



UDO UDOMA &
BELO-OSAGIE

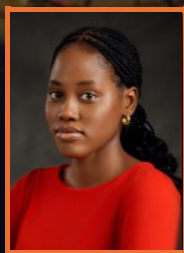
NUPRC'S ALTERNATIVE DISPUTE RESOLUTION CENTRES AND IMPLICATIONS FOR DISPUTE RESOLUTION IN NIGERIA'S OIL AND GAS SECTOR



**Folake Elias-
Adebowale**
Partner



**Noble
Chinwendu**
Associate



**Ifunanya
Chinwuba**
Associate



1.0 Introduction

The Nigerian Upstream Petroleum Regulatory Commission (“NUPRC”) recently announced plans to establish Alternative Dispute Resolution Centres (“ADRCs”) in various regions of the country, signalling the Nigerian Government’s commitment to adopting alternative dispute resolution as the primary means of resolving disputes in the nation’s oil and gas sector.

This announcement was made during the Stakeholders Engagement and Consultation Session on the Draft Rules of Procedures of the ADRC, held in Lagos on 15th August 2024. The ADRC, an important component of the National Oil and Gas Excellence Centre (“NOGEC”), was originally inaugurated by then-President Muhammadu Buhari on 21st January 2021.

The ADRC represents a transformative shift from traditional dispute resolution methods. Unlike individual Alternative Dispute Resolution (“ADR”), mechanisms which can vary widely and lack uniform standards, the ADRC serves as a centralised hub that integrates dispute resolution processes across Nigeria’s oil and gas sector. This centralisation ensures a consistent, high-quality approach to resolving disputes, enhancing reliability and efficiency.

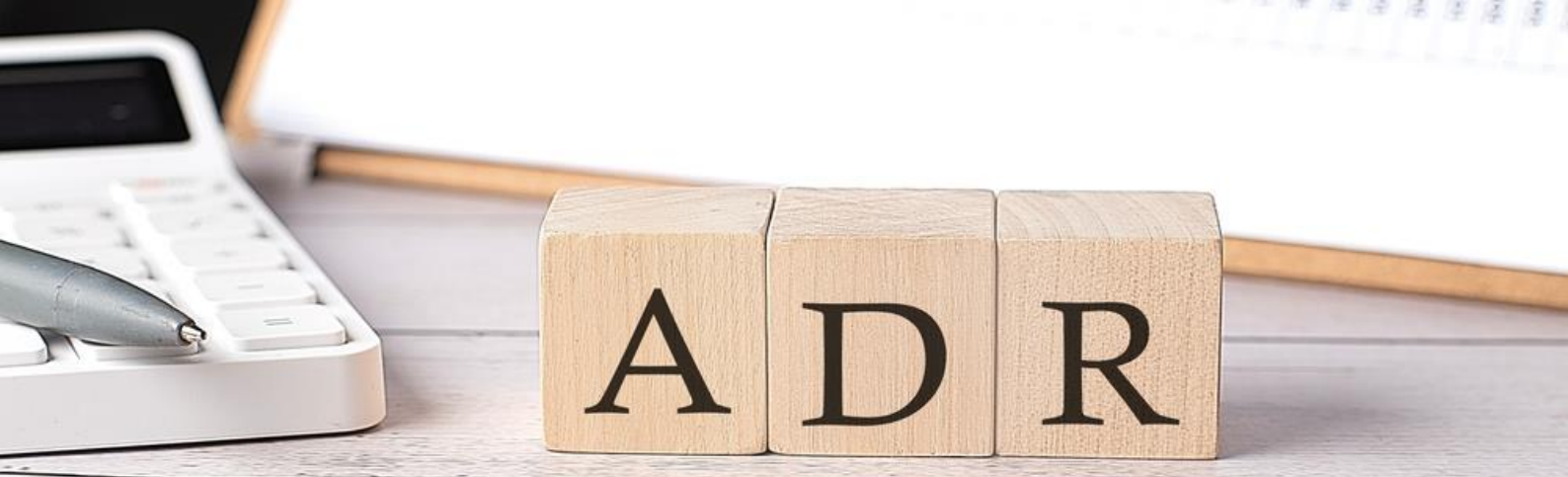
1.1 Background

The NOGEC, where the ADRC is situated, was established as part of the government’s broader strategy to enhance technical and economic efficiencies within the oil and gas sector. Inaugurated on 21st January 2021 by the then President, who also served as the Minister of Petroleum Resources, the NOGEC is located at the Lagos annex of the former Department of Petroleum Resources (now NUPRC). NOGEC’s mandate is to serve as a techno-economic integrated resource complex, supporting the Nigerian government’s objectives of safety, value, and cost efficiency in the oil and gas industry. This aligns with national policies, including the National Petroleum Policy 2017, National Gas Policy 2017, Economic Recovery and Growth Plan, and the Economic Sustainability Plan 2020.

