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Appraisal of the Institutional and Regulatory Frameworks of the Nigerian Oil and Gas Industry

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Dr. Onyemere, John-Kennedy C, PhD

Senior Lecturer, Dept of Commercial and Industrial Law, Faculty of Law, Abia State University, Uturu, Umuahia Location, Nigeria

Correspondence: Dr. Onyemere, John-Kennedy C, PhD, johnkennedychinedu51@gmail.com

Abstract

This article provides a broad assessment of the institutional and regulatory framework of the Nigerian oil and gas industry that notably accounts for significant foreign exchange earnings. The article adopts the doctrinal method of research to assemble and analyze relevant literature and legal materials on the roles, responsibilities, challenges and prospects of the institutions and the regulators. The article discovered that the industry's activities impact negatively on the environment, health and social lives of the people resulting in some cases of displacement of oil bearing communities, gas flaring, oil spills and pollution and argues that these pitfalls are result of ineffectiveness of the regulatory institutions. It highlights the need for effective law enforcement and regulation to mitigate the suffering of the host communities and enhance sustainable development. This article discloses that the institutional and regulatory framework of the Nigerian oil and gas industry are indispensable for the industry's safety and operational effectiveness but need to be strengthened. The article concludes that a viable institutional and regulatory framework is essential for the industry to achieve its full potential and contribute meaningfully to the country's national economic development with global relevance. It recommends adequate funding, the strengthening of the regulatory frameworks through institutional training and re-training, capacity building, transparency in all the procedures of the oil and gas engagements and activities, accountability to foster confidence and trust in the process, community concerns and engagement , sustainable development, peaceful cohesion, increased production, environmental protection and safety.

Keywords: Nigerian Oil and Gas Industry, Institutional and Regulatory Framework, Environmental Protection, Community Engagement, John-Kennedy

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1.0 INTRODUCTION

The Nigerian oil and gas industry is a critical sector that has made substantial contribution to the nation's economic prosperity[1]. The oil and gas industry generate about 70-80% of total government revenue and roughly between 90-95% of the nation's total foreign exchange earnings[2]. The industry will not function effectively without the viability of its institutional framework and regulatory agencies[3]. Historically, oil boom and natural resource prosperity has weakened state governance and institutional frameworks enormously in many developing nations, inclusive of Nigeria[4]. In spite of the commitment of these institutions, natural resource prosperity has weakened economic development[5], engrained poverty[6], triggered community conflicts[7] and entrenched corruption[8]. The institutions are further threatened by weak and ineffective governance and regulatory frameworks[9], poor enforcement mechanism[10] that negatively affects effective implementation due to lack of transparency and accountability that hinders community engagement, open communication and fair compensation mechanisms that mitigates the negative impacts of the industry's activities in local communities[11].

2.0 HISTORICAL BACKGROUND

The institutional framework and regulatory agencies of the Nigerian oil and gas industry have evolved significantly over the years, shaped by various laws, regulations, and institutions. The history of the current state of the industry dates back to 1956 and 1958 respectively, when Nigeria had its first oil

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[1]K.C. Njoku, J. I. Ndifon, et al 'Petroleum Industry and the Nigerian Economy', *Scholarly Journal of Social Sciences Research* (2025) 4(1), 1-15; C.S. Ayonmike, 'Technical and Vocational Education and Training (Tvet) : Model for Addressing Skill Shortage in the Nigerian Oil and Gas Industry', *American Journal of Educational Research* (2015) 3(1), 62-66

[2]E.N. Nweze and D.O. Edeme among others, 'The Impact of Direct Investment and Oil Revenue on Economic Growth in Nigeria', ; Impact of Crude Oil Price on Nigeria's Exchange Rate; K.C. Njoku, J. I. Ndifon, et al 'Petroleum Industry and the Nigerian Economy, ibid, n 1; U.F. Akpan, G.E. Akpan, 'The Contribution of Oil to Economic Growth in Nigeria,' *International Journal of Economics and Finance* (2012) 4(3) 365-378; *Central Bank of Nigeria, Annual Report and Statement of Account*, (2022)

[3]The institutions and regulatory agencies include Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), Ministry of Petroleum Resources, National Oil Spill Detection and Response Agency (NOSDRA), Nigerian Content Development & Monitoring Board (NCDMB, *etcetera*.

[4]P.E. Agbonifo, 'Institutional and Regulatory Compliance Gaps in Natural Resources Governance: Empirical Evidence and Lessons from the Nigerian Oil and Gas Industry', *International Journal of Religion* (2024) 5(12) 1006-1020; M.C Thurber, D.R. Hults, and P.R.P. Heller, 'Exporting the Norwegian Model: The Effect of Administrative Design on Oil Sector Performance', Energy Policy (2011) 39(9) 27; I. Amundsen, 'Revenue Management, Corruption Challenges and Redistribution'. International Policy Conference on Competitiveness and Diversification: Strategy Challenges in a Petroleum –Rich Economy Organised by the *Ministry of Trade and Industry in Ghana and UNIDO* and held in Accra, Ghana (2011) 14-15 March.

[5]N. Shaxson, 'Nigeria's Extractive Industries Transparency Initiative: Just a Glorious Audit?' *Chatham House (Royal Institute of International Affairs)*, London

[6]E. Okpanachi, and N. Andrew, 'Preventing the Oil Resource Curse in Ghana: Lesson from Nigeria, World Futures', *the Journal of Global Education* (2012) 68(6) 430-450

[7]I. Bannon and P. Coller, 'Natural Resource and Violent Conflict: International Bank for Reconstruction and Development', *The World Bank, Washington D.C* (2003). ; V. Ko, 'Nigeria's Resource Curse : Oil as Impediment to True Federalism', (2014) available online at https://www.eir.info/pdf/51075.Accessed on 16/06/2026 at 22:48 pm

[8]G.M. Moise, 'Corruption in the Oil Sector: A Systematic Review and Critique of the Literature', *The Extractive Industries and Society* (2020) vol. 7, 217-236

[9]N. Edomah, C. Foulds and A. Jones, 'The Role of Policy Makers and Institutions in the Energy Sector: The Case of Energy Infrastructure Governance in Nigeria', MDPI Sustainability (2016) 8, 1-15

[10]M.C Thurber, D.R. Hults, and P.R.P. Heller, ibid n 4

[11]O.A. Oyewunmi and O.J. Olujobi "Transparency in Nigerian Oil and Gas Industry: Is Policy Re-Engineering the Way-Out? *International Journal of Energy Economic Policy*", (2016a) Vol.7 (3), 630; O.J. Olujobi and O.A. Oyewunmi, "Annulment of Oil Licences in Nigeria's Upstream Petroleum Sector: A Legal Critique of the Cost and Benefits", *International Journal of Energy Economics and Policy*, (2017)7(3) 364-369

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breakthrough and exploration at Oloibiri community in Ogbia Local Government Area, Bayelsa State of the Niger Delta, Region, Nigeria through Shell BP.

Since then, the industry has become a significant and dominant sector in the Nigerian economy, contributing significantly to the country's GDP and foreign exchange earnings[12]. The Nigerian government at different time has made several crucial efforts to evolve a new legal, regulatory and institutional framework for the industry[13] arising from calls for reforms[14]. The extant outcome began in 2000 with the inauguration of the Oil and Gas Sector Reform Implementation Committee (OGIC) by the Federal Government with the mandate to propose reforms for the industry. In 2004, the Oil and Gas Sector Reform Implementation Committee (OGIC) submitted a draft National Oil and Gas Policy (NOGP), to the Federal Government[15] which was consequently approved by the Federal Executive Council in 2007.

In order to enforce the approved draft of the National Oil and Gas Policy (NOGP), the Federal Government in 2008 secured the drafting of an executive bill designated as the Petroleum Industry Bill (PIB) and submitted to the sixth National Assembly which could not pass the Bill into law until its extinction.

