UDO UDOMA & BELO-OSAGIE

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THE NIGERIA UPSTREAM DECOMMISSIONING AND ABANDONMENT REGULATIONS 2026:

TODAY'S FILING DEADLINE AND THE WIDER GOVERNANCE, FUNDING AND TRANSACTION IMPLICATIONS FOR OPERATORS, INVESTORS, AND LENDERS

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Overview

In this update, Folake Elias-Adebowale and Noble Chinwendu of Udo Udoma & Belo-Osagie's Oil & Gas team consider the immediate filing obligations triggered by the Nigeria Upstream Decommissioning and Abandonment Regulations, 2026, and explain why today's deadline should be treated as more than an administrative compliance date. They identify the operators and stakeholders caught by the transitional provisions, and examine the distinction between updated plans and first-time submissions, the timing of Fund establishment, and the practical consequences of non-compliance. The article also considers how the new framework affects board oversight, cost assumptions, escrow arrangements, execution planning, regulatory engagement, enforcement exposure, asset transfers and financing structures. Its focus is practical: the steps that operators, investors and lenders should take now to evidence compliance, manage funding risk and preserve transaction readiness under the 2026 framework.

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1. The 9th September 2026 deadline and the scope of the application

The Nigeria Upstream Decommissioning and Abandonment Regulations, 2026 (the "**2026 Regulations**") commenced on 9 March 2026. They were made under sections 232 and 233 of the Petroleum Industry Act, 2021 (the "**PIA**") and revoked the 2023 Regulations, subject to the preservation of matters already done that are not inconsistent with the new framework. Regulation 27 supplies the statutory citation: "**Nigeria Upstream Decommissioning and Abandonment Regulations, 2026**".

The immediate compliance point is the filing deadline. Affected holders must act today, Wednesday, 9 September 2026. The wider point is that the **2026 Regulations** bring decommissioning and abandonment into present governance, funding and transaction-risk analysis. They are not directed only at assets approaching cessation of production; they require current title holders to confirm whether each licence or lease has a compliant plan, and, where necessary, to update or submit that plan within the transitional period.

The transitional filing obligations fall into two principal categories. First, where a licence or lease already has a **D&A Plan** in an approved Field Development Plan ("**FDP**"), Regulation 3(5)(c) requires an updated plan to be submitted by 9 September 2026. Secondly, where an existing licence or lease has no **D&A Plan**, or where the field is in development or production without a plan that meets the PIA framework, Regulation 19(2)(c) requires a plan to be submitted for approval by the same date. For this second category, the **D&A Fund** must be established within 180 days after approval, and the Commission must be notified within 14 days after establishment.

The scope of application is deliberately broad. Regulation 3(3) applies the **D&A Plan** requirement even where an approving authority granted approval under another law before the PIA, or where the Commission approved a plan before the **2026 Regulations**.

The practical inquiry is therefore not merely whether a historic approval exists, but whether the asset's current plan is aligned with the PIA and the 2026 framework.

For the continuing asset lifecycle, the timing depends on the title. A PPL holder submits its **D&A Plan** with the application for approval of the Work Programme, while a PML holder submits it with the application for approval of the FDP. A **D&A Plan** satisfying Regulation 3(9) is deemed approved when the corresponding FDP is approved. The result is a dual regime: immediate transitional filings for existing assets, and lifecycle-linked submissions for future development and production approvals.

2. Why this matters

The deadline should not be treated as a routine regulatory filing. For operators, it forces an immediate test of whether each licence or lease has a defensible plan, a credible cost basis and a funding route that can withstand Commission scrutiny. For boards and management, it raises questions about capital allocation, contingent exposure, asset economics and whether legacy assumptions remain reliable under the current framework.

The same point has transaction and financing consequences. A plan that is incomplete, under-funded or not aligned with the asset's current technical condition may affect diligence, pricing, escrow analysis, lender protections, buyer risk allocation and post-completion obligations. In that sense, the deadline is a useful pressure point: it brings forward issues that may otherwise surface later, when execution options are fewer and more expensive.

