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NIGERIA'S GAS VALUE CHAIN: A LEGAL AND COMMERCIAL GUIDE FOR INVESTORS

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Introduction: Nigeria's Gas Renaissance

With proven natural gas reserves estimated at 215.19 trillion cubic feet (TCF) as of January 2026 and significant upside from ongoing exploration activities, Nigeria possesses the largest proven gas reserves in Africa and ranks among the top gas-endowed nations globally . Yet only a fraction of these reserves has been commercially exploited, largely due to inadequate infrastructure, pricing distortions, regulatory uncertainty and limited investment in gas processing and transportation.

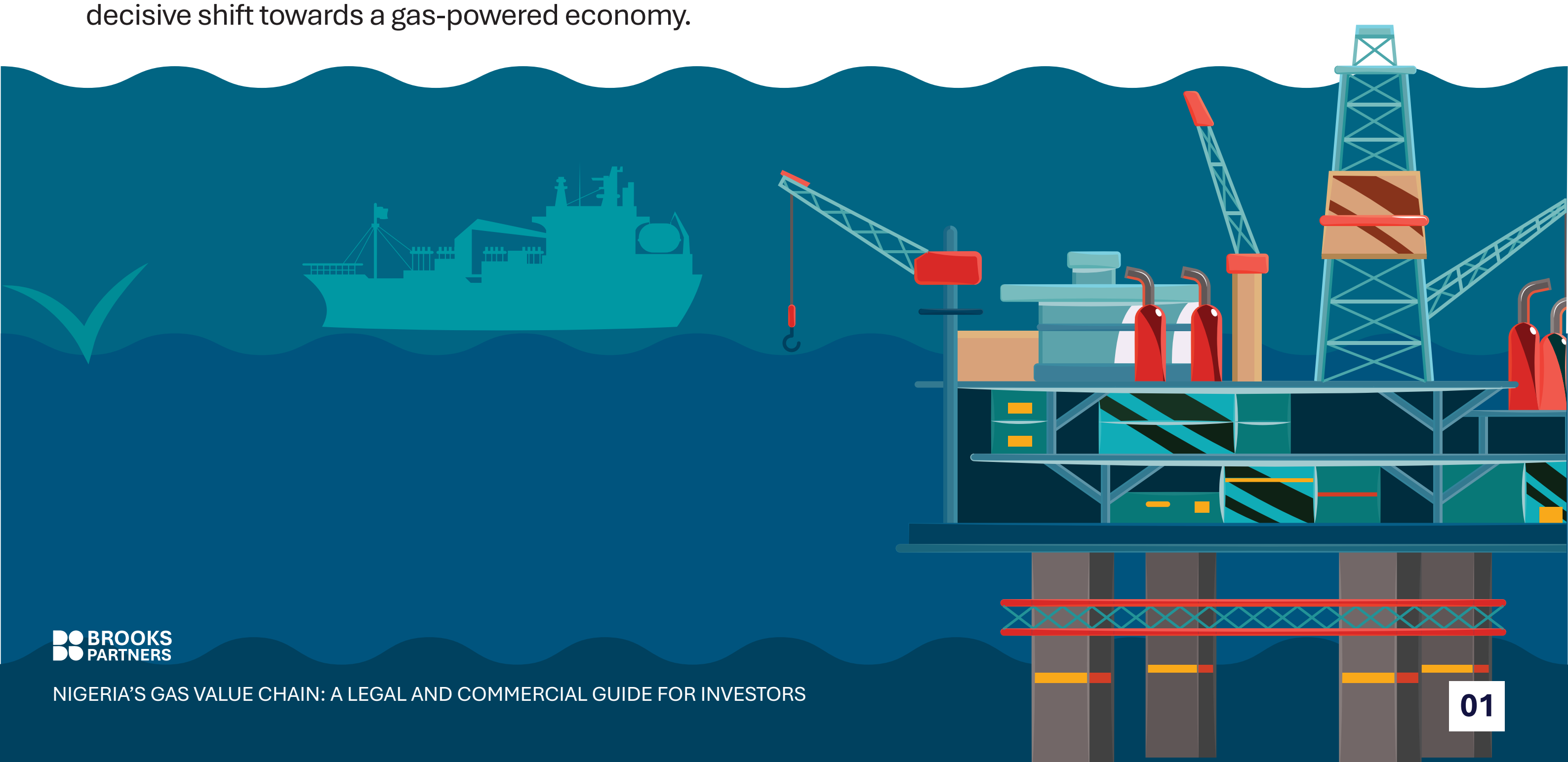
Today, the landscape is changing rapidly.