Subsequently, in 2011 discussions on the enactment of the Petroleum Industry Bill into law resurfaced and led to the re-submission of the executive bill to the National Assembly in July 2012. The protracted legislative engineering procedure eventually crystallized it into the Petroleum Industry Act 2021 which was signed into law by the former President of the Federal Republic of Nigeria, Muhamadu Buhari on August 16, 2021. Structurally, the Petroleum Industry Act 2021 represents the most ambitious attempt at comprehensive petroleum sector reform consolidating and updating industry laws that has remained largely unchanged from the time when the Petroleum Act of 1969[16]commenced. The PIA 2021 consists of 5 main Chapters expressed in 319 Sections and 8 Schedules addressing long standing governance, fiscal, regulatory and community development concerns[17] with different aspects of the industry's law[18],

[12]E.N. Nweze and D.O. Edeme among others, n 2

[13]A. Etuwewe, 'Petroleum Industry Act (PIA), 2021: Impact, Challenges and Opportunities for Lawyers'; being paper presented at the Breakout Session of the *NBA Annual General Conference*, holding at Enugu on Tuesday, August 26th, 2025, p.1

[14]Friedrich-Ebert-Stiftung Foundation, 'A Nationwide Survey on the Expectations and Participation of the Youth in Nigeria's Oil and Gas Industry [2011] *Youth Network for Human Rights & Democracy*, *Youth and Oil Gas Governance in Nigeria,* 21; In 2011, a nationwide survey by the Youth Network for Human Rights and Democracy and Friedrich-Ebert-Shifting, showed that non-Nigerians profit more from the sector than Nigerians do.Consequently, civil society groups in Nigeria mounted pressure on the government to develop a legal and regulatory framework to protect the interests of the Nigerian citizens, maximize the benefits of this resource to the region and publish details of agreements between the Nigerians and the foreign multinationals exploration companies to avert the paradox of 'resource curse'. These laws enacted in Nigeria at different times by different governments made various provisions to enforce local content requirements to attract development for the host nations yet the situation is still the same due to absence of will-power of the government and the inability to enact the appropriate and sincere piece of legislation.

[15]Environmental Rights Action/Friends of the Earth, Nigeria, Petroleum in Nigeria, 2004, *Resistance* Number 45 & 45 *OILWATCH* - May 2004 and *Resistance* Number 46, *OILWATCH Network Bulletin* June 2004; M.H. Oziri, Reforms in the Oil and Gas Sector in Nigeria from 1999-2021: A Critical Appraisal, *South Asian Research Journal of Humanities and Social Sciences* (2022), vol. 4 (1) 3

[16]E.W. Maduabuchi, Law, Governance and Institutional Development in Nigeria: Contemporary Issues, Challenges and Emerging Legal Responses, *ResearchGate* (2026), p.1

[17]Ibid, n 6

[18]Rights of Preemption, Incorporated Joint Ventures, Domestic Base Price and Pricing Framework, Pricing Formula for Gas Price for the Gas Based Industries, Capital Allowances; Production Allowances and Cost Price Ratio Limit, Petroleum Fees, Rents and Royalty; and Creation of the Ministry of Petroleum Incorporated.

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guidelines[19] policing and regulations[20]. However, the PIA directly repealed some laws *hitherto* and their attendant institutions with effect from the date of enactment[21] while the repeal of the others are upon contingent events[22].

3.0 CLARIFICATION OF CONCEPTS

Conceptual clarification as used in this article presupposes the expression of the meaning of words and concepts used in this paper as well as the specific application to which the word or concepts are used. It is the process of making a concept, an idea, and word, term more precise, clear and easy for conceptual understanding. It is used here to offer deeper understanding of the concept or word, clarify terms or idea so as to disentangle assumptions, and strip away ambiguities and set clear boundaries.

3.1 Institutional Frameworks

The institutional framework of the Nigerian oil and gas industry refers to the framework of the organized structures of the institutions, organs of governance and agencies of government that perform the essential roles of governing and regulating the industry[23]. Courts and tribunals, judicial bodies that resolve disputes and interpret laws and regulations relating to the industry in times of disputations and disagreements[24] equally stand clearly part of the institutional framework and cannot be excluded from this important consideration.

[19]Guidelines For the Design, Construction and Operation of Oil and Gas Production Facilities 2023; Guidelines and Procedures for Obtaining Ministers Consent to the Assignment of Interest in Oil and Gas Assets 2021; Guidelines of Integrated Upstream and Midstream Petroleum Operations 2023; Guidelines for the Award and Operations of Marginal Fields in Nigeria 2020; Oil Block Allocation to Companies (Back-in Rights) Regulations 2019; Guidelines for the Operationalisation of Domestic Crude Oil Supply Obligations 2024; Approved Framework for Seamless Operationalisation of Domestic Crude Oil Supply Obligation 2024; Guidelines for the Operationalisation of Advanced Cargo Declaration Regularization 2025; Procedure Guide for the Determination of the Quantity and Quality of Petroleum and Petroleum Products in Nigeria 2019; Implementation Guidelines for the Oil and Gas Company (Tax Incentives, Exemption, Remission) Order 2024; Guideline for the Release of Staff in the Nigerian Oil and Gas Industry 2019; Guidelines and Requirements for the Application of Oil and Gas Industry Service Permit (OGISP) 2024; Notice of Tax Incentive on Deep Offshore Oil and Gas Production 2024; Value Added Tax (Modification) Order 2024; Guidelines and Procedure for Construction, Operation and Maintenance of Pipelines 2021; Guidelines for the Establishment and Operation of Safety and Emergency Training 2020; Safety Case Guidelines for Oil and Gas Facilities 2020; Guidelines and Procedure for Lifting Equipment and Lifting Operations 2020; Guidelines for Work at Height and Confined Space Entry 2020; Requirements for the maintenance and Inspection Flexible Pipes, SCR and Mooring Chain Systems 2012, Guidelines for the Implementation of Risk based Inspection in the Nigerian Oil and Gas Industry 2020; Guidelines for Compliance with the Technical Safety Control (TSC) Requirements 2020.

[20]Nigerian Upstream Petroleum Commercial Regulations 2025; Nigerian Upstream Petroleum Safety Regulations 2024; the Acreage Management and Petroleum (Drilling and Production) Regulations; Nigerian Upstream Petroleum Environmental Regulations 2022; Nigerian Upstream Petroleum Environmental Remediation Regulations 2025; Gas Flaring, Venting and Methane Emission (Prevention of Waste and Pollution) Regulations 2023; Nigerian Upstream Petroleum (Assignment of Interest) Regulations 2024; Production Curtailment and Domestic Oil Supply Obligation Regulations 2023; frontier Basins Exploration Administration Regulations 2023; Significant Crude Oil and Gas Discovery Regulations 2023; Nigerian Upstream Petroleum Unitization Regulations 2023; Nigerian Upstream Petroleum Host Communities Development Regulations (NUPHCDR) 2022; Petroleum Licensing Round Regulations 2022; Petroleum Royalty Regulations 2022; Petroleum Conversion and Renewal Regulations 2022,etc .

[21]Associated Gas Re-injection Act, provided for the re-injection of associated gas, Hydrocarbon Oil Refineries Act Cap H5 LFN 2004 to govern oil refining activities, Motor Spirit (Returns) Act, related to returns on motor spirits, Nigerian National Petroleum Corporation (Projects) Act, focused on projects related to the NNPC, Petroleum Products Pricing Regulatory Agency (Establishment) Act, established the PPPRA, Petroleum Equalisation Fund Act, managed the fund for equalizing petroleum prices.

[22]The NNPC Act 1977 was repealed when the Nigerian National Petroleum Corporation (NNPC) ceased to exist as the existing entity, Petroleum Profit Tax Act (PPTA), was repealed and replaced by the hydrocarbon tax and company income tax under the new fiscal framework, Deep Offshore and Inland Basin PSC Act, was repealed upon the happening of certain events. The repeal of the Petroleum Profit Tax Act (PPTA), Deep Offshore and Inland Basin Production Sharing Contract Act were contingent on specific events occurring after the PIA's enactment.