- 1.1.1. NOGEC comprises several specialised units, including the ADRC, Search, Rescue and Surveillance, Command and Control Centre, National Improved Oil



- 1.1.2. What sets the ADRC apart is its role as a centralised platform specifically tailored for the Nigerian oil and gas industry. Unlike scattered individual ADR processes, the ADRC consolidates expertise and resources into a single, cohesive unit. This integration means that every dispute benefits from a streamlined process, uniform standards, and a pool of specialists who are familiar with the sector's nuances, ensuring more consistent and informed resolutions. It is designed to handle disputes consistently with the regulatory and economic interests of the sector, addressing issues that hinder optimal asset development and industry growth.
- 1.1.3. Although the Petroleum Industry Act 2021 (“PIA”) does not explicitly empower the Minister of Petroleum Resources or the NUPRC to establish dispute resolution centres, section 11 of the repealed Petroleum Act provided a legal basis for the settlement of disputes through alternative dispute resolution. The provision states: ***“Whereby any provision of this Act or any regulations made thereunder a question or dispute is to be settled by arbitration, the question or dispute shall be settled in accordance with the law relating to arbitration in the appropriate State, and the provision shall be treated as a submission to arbitration for the purposes of that law.”*** Consequently, the ADRC has been preserved under the saving provisions of Section 311(1) of the PIA.
- 1.1.4. By establishing the ADRC as part of the NOGEC, the Nigerian government is utilising its authority to supervise, formulate, and administer policies within the petroleum industry, providing a strategic mechanism to resolve disputes that otherwise risk stalling projects and investments. The ADRC simplifies oversight for regulators by providing a centralised platform where dispute outcomes can be monitored and analysed. This centralisation aids in enforcing regulatory compliance and ensures that policies are applied consistently across the sector. The ADRCs will import mediators and arbitrators with specialised knowledge of the oil and gas industry to ensure that disputes are resolved by individuals who understand the sector's technical, commercial, and regulatory complexities. The flexibility of ADRCs will also allow for the design of processes tailored to the needs of the oil and



gas industry, including the ability to set timelines and make more informed and timely resolutions.

2. Impact of the ADRCs on Stakeholders in the Oil and Gas Industry

Prior to the establishment of the ADRC in Nigeria, resolving oil and gas disputes involved a tough and costly process. The primary recourse was to opt for alternative dispute resolution mechanisms in foreign jurisdictions as a more attractive alternative to the Nigerian court system due to its procedural delays and congestion. The complex and technical nature of Nigerian oil and gas disputes did not help in this regard. As a result, stakeholders had to travel to foreign jurisdictions for ADR processes or face significant delays in the Nigerian courts at the risk of having stalled investments and projects.

- 2.1. The ADRC's centralised approach offers numerous advantages over individual ADR mechanisms, enhancing the dispute resolution landscape for stakeholders. First, it provides consistency in dispute resolution through standardised procedures, allowing stakeholders to better assess risks and outcomes compared to varied individual setups. Additionally, the ADRC pools industry-specific experts, including mediators, arbitrators, and technical advisors, ensuring that disputes are handled by knowledgeable professionals who understand the complexities of Nigeria's oil and gas sector.
- 2.2. Cost efficiency is another significant benefit, as the ADRC's shared resources reduce expenses associated with hiring arbitrators, renting venues, and managing logistical requirements, making dispute resolution more accessible and financially manageable. Furthermore, the ADRC's established protocols and dedicated personnel facilitate quicker dispute resolutions, minimising disruptions to operations and financial planning in the oil and gas sector.



- 2.3. The ADRC’s integration with the National Data Repository should also provide access to comprehensive data, supporting evidence-based decision-making in technical disputes—a critical advantage that individual ADR setups often lack. This is potentially helpful for local communities and environmental groups because access to a centralised data centre will support evidence collection and help to build trust in the dispute resolution process. On the other hand, companies are also better placed to address community grievances and to invest in local development initiatives.

3. **Conclusion**

The establishment of the ADRC as a centralised platform for dispute resolution marks a significant milestone in the evolution of the Nigerian oil and gas sector. By providing a consistent, transparent, and cost-effective alternative to litigation and other disparate ADR mechanisms, the ADRC aligns with global best practices and directly addresses longstanding challenges in dispute management. This approach should enhance investor confidence while supporting Nigeria’s regulatory and economic objectives. As the sector continues to transform, the ADRC is poised to foster a more investor-friendly environment, contributing to the sustainable growth of the Nigerian energy industry

This update has been provided by Folake Elias-Adebawale, Noble Chinwendu and Ifunanya Chinwuba of the Oil & Gas team at Udo Udoma & Belo-Osagie. For more information about our Oil & Gas practice group offerings, please visit our website at www.uubo.org or email us at ogteam@uubo.org.

DISCLAIMER: This article is only intended for information purposes only and shall not be construed as legal advice on any subject matter in any circumstances. It does not and shall not be construed as creating any relationship, including a client/attorney relationship, between readers and our firm or any author, or serve as legal advice. The opinions expressed in this publication are the opinions of the individual authors and may not reflect the opinions of the firm or of any individual attorney. You should contact your attorney to obtain advice with respect to any particular issue or problem.