The enactment of the Petroleum Industry Act, 2021 ("PIA"), the implementation of the Federal Government's "Decade of Gas" initiative, recent Executive Orders aimed at improving the ease of doing business, growing domestic demand for cleaner energy, expansion of LNG exports, and increasing investment in gas infrastructure collectively signal a decisive shift towards a gas-powered economy.

Natural gas is no longer viewed merely as a by-product of crude oil production. It has become a strategic economic asset capable of supporting power generation, industrialization, manufacturing, petrochemicals, transportation, export earnings and Nigeria's energy transition objectives.

For investors, this transformation presents compelling opportunities across virtually every segment of the gas value chain. However, translating these opportunities into successful investments requires a thorough understanding of the legal, regulatory and commercial framework governing the Nigeria's gas industry.

This article provides a practical guide to the Nigeria's gas value chain, highlights recent reforms, identifies key investment opportunities and outlines the principal legal considerations that investors should address when structuring gas projects in Nigeria.



Understanding Nigeria's Gas Value Chain

The Nigerian gas value chain encompasses a series of interconnected activities that convert natural gas resources into commercially valuable products and services. Each segment presents distinct investment opportunities, commercial models and regulatory requirements.

Upstream Gas Development

The upstream segment involves gas exploration, appraisal, production and initial gathering. It includes both associated gas produced alongside crude oil and non-associated gas produced from dedicated gas fields. Investment opportunities in this area include:

- acquisition of petroleum assets;
- farm-in and farm-out arrangements;
- dedicated gas field development;
- gas gathering systems;
- gas flare commercialization projects; and
- integrated gas development projects.

The PIA places greater emphasis on monetizing gas resources, reducing routine gas flaring and encouraging dedicated gas developments through improved fiscal incentives.

Midstream Processing

Raw natural gas must undergo processing before it becomes suitable for transportation or commercial use. Processing removes impurities and separates valuable products such as natural gas liquids, condensates and liquefied petroleum gas (LPG).

Significant investment opportunities exist in gas processing plants, modular processing facilities, LPG extraction plants, condensate recovery systems, gas treatment facilities and associated infrastructure.

Transportation and Storage

Transportation remains one of the most critical gaps within Nigeria's gas industry. Commercial opportunities exist in transmission pipelines, compressor stations, metering facilities, LNG trucking, compressed natural gas (CNG) logistics, virtual pipeline systems and gas storage facilities.

The continued expansion of Nigeria's pipeline network is expected to unlock previously stranded gas reserves while improving domestic gas supply.

Downstream Gas Utilization

Processed gas supports numerous industries including electricity generation, fertilizer production, petrochemicals, cement manufacturing, steel production, glass manufacturing, food processing, transportation and residential cooking.

Growing adoption of CNG-powered vehicles has also created an entirely new downstream market requiring investment in refueling infrastructure, conversion centers and logistics.

The commercial opportunities extend well beyond energy production—they underpin Nigeria's broader industrialization agenda.

Legal and Regulatory Framework

One of the most significant developments in the Nigeria's petroleum industry has been the enactment of the PIA, which fundamentally restructured the governance and commercial regulation of the sector. The PIA establishes a clearer legal framework for licensing, fiscal administration, gas commercialization, infrastructure development and private sector participation.