[23]J-K.C. Onyemere, Legal Regime of the Nigerian Content Requirements: Application in the Oil and Gas Sector, A PhD Thesis Submitted to the Faculty of Law, School of Postgraduate Studies, Abia State University, Uturu (2023) 190

[24]Section 6(6) (b) of the CFRN 1999 as amended

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3.2 Regulatory Agencies

Regulatory Agencies include ministries and agencies of the federal government established for the regulation of the petroleum industry, these includes the Nigerian National Petroleum Company Limited[25] (NNPCL), Nigerian Upstream Regulatory Commission[26] (NUPRC),Nigerian Midstream and Downstream Petroleum Regulatory Authority[27] (NMDPRA), Nigerian Content Development Monitoring Board[28] (NCDMB), Federal Ministry of Environment[29] (FME), National Oil Spill Detection and Response Agency[30] (NOSDRA), Nigerian Revenue Service (NRS)[31] Central Bank of Nigeria[32] (CBN) and the Ministry of Petroleum Resources[33] (MPR). These entities are discussed *ad seriatim* in this article. They all together perform jointly and collectively in the industry to ensure the industry thrives successfully.

3.3 Oil and Gas Industry

The oil and gas industry constitutes of three complex sectors, namely the Upstream, Midstream, and Downstream[34]. The three distinct sectors jointly play different critical roles in both Nigerian and the global petroleum economics ranging from exploration, production, storage, transportation, and sale of oil and natural gas products[35]. The oil and gas industry in Nigeria faces various challenges, ranging from crude oil theft, illegal refineries and pipeline vandalisation[36], energy transition, low technological advancements, and environmental degradation due to climate change, oil spills, insecurity, poor state of refineries, lack of funding, reduced investment and divestments of assets[37], flaring, subsidy[38] and market volatility[39]. The industry is subject to various regulations[40], guidelines[41], policies and protocols such as environmental and safety regulations, trade policies, laws and regulations governing the import and export of oil and gas products. Notwithstanding, the oil and gas industry is significant to both national and global economies[42], and its development and operations have significant impacts on the environment and the society.

3.4 Environmental Protection

Environmental protection is a crucial aspect of the oil and gas industry's operations, because the industry's activities usually have major negative impact on the environment including but not limited to; climate change, gas flaring, oil spills that harm wildlife, soil and water contamination, pollution of local

[25]Section 53 of the PIA 2021
[26]Section 4 of the PIA 2021
[27]Section 29 of the PIA 2021
[28]Section 69 of the Nigerian Oil and Gas Industry Content Development Act 2010
[29]Federal Ministry of Environment was created via an executive directive of former president Olusegun Obasanjo in June 1999 to take over and enhance FEPA's mandate which was established by FEPA Act (Decree No. 58 of 1998) which was later repealed and its duties replaced by NESREA Act of 2007
[30]Section 1(Part 1) of the National Oil Spill Detection and Response Act 2006
[31]Formerly Federal Inland Revenue Service (FIRS) was replaced by the NIRS with effect from January 1, 2026 created by Nigerian Revenue Service (Establishment) Act 2025. It came into effect from January 1, 2026
[32]Section 1 of the Central Bank of Nigeria 2007, it repealed The Central Bank of Nigeria 1991 with its consequential amendments of 1993, 1997, 1998 and 1999
[33]The Ministry of Petroleum Resources was established by the Federal Government Administrative Action in 1975 before the creation petroleum regulation was carried out by a Department in the Federal Ministry of Mines and Power which was subsequently upgrade to a Ministry
[34]Part IV of the PIA 2021
[35] Sections 7, 8, 32, 68-76, 81 of the PIA 2021
[36]U.P. Adiela, 'Oil Exploration and Production in Nigeria: From Bottom to Top and Beyond', An Inaugural Lecture, Series 83, *Rivers State University, Port Harcourt*, (2022) Series No. 83, Pp 55-62
[37]Ibid, p. 63
[38]ibid
[39]N. Musa, 'Analysis of Crude Oil Market Volatility and Macroeconomic Conditions: Empirical Evidence From Nigeria', *Review of Business and Economics Studies* (2024) 11(4) 61-71; G.P. Danladi, 'Oil Price Volatility and Economic Growth in Nigeria: Evidence From ARCH and GARCH Models', *Elicit Journal of Economics and Management Studies* (2026) 2(1) 37-60
[40]Ibid, n 11
[41]Ibid, n 10
[42]M.O.Omozue, E.T. Kore-Okiti, E. Okwuokei, 'Assessing the Right of Sustainable Environmental Development in Nigeria', *International Research Journal of Multidisciplinary Scope* (2024) 5(3) 865-878"

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communities' surface and groundwater resources, human health, wildlife and the ecosystems[43]. In order to mitigate these negative impacts, the industry must adopts several safety measures to prevent oil spills and other accidents, eliminate gas flaring, restore habitats after exploration and production activities, engage meaningfully with local communities to avert restiveness, embarks on well-coordinated environmental impact assessments, develop emissions standards, spill response plans[44], waste management regulations and so on[45]. By prioritizing environmental protection and safety, the oil and gas industry can reduce its negative environmental footprint, improve its social license to operate, and contribute to a more sustainable future.

3.5 Sustainable Development

Sustainable development in the oil and gas industry involves balancing economic, social, and environmental considerations to ensure long-term sustainability and viability of both operations and the environment[46]. The major components of sustainable development is economic growth which triggers revenue generation and job creation[47] that enthrones effective good governance of resources in a sustainable manner to maintain social responsibility, local communities' rights, and well-being, fair labour practices, environmental stewardship through the minimization of the industry's environmental hazards, efficient operations, emissions reduction, and protection of the ecosystem[48]. Sustainable development in the oil and gas industry is achievable through; renewable energy integration, energy efficiency, emissions reduction through measures that minimize greenhouse gas emissions and other pollutants, community engagement that fosters positive relationships to address local concerns[49], innovation and technology to reduce operational risks[50]. By embracing sustainable development mechanisms, the oil and gas industry can play a responsible role in the global energy transition and contribute to a more sustainable future in the national economic space[51].

3.6 Community Engagement

Community engagement is a critical aspect of the oil and gas industry's operations, particularly in areas where local communities are directly impacted by the industry's activities[52]. Effective community engagement helps to build trust, prevent conflicts, and ensure the industry's social license to operate[53]. The major components of community engagement includes regular and transparent communication with local

[43]A.T. Umar; M.S.H. Othman, et al, 'Causes and Consequences of Crude Oil Pipeline Vandalism in the Niger Delta Region of Nigeria: A Confirmatory Factor Analysis Approach', *Cogent Economics and Finance* (2017), 5(1) 3; J.S. Omotosho, 'Liberation Movement and Rising Violence in the Niger Delta: The New Contentious Site of Oil and Environmental Politics', *Studies in Conflict and Terrorism* (2009) 33-36; A. Raji and T.S. Abejide, 'As Assessment of Environmental Problems Associated with Oil Pollution and Gas Flaring in the Niger Delta Region, Nigeria, C. 1960-2000', *Oman Chapter Of Arabian Journal of Busines and Management Review* (2013) 3, 48-62; C.O. Mgbame, P.A. Donwa and E.O. Osunbor, 'Nigerian Oil and Gas Background, Reform Efforts and Implication for Economic Growth', *International Journal of Multidisciplinary Research and Development* (2015) 2 (9) 508-515

[44]Sections 6 and 7 of the National Oil Spill Detection and Response Agency Act 2006; Oil Spill and Oily Waste Management Regulations 2011

[45]ibid

[46]E. Alagoz, 'Sustainable Development in the Oil and Gas Sector: Considering Economic, Environmental and Social Aspects'. *International Journal of Earth Science Knowledge and Applications* (2022) 5(2)303-308