3. From a filing document to lifecycle control

The revised framework connects decommissioning planning to development approval, annual funding, execution and eventual transfer. The **D&A Plan** is therefore not merely an end-of-field-life document. Properly prepared, it becomes a live control for testing whether the asset's technical scope, environmental basis, cost estimate and dedicated funding remain aligned throughout the life of the licence or lease.

Regulation 3(9) requires an approved plan to comply with good international petroleum industry practice, the applicable International Maritime Organisation standards, Commission guidelines issued under section 232(1)(b) of the **PIA** and the criteria in section 232(6) of the **PIA**. A meaningful review should therefore test not only the face of the plan, but also the assumptions, surveys, estimates and technical records on which it rests.

Regulation 5(13) addresses the decommissioning programme submitted when approval is sought to carry out the work. Although it is not framed as an exhaustive statement of **D&A Plan** content, it is a useful proxy for execution readiness. A **D&A Plan** that cannot later support these programme elements may meet a filing deadline without providing management, financiers, or potential counterparties with a reliable basis for assessing execution risk.

- ✓ the facilities and materials inventory, including hydrocarbons, sludges, sacrificial anodes and radioactive material;
- ✓ the proposed removal method, disposal route, waste hierarchy, re-use, recycling and scrapping;
- ✓ environmental evaluation or post-impact assessment, remediation and restoration;
- ✓ a quantitative comparison of options against safety, environmental, engineering, socio-economic and technology criteria;
- ✓ supporting arrangements with relevant partners, contractors or concessionaires; and
- ✓ cost categories, possible deviations, execution schedule and post-decommissioning monitoring.

Read together, these items show that a credible **D&A Plan** is a multidisciplinary document. It must be capable of integrating technical inventory, environmental assessment, cost modelling, contractor strategy, regulatory engagement, and post-completion monitoring into a single coherent execution basis. That is the point at which the plan begins to function as a lifecycle control rather than a static filing.

For onshore infrastructure, the Regulations contemplate the complete removal of installations and structures on land and restoration to the original condition, subject to the stated treatment of buried transportation pipelines and gathering lines, and to the exception where complete removal would cause significant environmental damage. Infrastructure left wholly or partly in place carries residual liability. That residual exposure should be reflected in the plan, cost estimate, environmental basis and transaction documents.

4. Funding the D&A obligation

A Fund is required for each licence or lease. The **D&A Plan** must state the annual contribution, and contributions begin upon the plan's approval. A holder of several titles may apply to pay annual contributions into a single Fund account, provided the required title-level reporting is preserved. The contribution is reviewed every ten years and may be reviewed earlier if costs, technology or the asset base change significantly. Cost assumptions and funding models should therefore be treated as continuing governance matters, not one-off inputs used only to meet the filing requirement.

The Fund is an interest-bearing US-dollar escrow account held with a qualifying financial institution. The default is full domiciliation with a Nigerian institution meeting the prescribed national rating. A Nigerian/offshore split is permitted for specified IOC interests: 15% of the total annual contribution is held in Nigeria, and the balance may be held offshore with a qualifying institution. In a joint venture, contributions are made pro rata. NNPC Limited pays its contribution into the Nigerian account, and the IOC pays at least 15% of its pro rata share into that account. The corresponding treatment is provided for a production-sharing contract with NNPC Limited.

The Commission is a party to every escrow agreement and has independent access rights in the circumstances contemplated by the PIA and the Regulations. The account must remain free from charges, pledges, liens, guarantees, letters of credit, garnishee orders and other creditor processes. Investment is confined to qualifying low-risk instruments. Accrued interest forms part of the Fund and may offset later contributions. Amounts set aside before commencement must be transferred into the Fund established under the 2026 Regulations.