The regulatory landscape is now principally administered by two specialized regulators:

i. The Nigerian Upstream Petroleum Regulatory Commission ("NUPRC") – with the mandate to regulate exploration, production, field development, petroleum licences and upstream gas operations. NUPRC also:

- *ensures efficient implementation of all applicable laws and regulations governing upstream petroleum operations;*
- *enforces regulatory compliance by industry stakeholders;*
- *promotes healthy, safe, efficient, effective and sustainable operating environment in the upstream sector;*
- *promotes an enabling environment for investment in upstream petroleum operations; and*
- *Determines, administers and ensures implementation and maintenance of technical standards, codes, practices and specifications applicable to upstream petroleum operations in line with international best practices.*

NUPRC has issued various Regulations for governing operations in the upstream sector, including on Fees & Rent; Decommissioning & Abandonment; Commercialization; Safety; Environmental Remediation; Acreage Management & Petroleum Drilling; Significant Crude Oil & Gas Recovery; Licensing Rounds; Conversion & Renewal of Licenses and Leases; and Domestic Gas Delivery, among others.

ii. The Nigerian Midstream and Downstream Petroleum Regulatory Authority ("NMDPRA") – with the mandate to regulate gas processing, transportation, storage, distribution, wholesale supply and retail gas activities. NMDPRA's key functions include:

- regulating and monitoring all midstream and downstream petroleum operations in Nigeria;
- determining appropriate tariff methodology;
- setting cost benchmarks for midstream and downstream operations;
- advising the Government and stakeholders on commercial matters relating to tariff and pricing framework;
- regulating the bulk storage, distribution, marketing, transportation pipelines of petroleum products;
- monitoring and enforcing compliance with the terms and conditions of licenses, permits, and authorizations issued to operators;
- setting, defining, and enforcing approved standards and regulations for design, construction, fabrication operation, maintenance of plants, installations, and facilities used or to be used in midstream and downstream petroleum operations;
- ensuring security of supply, development of the market and competition in the natural gas and petroleum products market;
- establishing customer protection measures in accordance with the law; and
- promoting competition and private sector participation in midstream and downstream petroleum operations.

Pursuant to its powers under the PIA, the NMDPRA has issued various Regulations for the midstream & downstream sector. For instance, the ***"Midstream and Downstream Petroleum Operations Regulations, 2025"*** regulates gas operations in the sector. The ***"Gas Pricing and Domestic Demand Regulations, 2023"*** also regulates the prices of marketable natural gas of the strategic sectors and identifies and makes provisions for the unregulated gas markets.

Other institutions – including the Federal Ministry of Petroleum Resources, Nigerian National Petroleum Company Limited ("NNPCL"), Nigerian Content Development and Monitoring Board ("NCDMB"), Federal Competition and Consumer Protection Commission ("FCCPC"), Nigeria Revenue Service ("NRS") and environmental regulators – also play important roles depending on the nature of the project.

Investors should appreciate that successful gas projects typically require multiple licences, permits and approvals across different regulatory institutions. Early engagement with regulators and proper sequencing of approvals can significantly reduce project execution risk.

Key Policy Reforms Driving Investment

Government policy over the last few years has increasingly focused on making Nigeria's gas industry commercially competitive. Among the most significant initiatives are:

• The Decade of Gas Initiative

Nigeria's Decade of Gas initiative seeks to transform Nigeria into a gas-powered economy through increased domestic utilization, industrial development, export expansion and energy transition. The initiative represents a concerted effort by the government and private sector to leverage the country's abundant natural gas resources for economic development.

During this decade (2021 – 2030), Nigeria is committed to increasing the country's gas production and consumption, with production expected to grow by over 50%. To achieve this target, efforts are being focused on seven (7) key priority areas as follows:

- **Priority A: DEMAND**
  assessment of gas demand outlook, identify key projects and ensure unlocks in place to actualize demand matched with supply.
- **Priority B: INFRASTRUCTURE**
  facilitate and monitor pipeline infrastructure expansion required to connect demand and supply (virtual and non-virtual, e.g. CNG, LNG).
- **Priority C: SUPPLY**
  acceleration of new field development to meet domestic and export gas demand.
- **Priority D: GAS TO POWER ARREARS**
  clear legacy gas-to-power debt and prevent further build-up to enable investments to gas-to-power sector.
- **Priority E: DOMESTIC LPG (COOKING GAS)**
  improve access and affordability of cooking gas to the most vulnerable Nigerian population (decarbonization).
- **Priority F: ECONOMIC PRINCIPLES**
  assessment of key gas economic enablers, gas pricing.
- **PriorityG: CAPABILITY BUILDING**
  development of core energy, competence across the industry.