[47]R. Keco, I. Tomorri and D. Kurtaj, 'The Relationship Between Good Governance and Sustainable Economic Development: The Case of Albania', *International Journal of Economics, Commerce and Management*, (2024) 12(4)1-14

[48]J. Lacey, M. Palmai, R.A. Philips', Communities and Corporations: Addressing the Social Impact of Resource Development, *Journal of Cleaner Production* (2020) 268, 125186; C. Van der Linde, C. Castaldi, B. Horsfield, 'Engaging Communities: The Contribution of Oil and Gas Companies to Local Community Development'. *Journal of World Energy Law and Business* (2017) 10(2)102-122

[49]D.J.D. Obele, Community Engagement and Oil Production in Ogoni: A Study of the Role of Stakeholder Participation in Mitigating Conflicts and Enhancing Benefits, *International Journal of Entrepreneurship and Marketing Innovation* (2025) Vol. 8(2) 45

[50]Ibid; H. Robeiro, R. Schaeffer, R.R. de Souza, 'Impact of Oil and Gas Activities on local Communities in Brazil: A Systematic Review of Academic Literature'. *Energy Research & Business Science* (2020) 67, 101507

[51]E. Alagoz, ibid, n 46

[52]D.J.D. Obele, ibid, n 49; Chris Stephen, Niger Delta Stakeholders Unite to Drive Inclusive, Transparent Petroleum Industry Act Implementation, *Nigerian Observer*, Thursday, June 12, 2025, June 12, p.1; E. Nwankwo, Stakeholders Engagement in Nigeria's Oil and Gas Sector: Challenges and Prospects, *Port Harcourt University Press*

[53]D.J.D. Obele, ibid n 49

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communities on the industry's activities, impacts and benefits, meaningful consultation with local communities to understand their concerns, needs, and expectations, opportunities for local communities and stakeholders[54] to participate in the industry's activities, through employment, training, or business opportunities, fair distribution of benefits from the industry's activities, such as revenue sharing or community development programs, effective grievances settlement mechanisms for timely and effective dispute resolution[55].

4.0 INSTITUTIONAL AND REGULATORY FRAMEWORKS OF THE NIGERIAN OIL AND GAS INDUSTRY

Nigeria's oil and gas sector is central to its economy, contributing substantially to the country's GDP, foreign exchange earnings, and government revenues[56]. However, the complexity and strategic importance of these sectors require robust regulation and assessment to ensure transparency and accountability, effectiveness and efficiency, safety and sustainable development. The government has from time to time established and restructured major regulatory agencies to oversee different segments of the energy value chain, from crude oil exploration to the final consumption. However, these institutions and regulatory agencies are discussed serially here-under.

4.1 Ministry of Petroleum Resources (MPR)

The Ministry of Petroleum Resources is directly responsible for the articulation and making of Regulation and implementation of policies in the Nigeria oil and gas industry[57]. It is headed by the Minister of Petroleum Resources[58]. Under the extant regime, the Minister's wide and discretionary powers in the award, assignment and revocation of licenses and leases under the defunct Petroleum Act 1969 was whittled down for greater transparency and objectivity in the award of contracts, assignment[59] and revocation[60]. In addition, the power to award such licenses and leases can no longer be exercised by the Minister exclusively but upon the recommendation of the Commission or the Authority where applicable except in the award of Petroleum Exploration Licence[61]. He has the obligation to request license/lease holders to provide petroleum products to the Federal government or crude oil to third parties who own licenses to operate refineries[62].

4.2 Nigerian Upstream Petroleum Regulatory Commission (NUPRC)

The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) is a regulatory arm of the industry created under the Petroleum Industry Act (PIA) 2021[63] to regulate upstream petroleum operations, which include exploration, development, and production of crude oil and gas[64]. In the governance of the petroleum industry, the PIA formally created the upstream sector, the midstream and the downstream sectors. The Upstream Commission was established with the primary objective of ensuring efficiency in the upstream segment of the Nigerian petroleum industry through regulating technical and operational activities in the upstream segment of the petroleum industry in Nigeria[65]. The Upstream Commission is one of the successors of the defunct DPR that took over assets, funds, resources, liabilities and other

[54]Ibid n 49
[55]Reg. 39 of the Nigerian's Upstream Petroleum Host Communities Regulations 2022
[56] E.N. Nweze and D.O. Edeme and others, ibid, n 2
[57]Section 3(1)(a) of the PIA 2021
[58]Section 3 of the PIA 2021
[59]Sections 95 and117 of the PIA 2021
[60]Section 81(1), ibid
[61]Section 71, ibid
[62]Section 105(2) , ibid and Reg. 2(1) and (2) of the Gas Flaring, Venting & Methane Emission (Prevention of Waste and Pollution) Regulation 2022
[63]Section 183, ibid
[64]Section 7, 70, 71, 72, 79 , 81 of the PIA 2021
[65]Section 6(a) to (k), ibid.

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movable and immovable properties which were previously held by the Petroleum Inspectorate or DPR in relation to their upstream operations[66]. Although the DPR has been phased out under the new petroleum regime, Upstream Commission took over the roles that were *hitherto* performed by the DPR in the upstream operations. Its main obligations include but not limited to granting of licenses[67], leases[68], and permits[69] for exploration and production[70], monitoring, technical and commercial operations[71] to ensure industry best practices[72] in compliance with environmental and safety regulations, collection of royalties and revenues due[73] to the government from upstream activities[74], facilitating data management and transparency in exploration activities[75].

The NUPRC is instrumental to boosting investors' confidence in Nigeria's upstream sector, by creating a transparent and attractive environment for both local and foreign investors. In the course of exercising its powers and discharging its obligations of assessing the merit of applications for conversion from PPL, the defunct provision of the Petroleum Act 1969[76] contained obnoxious provisions that displayed injustices owing to the conferment of unfettered discretion on the Minister. This showed up in the *Southern Atlantic Petroleum Limited (SAPETRO) Ltd v Minister of Petroleum Resources & Ors*[77] case wherein the holder of Oil Prospecting Licence (OPL) 246 was unjustly denied the full value of half of its Oil Prospecting Licence (500) square meters. Before the coming into existence of the PIA 2021 and during the *hitherto* Petroleum Act 1969[78]SAPETRO was granted an OPL consisting of 1000 square meters in 1998 for 5 years, which was renewed in 2002 for additional five years. SAPETRO discovered oil in commercial quantities in the eastern part of the OPL 246 (500 Square meters) after years of toiling and huge developmental investments, it applied to the Minister of Petroleum Resources for conversion of the eastern half of the OPL 246 to Oil Mining Lease (OML) pursuant to paragraph 8 of the First Schedule of Petroleum Act 1969[79]The Federal Government approved the application and granted the OML lease over the eastern half, where Apo and Egina fields are currently situated which have produced close to one billion barrels of petroleum.

Unfortunately, SAPETRO was refused to convert the western half of the OPL 246 on the basis of government policy that the western half has been relinquished to the government irrespective of the prospects that still exist in the OPL. SAPETRO sued to reclaim the Western half of the OPL 246 after the conversion application was denied by the minister, at the end of trial by way of judicial review, the court dismissed SAPETRO claim and held, *inter alia,* that the Minister has the discretion whether or not to grant an additional OML from the remaining portion of OPL 246 and was not under any legal duty to give reasons, for refusing to grant the application to convert the western half, that the government policy, requiring the remaining half of the OPL 246 to be automatically relinquished and reverted to government after the grant of OML 130 to SAPETRO was valid and finally, that SAPETRO is not entitled to a mandatory grant of OML over the remaining portion of the OPL 246 (western half) 500 square meters.

