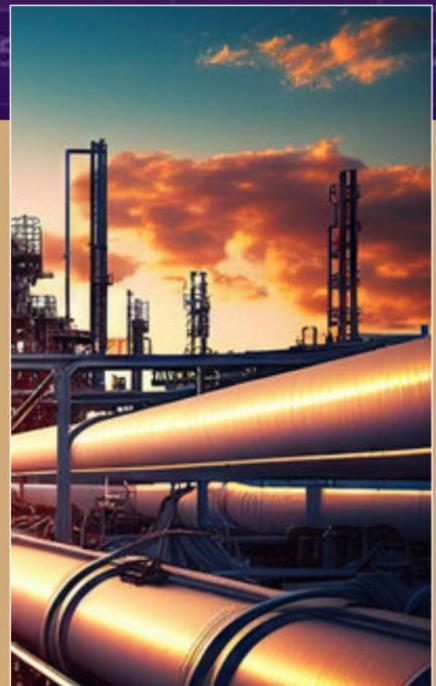


Introducing a Gas Trading Platform  
in Nigeria's Gas Sector: Legal Design,  
Regulatory Placement and Market  
Implications under the PIA



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## INTRODUCTION



Nigeria’s aspiration to transition into a gas-driven economy has long been constrained less by resource availability than by market structure. Despite abundant reserves and decades of policy attention, domestic gas utilisation has remained hampered by opaque pricing, fragmented contracting, weak payment discipline, and limited confidence in domestic offtake.<sup>1</sup>

The introduction of a regulated gas trading platform marks a potentially decisive intervention in this landscape. International experience demonstrates that physical infrastructure alone does not create functional gas markets; rather, markets mature when transparent trading, credible price discovery and enforceable settlement mechanisms are institutionalised.<sup>2</sup> It is in this context that Nigeria’s recent move toward a gas trading platform must be understood—not as a technological upgrade, but as a market-structuring reform with deep legal and regulatory implications.<sup>3</sup>

This article examines what a gas trading platform entails in practice, its placement within Nigeria’s Petroleum Industry Act (“PIA”) framework, its relevance to the Decade of Gas, and the benefits and risks that attend its introduction, drawing

comparative lessons from mature and emerging gas markets.

## WHAT A GAS TRADING PLATFORM MEANS IN PRACTICE

A gas trading platform is, at its core, a rules-based marketplace through which eligible participants buy and sell standardised gas products under predefined operational and contractual conditions. These products are typically differentiated by delivery period (such as within-day, day-ahead or monthly), delivery point, and quality specifications.<sup>4</sup>

Experience from jurisdictions such as the United Kingdom and the United States shows that the true value of such platforms emerges when they evolve beyond simple trade matching. Where clearing and settlement are incorporated, the platform assumes the role of market infrastructure by providing payment assurance, collateral and margining systems, netting of obligations, and default management procedures.<sup>5</sup> This institutional function is what allowed hubs such as the UK’s National Balancing Point and the US Henry Hub to mature into credible pricing benchmarks.<sup>6</sup>

Nigeria’s recent announcement of a regulated gas trading licence framework encompassing trading, clearing and settlement signals an intention to follow this path.<sup>7</sup> The stated objective of shifting from opaque bilateral arrangements to standardised, transparent transactions reflect lessons learned globally—namely, that without trusted settlement and credit discipline, liquidity does not sustain.

<sup>1</sup> Nigerian National Petroleum Company Limited, *National Gas Expansion and Utilisation Reports*; World Bank, *Nigeria Gas Sector Review*.

<sup>2</sup> S&P Global Commodity Insights, *Gas Hub Development and Market Design*.

<sup>3</sup> BusinessDay Nigeria; Premium Times Nigeria, reports on Nigeria’s gas trading framework (2025).

<sup>4</sup> CME Group, *Physical Natural Gas Trading Products*.

<sup>5</sup> CME Group; ICE Futures Europe, *Clearing and Settlement in Energy Markets*.

<sup>6</sup> S&P Global, *Henry Hub and NBP Pricing Evolution*.

<sup>7</sup> Federal Ministry of Petroleum Resources announcements (2025).

## REGULATORY PLACEMENT UNDER THE PETROLEUM INDUSTRY ACT

The PIA deliberately separates regulatory authority across the petroleum value chain. Under this structure, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) oversees upstream operations, while the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) regulates midstream and downstream activities, including gas transportation, processing, distribution and commercial market arrangements.<sup>8</sup>

A domestic gas trading platform particularly one connected to pipeline access, balancing rules and settlement systems is therefore best characterised as midstream market architecture. In both the United Kingdom and the European Union, gas hubs are regulated as market infrastructure closely integrated with transportation system operation and access rules, rather than as upstream supply instruments.<sup>9</sup>

Accordingly, NMDPRA is the natural primary regulator for Nigeria’s gas trading platform, with necessary coordination with NUPRC where upstream domestic supply obligations intersect with market trading. This approach aligns with Nigeria’s adoption of open-access principles through the Nigerian Gas Transportation Network Code, which mirrors network codes that underpin hub-based trading in Europe and elsewhere.<sup>10</sup>

## THE PLATFORM IN THE CONTEXT OF NIGERIA’S DECADE OF GAS

Nigeria’s Decade of Gas (2021–2030) is premised on the understanding that gas must transition from an export-oriented or stranded commodity into a domestically utilised economic input.<sup>11</sup>

<sup>8</sup> Petroleum Industry Act 2021, ss. 4–33, 47–64.