The practical governance point is straightforward. Operators should know which titles require funding, what assumptions support each annual contribution, whether the account structure complies with the Regulations, who within the organisation owns the funding model, and when the next review or reporting obligation falls due. Those questions are not only financial questions; they span legal, technical, commercial, and board oversight.

5. Execution planning and regulatory engagement

The Regulations build long lead times into the approval process. Applications for installations, structures, utilities, plants or pipelines on land, and for all or part of an onshore field, must be made at least 12 months before the proposed start date. For offshore infrastructure, and for all or part of an offshore field, the minimum lead time is 60 months. Safety-related emergency applications may be made under the applicable provisions, but they should not be treated as a substitute for ordinary project planning.

The deemed approval rules help, but they do not remove the need for a cautious timetable. A well abandonment application is deemed approved if the Commission does not communicate its decision within 60 days. Proposed changes to an approved programme are subject to the same 60-day period, while approval of a replacement financial institution is deemed after 14 days. Other decommissioning applications require closer scheduling: Regulation 11 provides a 12-month consideration period and deemed approval, while Regulation 12 provides a 120-day period for the Commission to communicate its decision in the application procedure set out there. Applicants should identify the relevant approval route early and confirm the expected review pathway with the Commission.

Public consultation with the operator and relevant stakeholders forms part of the approval process, except for well abandonment and emergency decommissioning. Consultation should be planned with the technical and environmental workstreams, rather than treated as a step at the end of the process. The information pack, access arrangements, meeting logistics and treatment of comments can all affect the approval timetable.

The practical point is timing discipline. By the time an operator is ready to seek approval to carry out decommissioning work, the plan should already have settled the technical basis, evidence base, cost assumptions, consultation route, funding position and likely approval pathway. If those elements are still being assembled at that stage, the project is already at risk of delay.

In practical terms, operators should work backwards from the approval window, not forward from the date when abandonment work is expected to begin. That approach gives management a clearer view of when surveys, technical studies, consultation materials, funding confirmations and internal approvals must be completed.

This is also where governance discipline matters. Delay is less likely to arise from a single missed form than from unresolved assumptions across teams: the technical team may not yet have settled the scope, finance may not yet have confirmed the funding position, and legal may not yet have a complete record for the regulatory submission. The timetable should expose those gaps early.

6. Fund use, reporting, and enforcement

The Fund may be used only for decommissioning and abandonment. Operator access is subject to written Commission approval for the relevant programme. A shortfall remains for the operator to meet, and it does not excuse complete performance; the Regulations state that the additional expenditure is cost-recoverable and tax-deductible. A surplus remaining after completion, where no post-completion survey or work remains, is treated as income for production-sharing or tax purposes and returned after the applicable withholding of profit oil and tax.

The Commission may use the Fund to appoint a third party where notified non-compliance is not rectified within 180 days, or in the event of insolvency or bankruptcy. Third-party performance does not discharge the operator's continuing obligation. Procurement in that circumstance is subject to the Public Procurement Act.

Not later than 90 days after each calendar year end, the operator must submit a statement of accounts for the preceding year to the Commission and the Nigerian Revenue Service.

Failure to submit a **D&A Plan** within the prescribed period results in an administrative penalty of USD 500,000 for each year of non-compliance or revocation. Failure to establish the Fund carries a separate annual penalty of USD 500,000 or revocation. Failure to make a yearly contribution attracts a penalty equal to one year's contribution, in addition to the unpaid amount, or revocation. For joint venture and production sharing contract parties, liability for contribution default is several and pro rata to working interests.

Where a joint venture or production sharing contract party defaults on its annual funding obligation, the Commission is to authorise the lifting of crude oil equivalent to the value of the default, with the abandonment escrow account named as beneficiary. Unapproved well abandonment, suspension or decommissioning attracts a USD 1,000,000 administrative penalty. Penalties may be paid in Dollars or Naira at the prevailing Central Bank of Nigeria rate and are not cost recoverable.