[66]Section 71(9) , 311(3)(4) (6), 312(1) to (4), ibid
[67]Sections 71, 72 and 73, ibid
[68]Section 81, ibid
[69]Section 7(x)(y) and (o) , ibid
[70]Section 7, 70, 71, 72, 79 , 81 of the PIA 2021
[71]Sections 7 and 8, ibid
[72]Section 6(f), ibid
[73]Section 7(w), ibid.
[74]Part II, sections 71 to 110, ibid
[75]Section 7(o)(i) to (iii) , ibid.
[76] paragraph 8 of the First Schedule of Petroleum Act 1969 provides that an oil mining lease may be granted only to the holder of an oil prospecting licence who has satisfied all the conditions imposed on the licence or otherwise imposed on him by the Act, and discovered oil in commercial quantities, the provision of the defunct petroleum Act does not protect the rights of the licensee because it grants the Minister unfettered discretion to refuse the application of the licensee upon grounds which are not anticipated by law
[77](2023) 7 NWLR (Pt. 1882) 135
[78]Cap P 10 LFN 2004 now repealed by section 310 of the PIA 2021
[79] ibid

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SAPETRO appealed unsuccessfully to both the Court of Appeal and Supreme Court. An appraisal of the basis of the judgement and a critical overview of the current section 81(1)[80] of the PIA 2021 reveals that paragraph 8 of the First Schedule of Petroleum Act 1969 which gave the Minister of Petroleum Resources unfettered discretion to grant or refuse the grant of a conversion even after the licence holder has fulfilled the pre-conditions has been whittled down by the section 81(1) of the extant PIA 2021 by removing the unfettered discretion of the Minister.

4.3 Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)

The Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) is the creation of the PIA 2021[81]. It oversees all midstream and downstream petroleum operations in Nigeria's petroleum industry[82]. The Authority is part successor of the defunct DPR, and took over all the assets, liabilities, funds, resources and other movable and immovable properties[83] of DPR pertaining to the midstream and downstream operations. In the case of DPR, these assets, liabilities, funds, resources and other movable and immovable properties previously held by the DPR are expected to relate to DPR's midstream and downstream operations[84].

The main responsibilities of the Authorities include but not limited to licensing and monitoring of refineries[85], gas processing plants[86], pipelines[87], and storage facilities[88], regulating petroleum product marketing[89], distribution[90], and retail outlets[91], ensuring the availability of fuel products and price stability across the country[92], promoting gas infrastructure development and utilization[93], supporting the transition to cleaner energy[94], protection of consumer rights[95] and ensuring product quality[96] and safety. NMDPRA plays a vital role in ensuring energy security[97], grant, issue, modify, extend, renew, review, suspend, cancel, reissue, or terminate licences, permits and authorisations for midstream, downstream petroleum operations[98], reducing fuel supply disruptions[99], and creating a competitive market for petroleum products[100].

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[80]A petroleum Mining Lease shall be granted for each commercial discovery of crude oil or natural gas or both, to the licensee of a petroleum prospecting licence who has satisfied the conditions imposed on the licence or the licensee under this Act; received approval for the applicable field development plan from the Commission, while paragraph 8 of the First Schedule of Petroleum Act 1969 provides that an oil mining lease may be granted only to the holder of an oil prospecting licence who has satisfied all the conditions imposed on the licence or otherwise imposed on him by the Act, and discovered oil in commercial quantities, the provision of the defunct petroleum Act does not protect the rights of the licensee because it grants the Minister unfettered discretion to refuse the application of the licensee upon grounds which are not anticipated by law. The current PIA in section 81(1) removed the discretion of the Minister and equally removed the clog of commercial quantity and replaced same with a safer concept a commercial discovery. See also Reg. 7(1) & (3) and Reg. 13(1),(2) & (4) of Conversion and Renewal (Licenses and Leases) Regulation 2022

[81]Section 29, ibid, n 6

[82]Sections 32 and 33, ibid

[83]Section 313(1) to (4), ibid

[84]ibid

[85]Sections 125 and 183, ibid

[86]Section 129 and 188, ibid

[87]Section 135, 190 and 193, ibid

[88]Section 132 and 187, ibid

[89]Section 32(w), ibid

[90]ibid

[91]Sections 32(w), 147 and 203, ibid

[92]Section 32(e), (n) and (y), ibid

[93]Section 32(l), (o), (t) and (ee), ibid

[94]Section 32(bb), (ff), ibid

[95]Section 32(e), (q),(s),(y), (aa) and (dd), ibid

[96]Section 32(ii), (ff) and (nn), ibid

[97]Sections 31(g) and 32(v), ibid

[98]Section 32(i) (k) (i)(ii), ibid

[99]Section 32(ii), (ff) and (nn), ibid

[100]Sections 32(w), 147 and 203, ibid

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4.4 Nigerian National Petroleum Company Limited (NNPCL)

The PIA established the Nigerian National Petroleum Company Limited as the national oil and Gas Company of Nigeria for commercial petroleum activities in the oil and gas industry to replace the former Nigerian National Petroleum Corporation established by the NNPC Act of 1977[101]. Now NNPCL is operating as a national commercial entity, it was incorporated under the Companies and Allied Matters Act (CAMA) 2020, with the federal government as its sole shareholder. Consequent, upon the PIA directive, that the Minister of Petroleum Resources within 6 months of the commencements of PIA 2021, being the 16th August 2021, to cause the incorporation of NNPC Limited[102] under the Companies and Allied Matters Act (CAMA) 2020 with the attendant consequences of incorporation[103].

The ownership of all shares in NNPC Limited is vested in the federal government at incorporation[104] and held by the Ministry of Finance Incorporated[105] and the Ministry of Petroleum Incorporated in equal proportions of shares on behalf of the Federation[106]. The PIA mandates the NNPC Limited and any of its subsidiaries to conduct their affairs on a commercial basis in a profitable and efficient manner without recourse to government funds[107]. NNPC Limited accordingly, became the winding up agent of the NNPC that took over the assets, interests and liabilities of the NNPC upon the determination of the assets, interests and liabilities by the Minister. The assets, interests and liabilities of NNPC not transferred to NNPC Limited or its subsidiary remains the assets, interests and liabilities of NNPC until they become extinguished or transferred to the Government[108].

Where no determination of which assets, interests and liabilities to be transferred has been concluded by February 2023 being the 18 months' timeline given by PIA[109], all assets, interests, liabilities of NNPC will be deemed to be transferred to NNPC Limited effective from that date[110]. The NNPC Limited, currently, is the vehicle through which the federal government participates in petroleum activities ranging from Exploration and Production (E & P) of crude oil to the refining, marketing and distribution of petroleum[111]. Its present design is to operate as a profit-driven oil company[112], competing in the marketplace[113], manages the government's interests in joint ventures[114], production sharing contracts[115], and other petroleum investments[116], engages in exploration[117], refining, marketing, and gas commercialization, expands investment in energy infrastructure, including refineries, pipelines, and LNG projects. Though no longer a regulator, NNPC Ltd remains a dominant force in Nigeria's energy industry[118].

[101]Cap N123 LFN 2004
[102]Section 53(1), ibid
[103]Sections 41 and 42 of CAMA 2020, ibid
[104]Section 53(3), ibid
[105]ibid
[106]ibid
[107]Section 173(7), ibid
[108]Sections 54(2) and 55(1), ibid
[109]Section 54(1), ibid
[110]Section 54(1), ibid
[111]Sections 53(7) and 64(a), ibid
[112]ibid
[113]ibid
[114]Sections 54(7) and 65(1), ibid, see also second schedule of the PIA 2021
[115]Section 64(b), (d) and (e), ibid
[116]Section 64(h), ibid.
[117]Section 64(b), (d) and (e), ibid
[118]NNPC Ltd remains a dominant force in Nigeria's energy industry due to its central role across the value chain, its expansive asset base, partnerships, national strategic role, commercial transformation and its vast existing infrastructure and assets.

