

Decommissioning and Abandonment Regulations 2026: Notable Regulatory Changes

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INTRODUCTION

Oil and gas operations pose significant environmental risks, necessitating a structured regulatory and operational framework to guide operators in managing these impacts and ensuring the safe and sustainable restoration of project sites. In Nigeria, this objective is achieved through a decommissioning and abandonment regime grounded in both international standards and domestic legislation.

The legal framework for decommissioning and abandonment in Nigeria's oil and gas sector is anchored on international conventions and Sections 232 and 233 of the Petroleum Industry Act, 2021 ("PIA"), which set out standards for remediation, operator obligations, compliance times, and reporting requirements.

More recently, in 2026, the Nigerian Upstream Petroleum Regulatory Commission ("NUPRC") issued the 2026 Decommissioning and Abandonment Regulations (the "New Regulations"), which expressly repealed the 2023 Decommissioning and Abandonment Regulations (the "Old Regulations").¹

The new Regulations ensure that decommissioning and abandonment of upstream wells, structures, installations, utilities, both onshore and offshore, are carried out in line with international petroleum industry best practice, while setting standards for the establishment and administration of a decommissioning and abandonment fund.

In this article, we examine the notable changes introduced by the New Regulations and assess their practical implications for upstream operators.

1. Decommissioning and Abandonment Plan

Under the Old Regulations, a licensee or lessee must submit a Decommissioning and Abandonment (D&A) Plan within one year of the regulations' commencement and shall conduct its operations in accordance with a D&A Plan approved by the Commission. The new Regulations introduce the following changes:

- a. Holders of a Petroleum Prospecting Licence must submit a plan alongside an application for approval of their Work Program.
- b. Holders of a Petroleum Mining Lease submit a plan alongside an application for approval of a Field Development Plan.
- c. Additionally, a license or lease with an existing plan in an approved field development plan must submit an updated plan within six months.²

It is critical for operators that fall within this classification to review their D&A plan to ensure compliance with the prescribed submission deadline of 9 September 2026.

2. Decommissioning and Abandonment Fund

To cover decommissioning costs, the New Regulations require operators to make annual financial contributions into a dedicated Decommissioning and Abandonment Fund. The 2026 Regulations extend the timeline for establishing the Fund from 90 days to 180 days.

¹ Regulation 25, Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations, 2026

² Regulation 3

Specifically, for holders of Petroleum Prospecting Licence, the Fund must be established within 180 days following approval of the applicable Work Programme. For holders of a Petroleum Mining Lease, the Fund must be established within 180 days of the lease grant, subject to the approved D&A Plan submitted at the Field Development Plan approval stage. Also, licensees of producing fields without an approved D&A Plan are required to submit a D&A Plan for approval within six months of the commencement of the New Regulations.

The 2026 Regulations also make key changes to the requirements governing the domicile of the Decommissioning and Abandonment (“D&A”) Fund escrow account. Under the previous 2023 Regulations, the D&A Fund was required to be maintained with the Central Bank of Nigeria (“CBN”), except for International Oil Companies (“IOCs”) operating under Joint Venture (“JV”) or Production Sharing Contract (“PSC”) arrangements with NNPC Limited, which were permitted to maintain the prescribed minimum balance offshore. This was not legally feasible, as CBN can only bank with state entities.

The New Regulations address this problem by providing that the escrow account may now be maintained with any Nigerian financial institution or an eligible foreign financial institution, provided that such institution has a minimum credit rating of A+ or its equivalent, as determined by recognised credit rating agencies.

For locally maintained accounts, the Nigerian financial institution must possess a national rating of at least A+ or its equivalent. Foreign financial institutions are also required to satisfy the same minimum credit rating threshold. Notably, the 2026 Regulations retain the requirement that at least 15% of the annual contribution to the D&A Fund must be held in a Nigerian financial institution, while continuing to provide flexibility for IOCs operating under JV or PSC arrangements with NNPC Limited to maintain the applicable threshold balance offshore.³ Collectively, these changes introduce a more flexible custody framework for licensees.

3. Revised Period for Well Suspension

The 2026 Regulations introduce significant changes to the permissible period for well suspension. Under the new framework, the maximum suspension period has been increased from three (3) years to four (4) years.

The New Regulations further provide that the suspension period may be extended upon satisfactory justification by the operator, subject to such conditions and terms as may be prescribed by the Commission. Additionally, it states that no well shall be shut in for operational reasons for more than one year, except where approved by the Commission.

Notwithstanding the foregoing, a drafting inconsistency exists in the 2026 Regulations. While Regulation 5(9)(b) extends the maximum suspension period to four years, Regulation 5(10) still refers to the previous three-year period under the repealed Regulations. Nonetheless, a purposive interpretation supports the application of the four years under the 2026 regime.

In addition, Regulation 5(10) introduces a new requirement absent under the 2023 Regulations. Where no extension application is made, or such application is refused, the licensee or lessee shall complete the abandonment of the well within one month of the expiration of the four years. The

³ Regulation 19

implication of failure to comply is that the Commission may access the D&A Fund and appoint a third party to undertake the abandonment process.

4. Emphasis on Stakeholder Consultation

The consultation obligation remains largely unchanged. Where a D&A Plan is submitted, the Commission is mandated to conduct public consultations with relevant stakeholders, including host communities, public authorities, and other interested parties, in conjunction with the licensee or lessee, before approval of the D&A Plan.

To give effect to the substance of this requirement, the Regulations further oblige licensees or lessees to disclose relevant information to facilitate stakeholder engagement through the Commission’s website. Accordingly, this provision underscores the importance of sustained stakeholder participation, ensuring alignment among all stakeholders on the applicable mitigation framework.⁴

CONCLUSION

The 2026 Regulations make significant and targeted reforms to the 2023 framework, reflecting broader commercial shifts for operators. Some of the notable changes include the liberalisation of the fund custody framework, the extension of the well suspension period, and a time-sensitive approval process. Collectively, these reforms establish a more streamlined regulatory structure that clarifies the obligations of operators, alleviates certain financial constraints on IOCs, and is intended to sustain investment in Nigeria’s upstream sector.

Additionally, the introduction of transparent timelines underscores the Commission’s intent to promote regulatory certainty and operational clarity for operators.

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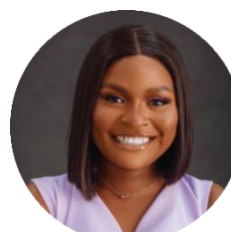
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⁴ Regulation 13



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