with third parties, can lead to the disqualification of a bid. These obligations are reinforced by the confidentiality agreement signed by all prospective bidders and the undertakings therein. Permitted disclosures are to consortium members, financiers, lawyers, technical advisors and other specialists involved in the preparation of its bid. Internal controls and information firewalls are therefore essential in bid preparations.²⁷
- v) **Invalid Bid Guarantee:** Failure to submit a valid bid guarantee, or submitting a defective guarantee (wrong issuer, amount, duration or format), results in automatic disqualification of the bid.²⁸ This is one of the most mechanical yet fatal risks in the process. Acceptable bid guarantees shall be from **an international bank**

²¹See generally Clause 19.2 of the Guidelines.

²²These include payments such as the Nigerian Social Insurance Trust Fund (NSITF), Bureau of Public Procurement (BPP), Pension Commission (PENCOM) and the Industrial Training Fund (ITF).

²³Clause 14.1 (h) of the Guidelines.

²⁴Clauses 14.1(a) and 18 of the Guidelines.

²⁵Clause 17.6 (f)(ii) of the Guidelines.

²⁶Clause 14.1 (b) of the Guidelines.

with a “BBB” rating from S&P Global, Fitch Ratings, or Moody’s, or a Nigerian Bank with a “BBB” rating from GCR, Augusto & Co, AM Best, or Data Pro.²⁹ Additionally, parent companies of bidders may provide guarantees if they hold equivalent ratings. Bid guarantees must be properly verified before submission to ensure that they adhere to the standards outlined in the Guidelines.

vi) Non-compliance with Nigerian Incorporation Requirements:

While foreign bidders may participate at the bid stage, failure to incorporate a Nigerian subsidiary within the prescribed post-award timeline under the Companies and Allied Matters Act, 2020, is an automatic ground for loss of award.³⁰ Delays arising from shareholder approvals are common and often underestimated. Therefore, foreign bidders should initiate incorporation processes early, ensure all corporate governance and compliance documents are in order and allocate sufficient time and resources to meet regulatory requirements to mitigate the risk of bid disqualification.

vii) Failure to Satisfy Post-Award Conditions:

Even after winning, failure to meet post-award conditions precedent, such as providing work commitment guarantees, paying signature bonuses, or submitting the required affidavits, within ninety (90) days from the date of receipt of the offer letter, can result in automatic loss of the award in favour of the reserve bidder.³¹

E. CONCLUDING REMARKS.

The Licensing Round is a structured regulatory process aimed at rewarding bidders who demonstrate a strong combination of technical expertise, financial capacity, regulatory compliance and operational readiness. For pro-

spective bidders, the implications are clear. Winning at the bid stage hinges on careful preparation, data-driven strategies, adherence to statutory and regulatory requirements and demonstrating execution credibility. As the Licensing Round advances toward the submission of technical and commercial bids, bidders must view this process not merely as a competitive tender but as a strategic opportunity to improve their respective participation in Nigeria’s upstream sector.

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²⁷clause 13 of the Guidelines.

²⁸clause 19.2 (g) of the Guidelines.

²⁹Clause 17.6(a) of the Guidelines.

³⁰Clause 6.2 of the Guidelines.

³¹Clause 19.2(k) & (l) of the Guidelines

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