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4.5 National Petroleum Investment Management Services (NAPIMS)[119]

NAPIMS was renamed the NNPC Upstream Investment Services (NUIS) as part of the NNPCs restructuring to become a commercially driven entity under the Petroleum Industry Act 2021[120]. The change of name reflects NNPC Upstream Investment Services' (NUIS) role as the upstream investment management arm of the NNPC Ltd's new structure. NAPIMS is a corporate service unit (CSU) in the E&P Directorate of the NNPC Limited charged with the responsibility of managing the Nigerian government's investment in the Upstream Sector of the oil and gas industry. It supervises the Nigerian Petroleum Exchange (NIPEX) registration. In Nigeria's *hitherto* oil and gas regime, NAPIMS manages the federal government's investments in the upstream sector, acting as a partner in Joint Ventures and Production Sharing Contracts[121]. The major roles of the agency include maximizing the government's return on investment, overseeing upstream operations, and exploring frontier basins to attract more investors.

NAPIMS acts as the investment manager for the government's interests in the oil and gas industry, supervising joint ventures (JVs) and production sharing contracts (PSCs) to ensure profitability. It oversees and supervises upstream operations to ensure they align with national goals, such as those for natural gas flare elimination and domestic supply obligations. NAPIMS manages the government's portfolio of assets and works to improve asset performance management, providing crucial data for planning and financial decisions.

The organization directly explores frontier basins[122] and works to create an environment that attracts both local and foreign investment into the sector. It acts as a liaison between the government and private companies in the upstream sector and provides technical advice on policies affecting upstream activities. NAPIMS ensures that operations comply with regulatory standards, though not its primary regulatory function, but the function of the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and other agencies. The Nigerian Petroleum Exchange (NIPEX) division of NAPIMS oversees both the e-marketplace[123] and the Joint Qualification System[124] (JQS) for electronic procurement/contracting and registration of contractors/service providers respectively to ensure transparency in the contracting process and reduce contract approval cycles. NAPIMS[125] represents the Nigeria government's equity holdings in the Joint Venture operations with Shell, Mobil Producing Nigeria Unlimited, Chevron Nigeria Limited, Total Exploration and Production Nigeria Limited, Nigeria AGIP Oil Company Limited, and Pan Ocean Oil Corporation. In addition, the organisation also supervises the mechanism of funding the Joint Venture Operations through the Cash-Call.

4.6 Nigerian Content Development Monitoring Board (NCDMB)

The Nigerian Content Development and Monitoring Board (**NCDMB)** was established pursuant to the Nigerian Oil and Gas Industry Content Development Act 2010[126]. The Nigeria Content Act[127] The efforts

[119]Currently renamed NNPC Upstream Investment Services (NUIS) as part of the NNPC Limited's restructuring

[120]Section 53 of the PIA 2021 legally established the NNPC Ltd as a commercial profit driven entity, succeeding the previous NNPC Corporation and consequently the functions and operations of NAPIMS which was an operational arm of the previous NNPC Corporation transferred to the new successor NUIS established by the new NNPC Ltd through a restructuring accordingly, though no direct mention was mentioned of NAPIMS.

[121]Sections 54(7), 64(b),(d) and (e) and 65(1) , ibid, see also second schedule of the PIA 2021

[122]Section 9, ibid

[123]Section 54 of the Nigerian Content Act 2010

[124]Sections 55 and 56, ibid

[125]NNPC Upstream Investment Service (NUIS)

[126]Section 69(1) of the Nigerian Content Act 2010

[127]Section 70, ibid

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of the NCDMB pursuant to its operations have increased the participation of indigenous oil companies in the oil and gas sector. It is important to note that the provisions of section 309 of the PIA 2021, enables the provisions of the PIA 2021 to prevail where there is any conflict with any other law, except for the Constitution[128] as amended and the Nigerian Content Act[129].

4.7 The Nigerian Judiciary

The Judicial powers of the Federation and the States of the Federation are vested in the Courts[130]. The Judgments of courts on various issues brought before it and the enforcement of these judgments help to maintain law and order in both the industry and the Country. The Courts in Nigeria have the jurisdiction to entertain cases on violations of the Nigerian laws dealing with crude oil theft[131], bunkering[132], smuggling[133] and sabotage[134].

4.8 The Court

Environmental laws are established to mitigate environmental harms and injuries arising from adverse industrial human activities. To address these harmful human activities, courts are established by law with jurisdictions to entertain environmental cases to protect and redress environmental wrongs in Nigeria. In 2005 the Centre of Oil Pollution Watch (COPW) commenced legal action against the Nigerian National Petroleum Corporation (NNPC)[135] wherein, the COPW alleged that although the defendant contained the spillage on the surface, it failed to clean up or reinstate the Ineh/Aku streams/river. Furthermore, the plaintiff averred that the respondent was negligent in both the causation and containment of the oil spillage; that the spillage had harmful effect on living resources, marine life, human health and other usage of the streams[136].

The respondent challenged the plaintiff's standing to sue and sought an order striking the suit. On February 9, 2006, the trial court struck out the suit for lack of *locus standi* having not suffered any injury at all, let alone any injury above every other member of the Acha community resulting from the alleged oil spillage. On January 28, 2013, the Court of Appeal dismissed the appeal by reaffirming the trial court's ruling. The plaintiffs appealed to the Supreme Court on March 9, 2013. On July 20, 2018, the Supreme Court unanimously granted the appeal in favor of the appellant and further held that the national resources of the earth… 'must be protected and conserved for the benefit of present and future generations through careful planning and management as appropriate'.

The Supreme Court also made significant strides in evaluating the Nigerian Constitution and confirming the existence and enforceability of environmental human rights in Nigeria, in a manner that increases the possibility of successful climate change litigation in the country, especially by allowing public interest lawyering and litigation. Firstly, the Supreme Court held that Section 20 of the Nigerian Constitution which provides for the duty to protect the environment by the State, is justifiable when read together with,

[128]Section 1(3) of the Constitution of the Federal Republic of Nigeria 1999 as amended, Cap C23 LFN 2004
[129]Section 103 of the Nigerian Content Act 2010
[130]Sections 6(6)(b), 251(1)(n) and (3) of the Constitution of the Federal Republic of Nigeria 1999 and the section 7 of the Federal High Court Act Cap F12 LFN 2004
[131] Petroleum Production and Distribution (Anti-Sabotage) Act and Miscellaneous Offences Act, Crude Oil Theft (Prevention and Prohibition) Bill 2025, Advanced Cargo Declaration (ACD) Regulation
[132]Sections 78 and 79 of the Criminal Code Act Cap C38, LFN 2004
[133]Sections 233 and 234 of the Nigerian Custom Services Act 2023
[134]Item 39 of the Exclusive Legislative List contained in the second Schedule of the Constitution of the Federal Republic of Nigeria 1999 made pursuant to section 4 of the Constitution as amended granted the National Assembly the exclusive legislative powers to make laws on subjects pertaining and connected to mines, minerals, oil and gas fields, oil mining, geological surveys and natural gas and the case of *Abel Isaiah v SPDC Nig. Ltd* (2001) 5 SC 1; (2001) 1 All NLR.
[135]Now NNPC Ltd by virtue of sections 53 and 310 of the PIA 2021 that repealed the NNPC Act 1977
[136]*Centre for Oil Pollution Watch v NNPC* (2019) 5 NWLR (Pt. 1666) 518

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and in the context of, a provision like section 4(2) of the Constitution[137], on the power to make laws to give effect to section 20 of same Constitution[138]. Secondly, that section 33 of the Constitution[139] which guarantees the Right to Life, implicitly includes and constitutes a fundamental right to a clean and healthy environment for all. Thirdly, that the enforceability of the environmental right in Article 24 of the African Charter on Human and Peoples' Rights as domesticated in Nigeria by the African Charter Act[140].

The Supreme Court decision in the above case aligns with the anticipated Constitutional Human Rights' approach to Environmental and Climate Protection taken earlier by the Lower Court/Federal High Court in *Jonah Gbemre v Shell and others*[141]. It demonstrates a significant positive paradigm shift in the attitude of the Supreme Court to environmental and climate change related claims. It provides additional human rights and constitutional tools for potential climate litigation in Nigeria.