<sup>9</sup> EU Regulation (EC) No 715/2009; UK Gas Act and Network Code framework.

<sup>10</sup> Nigerian Gas Transportation Network Code (as amended).

<sup>11</sup> Federal Government of Nigeria, *Decade of Gas Initiative (2021–2030)*.

Infrastructure development, while essential, has proven insufficient on its own. India’s experience, particularly following the launch of the Indian Gas Exchange, illustrates that domestic gas utilisation scales only when market participants can rely on transparent pricing and enforceable commercial frameworks.<sup>12</sup>

In Nigeria, domestic gas investment—especially in gas-to-power and industrial applications—has been undermined by commercial uncertainty, including non-transparent pricing, prolonged bilateral negotiations, and chronic payment risk.<sup>13</sup> A gas trading platform directly targets these weaknesses by institutionalising price discovery and payment discipline. In this sense, it functions as a commercial enabler of the Decade of Gas rather than as a parallel policy initiative.

## BENEFITS OF A GAS TRADING PLATFORM



### Price Discovery and Transparency

In mature gas markets, transparent trading has gradually replaced relationship-based pricing. The evolution of the Title Transfer Facility in Europe demonstrates how published prices and standardised products reduce information asymmetry and support contract indexation.<sup>14</sup> For Nigeria, similar transparency could ease contracting frictions while still allowing long-term gas supply agreements to coexist with spot trading.

<sup>12</sup> Indian Gas Exchange (IGX); S&P Global, *India Gas Market Reform*.

<sup>13</sup> Nigerian Electricity Regulatory Commission; industry commentary on gas-to-power payment risk.

<sup>14</sup> Reuters; S&P Global, *TTF Market Development*.

## Credit Enhancement and Bankability

One of the clearest lessons from international markets is that liquidity follows credit discipline. Clearing houses and settlement rules in US and European markets significantly reduced counterparty risk, encouraging broader participation.<sup>15</sup> In Nigeria, where payment default has historically discouraged domestic gas supply, credible clearing and settlement could materially improve bankability.

## Liquidity as an Investment Signal

Liquidity is both a consequence and a catalyst of investment. Where hub prices become reliable reference points—as seen at Henry Hub—upstream and midstream investors gain confidence in long-term revenue expectations.<sup>16</sup> Nigeria’s platform could, over time, perform a similar signalling function if trade volumes reach critical mass.

## Network Efficiency and Competition

Hub trading works best when aligned with non-discriminatory network access. The UK and EU experience shows that integrating trading with capacity booking and balancing improves system efficiency and competition.<sup>17</sup> Nigeria’s network code reforms provide the necessary foundation for this form of integration.

## RISKS AND LEGAL CHALLENGES IN THE NIGERIAN CONTEXT

### Liquidity Risk

A recurring challenge in emerging gas markets is the “empty exchange” problem. India’s experience shows that early-stage platforms often struggle with thin volumes, undermining price credibility.<sup>18</sup> For Nigeria, premature

expectations of benchmark pricing could backfire unless participation is carefully incentivised.

### Market Power and Conduct

Where supply is concentrated—as it often is in emerging markets—trading platforms can amplify market power rather than dilute it. EU gas market regulation demonstrates the importance of strong market conduct rules, surveillance and enforcement, a lesson Nigeria must internalise from the outset.<sup>19</sup>

### Regulatory Fragmentation

Misalignment between upstream domestic supply obligations, midstream access rules and trading platform mechanics can generate disputes over nominations, curtailment and imbalance charges. Regulatory coherence, rather than institutional proliferation, is therefore critical.

### Contract Migration and Transition Risk

Transitioning from bespoke bilateral contracts to standardised trading products is legally complex. European hubs evolved gradually, allowing contracts to adapt over time. Nigeria will need similarly careful transitional arrangements to avoid destabilising existing gas supply and transportation agreements.<sup>20</sup>

### Systemic Settlement Risk

Where a platform performs clearing and settlement functions, its failure can have system-wide implications. Margining, default funds and operational resilience must not be optional features but core legal safeguards.<sup>21</sup>

## CONCLUSION

The introduction of a gas trading platform in Nigeria represents a structural intervention in the

<sup>15</sup> ICE Clear Europe; CME Clearing, default management frameworks.

<sup>16</sup> CME Group, *Henry Hub Futures and Market Liquidity*.

<sup>17</sup> UK National Grid Gas, *Balancing and Capacity Allocation*.

<sup>18</sup> S&P Global, *Early-Stage Gas Hub Liquidity Challenges*.

<sup>19</sup> EU REMIT Regulation and ACER market surveillance reports.

<sup>20</sup> European Commission, *Gas Hub Contract Transition Studies*.

<sup>21</sup> Reuters, *Energy Market Clearing and Systemic Risk*.

gas market rather than a mere policy experiment. The success or otherwise of the platform will depend on whether there can be a convergence of three main legs—legal design, regulatory coherence and enforcement discipline.

If Nigeria integrates its trading platform with network access rules, credible settlement mechanisms and effective market-conduct oversight, it could materially advance the objectives of the Decade of Gas by improving bankability, attracting investment and stabilising domestic pricing. If not, the platform risks becoming an additional institutional layer without transformative impact.

In this sense, the success of Nigeria’s gas trading platform will be measured not by its launch, but by whether it meaningfully reshapes how gas is priced, contracted and paid for in the Nigerian economy.

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