7. Fees: confirm the operative schedule when filing

The Upstream Petroleum Fees and Rents (Temporary) Extension Regulations, 2026 (the "Fees Regulations") prescribe ₦10,000,000 for **D&A Plan** approval; ₦5,000,000 for D&A Execution Programme approval or revalidation; ₦1,350,000 for a request for well abandonment, decommissioning and site restoration or revalidation; and ₦10,000,000 for abandonment of radioactive sources. Separate ₦1,350,000 fees apply to the well-suspension or permanent plug-and-abandon permit and to safety-case approval, including decommissioning.

Evidence of payment must accompany the application, and approval will not be granted until the applicable fee is paid in full. The Fees Regulations are stated to remain in force for six months from 9 March 2026. As that period reaches the present filing date, applicants should confirm the fee schedule applicable at the time of submission and follow the Commission's payment instructions.

8. Transactions and financing: the liability follows the asset

Regulation 23 provides that, where an interest in a licence or lease is assigned, novated or otherwise transferred, the proportionate legal and equitable interests, rights and obligations relating to decommissioning and abandonment attach to the property transferred. Regulation 17(1)(d) separately places the obligation for an expired, surrendered or revoked title on an assignee to the extent assumed under an assignment made wholly or partly with the Minister's consent.

D&A Plan review should therefore form part of the core diligence and pricing analysis for an upstream acquisition. The inquiry should cover the plan and approval status, technical and cost basis, annual contributions and payment history, escrow compliance, residual liability, regulatory correspondence and outstanding remedial work.

For **acquirers**, these findings should inform value, conditions precedent, indemnities, retention or purchase-price mechanisms and post-completion covenants.

For **lenders**, they should consider informing debt sizing, reserve assumptions, account control analysis and the treatment of abandonment risk in security and enforcement planning. For lenders, the Fund is not ordinary collateral. The prohibition on encumbrances limits the security package, while the Commission's position as a party and its independent access rights affect the account control and enforcement analysis.

Before termination, the Commission may request that specified facilities not be decommissioned and instead be delivered to the Commission or its designated party. Where that occurs, the operator is relieved of future obligations for those facilities, and the remaining Fund balance becomes available to the Commission for its future decommissioning.

9. What affected operators should consider doing on 9th September 2026

- ✓ Classify each licence and lease as requiring an updated plan under Regulation 3(5)(c), a first plan under Regulation 19(2)(c), or neither, and record the basis for that classification at the management level.
- ✓ Complete and lodge each required submission today through the applicable Commission process, and retain the filing record.
- ✓ Test the plan against Regulation 3(9), the PIA criteria and the evidence required for the eventual execution programme, including the assumptions behind the technical scope, cost estimate and timetable.
- ✓ Assign internal ownership for D&A compliance across technical, finance, legal and commercial teams, rather than treating the filing as a single regulatory workstream.
- ✓ Confirm the annual contribution, institution rating, escrow terms and the Nigerian/offshore domiciliation split.
- ✓ Transfer legacy decommissioning monies into the Fund established under the 2026 Regulations.
- ✓ Confirm the applicable fee schedule and payment instructions, and retain the submission and payment record.
- ✓ For current transactions and financings, update diligence, conditions precedent and risk allocation.
- ✓ Diarise Fund establishment, the 14-day notice following establishment and the annual statement of accounts.
- ✓ Report open plan, Fund, fee and execution-readiness issues to the appropriate board or management forum, with a timetable for closure.

The immediate deadline is 9th September 2026, but the more durable point is institutional. The Nigeria Decommissioning and Abandonment Regulations 2026 treat decommissioning as a connected system of technical planning, dedicated funding, regulatory approval, reporting discipline, and asset transfer responsibility. Operators that bring those elements under active management now will be better placed to execute later work, support financing and acquisition processes, and address decommissioning risk in future transactions.

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