4.9 Federal Ministry of Environment (FME)

The Federal Ministry of Environment has the statutory obligation to formulate environmental policies, promote policy awareness and enforcement, intervention with respect to pollution and waste management concerns, coastal management and environmental standards. In the case of the oil and gas industry, the Federal Ministry of Environment is responsible for the issuance of EIA certificates with respect to projects in the industry. It acts in collaboration with other agents and departments such as the Upstream Commission[142] and the Authority[143] and other environmental bodies such as NOSDRA[144] to ensure that there is sustainable use of the environment and the natural resources.

4.10 National Oil Spill Detection and Response Agency (NOSDRA)

The NOSDRA was established by the Act[145] to provide the institutional framework for coordinating and implementing the National Oil Contingency Plan for Nigeria in compliance with the International Convention on Oil Pollution Preparedness, Response and Co-operation. The primary functions of NOSDRA is provided in section 6 of the Act[146] to include; to ensure compliance with all existing environmental legislation and detection of spill in the petroleum sector and to receive reports of all oil spills and coordinate all spill response activities.

4.11 Nigerian Revenue Service (NRS) with effect from January 1, 2026

The Nigerian Revenue Service was established by the Nigerian Revenue Service Act[147] to carry out the functions of the defunct FIRS and further discharge similar duties specifically assigned to it by any law made by the National Assembly. Sections 6 and 10 of the Act[148] created a Board for policy direction, reviewing strategic plans among others, and technical committee to provide expert advice on tax matters requiring professional or technical expertise. The major responsibilities of NRS include to assess and collect hydrocarbon tax and to enforce the provisions of PIA relating to hydrocarbon tax assessment and revenue collection[149], to assess and collect company income tax and tertiary education tax in accordance with the provisions of the PIA relating to taxable petroleum operations[150], to make regulations to ascertain

[137]Constitution of the Federal Republic of Nigeria 1999 as amended
[138] ibid
[139] ibid
[140]Cap. A9 LFN 2004
[141](2005) AHRLR 151 NgHC 2005
[142]Nigerian Upstream Regulatory Commission (NURPC)
[143]Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)
[144]National Oil Spill Detection and Response Agency (NOSDRA) Act, 2006
[145]National Oil Spill Detection and Response Agency (NOSDRA) Act 2006
[146]ibid
[147]Section 3 of Nigerian Revenue Service (Establishment)Act 2025
[148]Nigerian Revenue Service (Establishment)Act 2025
[149]Section 259 (a)(i) ibid
[150]Section 259 (a)(ii), ibid

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the amount chargeable upon companies engaged in upstream operations by way of joint ventures or partnership[151] and make rules to specify the type of notices, returns, claims and statements to be used in assessing petroleum operations[152].

4.12 Federal Ministry of Finance (FMF)

The Federal Ministry of Finance plays a significant function in Nigeria's oil and gas industry through the management of government's financial interests, including a stake in the Nigerian National Petroleum Company Limited (NNPC L), and its influence on fiscal policy through incentives and revenue management. It functions as a major shareholder of NNPC Limited, setting fiscal and economic policies that impact the industry, and overseeing government investments through the Ministry of Finance Incorporated (MOFI).

The Ministry of Finance, through the Ministry of Finance Incorporated (MOFI), is a major shareholder in the NNPC Limited, alongside the Ministry of Petroleum Resources. The Ministry is responsible for managing government revenues and investments, which are heavily influenced by the oil and gas sector. MOFI, an agency under the Ministry of Finance, manages a large portfolio of government investments, including those in the oil and gas sector, with the goal of preserving and growing socioeconomic value. The Ministry is involved in creating and implementing fiscal incentives, such as tax modifications, to stimulate investment and growth in the oil and gas sector. As a central economic institution, it shapes and implements broader economic policies that affect the industry's financial performance, including managing subsidy reforms and revenue optimization strategies. The Ministry is responsible for the overall budget and financing of government projects and policies that are related to the oil and gas industry. This includes securing funding and managing financial risks associated with the sector. The Ministry works with other government bodies, such as the Ministry of Petroleum Resources, to ensure comprehensive policy implementation to promote economic growth and stability in the oil and gas industry.

4.13 Central Bank of Nigeria (CBN)

The Central Bank of Nigeria (CBN) is another critical agency of federal government that indirectly regulates the petroleum industry, because of its statutory obligation to manage foreign exchange, and regulates the banks that directly manage the oil and gas companies' foreign exchange transactions who must compulsorily hold account with the Nigerian bank pursuant to NOGICD Act[153] 2010. CBN may interact with them on issues like foreign exchange regulations affecting the industry. In February 14, 2024, the CBN imposed limits on foreign currency transfers from crude export proceeds by international oil companies[154]. In Nigeria, the transfer of funds derived from oil and natural gas production is governed by various regulations, primarily under the Foreign Exchange Act[155] and guidelines issued by the Central Bank of Nigeria[156] (CBN).

The basic restrictions on Currency Exchange and Fund Transfers include the foreign currency domiciliary accounts which require that all exporters, including petroleum producers, must maintain a foreign currency

[151]Section 273(5), ibid
[152]Section 304(1), ibid
[153]Section 52(3)(f) of the Nigerian Oil and Gas Industry Content Development Act 2010
[154]The CBN restriction was structured that International Oil Companies were restricted from immediate transferring of all their foreign exchange earnings to offshore parent company account. It allowed 50/50% rule which means that the Authorized Bank Dealers were allowed to transfer 50% of the foreign exchange earnings immediately to their offshore parent account and the remaining 50% to be retained in Nigeria for a minimum of 90 days from the date of the export inflow. In March 2026, the policy was reversed to allow the repatriation of 100% of the IOCs export proceeds.
[155]Foreign Exchange Act (Monitoring and Miscellaneous Provisions) Act (FEMM Act) Cap F34 LFN 2004 (formerly Decree 17 of 1995)
[156]CBN restrictive Guidelines of February 2024 and the CBN reversal Directive of 100% repatriation of IOCs export earnings from Crude oil operations

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domiciliary account in Nigeria where export receivable from crude oil is deposited[157]. Furthermore, is the Certificate of Capital Importation (CCI) which requests that foreign investors must obtain a CCI to represent capital inflows into Nigeria, to facilitate repatriation of capital outflows, dividends, profits and other financial returns[158] for operators. Moreover, the limits on foreign exchange transfers, issued by CBN impose limitations on foreign exchange transfers[159]. Companies may apply for exception or approval for transfers beyond the limit based on specific business needs or regulatory compliance. Regulatory approval for fund transfers, for the transfer of any fund overseas by an Incorporated Joint Venture Company (IJVC) is subject to CBN regulations and policies.[160]

5.0 APPRAISAL AND CHALLENGES OF THE INSTITUTIONAL FRAMEWORK OF THE NIGERIAN OIL AND GAS INDUSTRY

5.1 Appraisal

There are numerous institutions and several roles played severally with joint ambition to achieve effective regulation of the oil and gas industry in Nigeria. These myriad of institutions have made coordination and management of the institutional roles cumbersome and at times have led to overlapping and usurpation of powers and functions, including the operators having so many institutions to submit to. These institutions have thrived in keeping the industry moving irrespective of the challenges of incapacity, shortage of staffs, poor infrastructure, tribalism, sectionalism, regionalism, corruption[161], wrong placement, exclusion of host communities, restiveness, criminality, hostilities existing between the host communities and the settlors that affected the hitherto regimes are still present[162].

Summarily, the Institutional and Regulatory framework of the Nigerian Oil and Gas Industry, under the Petroleum Industry Act, 2021, firstly, ended the era of legislative uncertainty due to undue delay for reform. The inauguration of the PIA 2021 brought the end of an era of legislative uncertainty when the laws and regulations were not predictable due to a legislative gap which lingered for over 20 years resulting in distortions of the law through directives and rules, to attend to immediate needs. The enactment of the PIA 2021 put paid to this challenge.

Furthermore, the PIA 2021 created function-specific regulators at the enactment of the PIA 2021 brought to an end where the DPR was everything with the attendant consequences of corruption and imports of power corrupts and absolute power corrupts absolutely. With the creation of the NUPRC[163] and NMDPRA[164], the organs focused on their specific assignments and statutory obligation given room for better performance, more coordinated decisions and implementation strategy.

Moreover, it also brought about restructuring and commercialization of NNPCL, at the inauguration of the PIA 2021, the NNPC was lifted off the burden of bearing the burden of Federal Government funding and

[157]Section 19 of the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act Cap F34, LFN 2004 and the Directive of Foreign Currency Pooling by Bank on behalf of International Oil Companies dated February 14 2024; Arise News16, 2024 CBN Restricts Export Proceeds Repatriation by Oil Companies

[158]In February14, 2024, the CBN imposed limits on foreign currency transfers from crude export proceeds by international oil companies to their parent firms, CBN directive issued on the 14th of February 2024 titled 'Directive on Foreign Currency Pooling by Banks on behalf of International Oil Company'.

[159]Ibid, n 130

[160]Section 6(4) Second Schedule to the PIA 2021.

[161]O.J. Olujobi, 'Nigeria's Upstream Petroleum Industry Anti-Corruption Legal Framework: The Necessity for Overhauling and Enrichment, Journal of Money Laundering Control Unit Emerald Publishing Limited' https:/www.emerald.com/insight/i368-5201.htm

[162]A. Gillies, 'Reforming Corruption out of Nigeria? Mapping Corruption Risks in Oil Sector Governance' U4 Brief Anti-Corruption Resource Center (2009) Http://www.u4.o/publication/reforming-corruption-out-of-nigerian-oil-Opart-onemappingcorruption-risk-in-oil-sector-governance

[163]Nigerian Upstream Petroleum Regulatory Commission, see Chapter 1, Part III, section 4, PIA 2021

[164]Nigerian Midstream and Downstream Petroleum Regulatory Authority, Chapter 1, Part iv, section 29, PIA 2021

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acting as the cash-cow to the Federal Government of Nigeria which created a lot of loopholes and attendant corruption. The new structure improved accountability and efficiency.

Additionally, the Act created the HCDT[165] as an innovation in the industry to address perennial problems and challenges that sustained the conflicts and struggles on economic, social, environmental issues between the host communities and the oil and gas companies for a more coordinated sustainable community development project decided by the communities and sponsored by the settlors from the 3% mandatory contribution from the settlors actual annual production expenditure[166].

5.2 Challenges

The institutional framework of the Nigerian oil and gas industry faces several challenges that hinder its effectiveness, including but not limited to the problem of conflicting roles and responsibilities among regulatory agencies, such as the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA). Secondly, the Nigerian Oil and Gas Industry suffers from the problem of duplication of efforts, confusion and inefficiency. It equally troubled by insufficient funding[167], which negatively impacts their ability to effectively regulate the industry by engaging appropriate personnel, infrastructures, equipment and expertise to effectively oversee the industry.

Thirdly, corrupt practices and lack of transparency[168] undermine the effectiveness of regulatory agencies and erode public trust[169]. Regulatory agencies struggle to enforce laws and regulations effectively, leading to non-compliance[170] and environmental degradation, In furtherance to the above, the impact of the outdated laws and regulations hinder the effective regulation of the industry, the industry's activities often have negative impact on local communities, and inadequate engagement and compensation mechanisms exacerbate these issues, copy and paste legislations[171]regulatory agencies lack the necessary tools and technical expertise to respond to oil spills effectively.

The Nigerian oil and gas industry's institutional framework is also besieged by frequent changes in policies and regulations that create uncertainty for operators, making it difficult to plan and execute long-term projects. The institutions are equally troubled by political influence owing to manner of appointment, for instance the President appoints the Minister of Petroleum appoints, the Chief Executive of the NUPRC, NMDPRA, NNPCL, NIRS and CBN[172] and may influence their operational decisions. Moreover, corruption of procedures and processes for award of contract[173], revenue collection and overall poor governance[174], that erodes public trust and hinders foreign direct investment, the industry's activities have raised concerns about pollution, oil spills, gas flaring, and their impact on local communities and ecosystems[175]. Moreover, legal disputes arising from payment of compensation, land rights, employment opportunities, and community development initiatives, international agreements and disputes, Nigeria's participation in international agreements and treaties adds complexity to the challenges. Besides, complex

[165]Section 234, 235 and 239 of the PIA 2021
[166]Section 240(2) of the PIA 2021 and Reg. 24(1) and (4) of the Nigeria Upstream Petroleum Industry Host Communities Regulations 2022
[167]P.E. Agbonifo, pp.1006-1014, n 4; H. Melum, K. Moene, and R. Torvik, 'Institution and Resource Curse', *The Economic Journal* (2006) 116(508) 1-15
[168]F.N. Okpaleke and M. Abraham-Dukuma, 'Dynamics of Resource Governance, Climate Change and Security: Insights from Nigeria and Norway', *Journal of Strategic Studies* (2020) 13(4) 123-140 and P.E. Agbonifo, ibid, p. 1011
[169]P.E. Agbonifo, pp. 1006-1009. n 4
[170]P.E. Agbonifo, pp. 1006-1009. n 4; U. Ukiwo, 'Governance of Oil in Nigeria: Issues and Challenges', Center for Research on Peace and Development (CRPD), (2018) *Working Paper* No. 69, KU Leuven, Belgium.
[171]J-K.C. Onyemere, 'Appraisal of the Copy and Paste Syndrome in the Nigerian Oil and Gas Industry', ESUT Public Law Journal, (2023) 4(1)141-170
[172]P.E. Agbonifo, p. 1006-1010, ibid, n 4
[173]Ibid, p. 1011
[174]Ibid, p.1014-1016
[175]Ibid, p. 1015

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contractual relationships between international oil companies, indigenous companies, and the government can lead to disputes over contract terms, revenue sharing, royalty payments, and cost recovery. Further still, conflicting directives and overlapping regulatory responsibilities can create uncertainty in the industry. Similarly, the poor staffing and funding of regulatory agencies negatively impact the effectiveness of the institutions in regulating the industry.

6.0 CONCLUSION

This article has appraised the Nigerian oil and gas regulatory institutions, took a survey of the major institutions and regulatory agencies, the challenges and ways of improvements, to address these challenges and argues that, it is essential to develop and implement effective regulations that promote transparency, accountability and consistency, provide adequate funding and staffing for regulatory agencies to ensure effective oversight of the industry that ensures effective regulatory decisions that are transparent, holding corrupt officials accountable for their actions, encouraging open communication and fair compensation mechanisms to mitigate the negative impacts of the industry's activities on local communities. Nigeria's oil and gas sectors are guided by a structured and evolving regulatory framework aimed at transparency, market liberalization, and improved service delivery. While NUPRC and NMDPRA ensure sector compliance and investor protection, NNPC Ltd now drives commercial operations and investments.

The article recommends adequate funding and staffing for regulatory agencies to ensure effective oversight of the industry to boost a robust collaboration with international partners to resolve disputes and promote cooperation in the oil and gas sector, the strengthening of the regulatory frameworks through institutional capacity building, training and re-training of staffs on international best practices, visible transparency in all the process of the oil and gas activities, and accountability mechanisms that fosters trust and confidence in the process, community engagement, sustainable development, peaceful cohesion, increased production, environmental protection and safety should equally be harnessed. It further recommends, regular update of laws governing the industry, provisions of modern tools to contend spill and pollution remediation issues, building of positive relationships with local communities' stakeholders to address community concerns such as infrastructure provision, gainful participation and involvement in the oil and gas industry to avert restiveness, disputations and to foster peaceful co-existence.

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