With the ongoing efforts to unlock the full economic potential of the country's natural gas reserves as a catalyst for economic growth, the sector currently presents enormous investment opportunities and is expected to remain attractive to local and foreign players throughout the decade and beyond.

• Presidential Executive Orders

President Bola Ahmed Tinubu signed three Executive Orders on February 28, 2024, to improve the investment climate and position Nigeria as the preferred investment destination for petroleum operations in Africa. The Executive Orders are:

i. *Oil and Gas Companies (Tax Incentives, Exemption, Remission, etc.) Order, 2024.*

ii. *Presidential Directive on Local Content Compliance Requirements, 2024.*

iii. *Presidential Directive on Reduction of Petroleum Sector Contracting Costs and Timelines, 2024.*

On February 13, 2026, the President also signed another Executive Order named, ***"Presidential Executive Order to Safeguard Federation Oil and Gas Revenues and Provide Regulatory Clarity, 2026".*** The Order specifically:

- suspends the collection of management fees and frontier exploration fees by the NNPCL;
- directs that taxes, royalties, and profit oil under Production Sharing Contracts be remitted directly by contractors to the appropriate fiscal authorities;
- suspends the payment of gas flare penalties to the Midstream Gas Infrastructure Fund;
- clarifies the delineation of responsibilities between the NUPRC and NMDPRA, providing greater regulatory certainty for operators and investors; and
- establishes an inter-agency implementation committee, chaired by the Honourable Minister of Finance and Coordinating Minister of the Economy, to ensure coordinated and seamless execution.

Implementation of the Executive Orders is steadily improving the investment climate, by reducing contracting timelines, simplifying regulatory approvals, improving coordination among government agencies, and collectively improving the ease of doing business in the Nigerian petroleum industry, with impact on the gas value chain.

• Gas Pricing Reforms

The gas pricing regime has undergone significant reforms over the last few years, driven primarily by implementation of the PIA and the Federal Government's policy of making the domestic gas market more commercially attractive while ensuring adequate gas supply for strategic sectors.

The key recent reforms include:

1. Transition to a More Market-oriented Pricing Framework

Prior to the PIA, domestic gas prices were largely regulated at levels that many producers considered uneconomic. The PIA introduced a framework that seeks to balance:

- Investor returns;
- Affordability for strategic sectors;
- Security of domestic gas supply; and
- Gradual movement towards market-reflective pricing.

The NMDPRA now determines and publishes domestic gas prices annually, in accordance with statutory pricing principles.

2. Annual Domestic Base Price (DBP)

One of the most important reforms is the annual publication of the DBP, which is the minimum price at which gas may be supplied to designated strategic sectors within Nigeria. For 2026, the NMDPRA increased the DBP from US$2.13/MMBtu to US$2.18/MMBtu, effective 1 April 2026 , reflecting:

- the provisions of the PIA;
- prevailing market conditions; and
- the Gas Pricing and Domestic Demand Regulations.

3. Revised Wholesale Pricing for Strategic Sector.

The 2026 pricing framework also revised prices applicable to different domestic users:

SECTOR	2026 PRICING
Power Generation	US$2.18/MMBtu (Domestic Base Price)
Commercial Users	US$2.68/MMBtu
Gas-based industries	Price band with a floor of US$0.90/MMBtu and ceiling of US$2.18/MMBtu

The differentiated pricing is aimed at protecting electricity generation while allowing greater commercial flexibility for industrial users.

4. **Greater Liberalization of Non-Strategic Gas Market**

Outside regulated strategic sectors, the reforms increasingly permit prices to be negotiated between willing buyers and willing sellers. This policy initiative is designed to:

- improve investment returns;
- encourage additional gas production;
- stimulate private pipeline investment; and
- deepen Nigeria's domestic gas market.

5. Infrastructure Access and Competition

The PIA complements pricing reforms with measures that:

- provide open access to gas transportation infrastructure;
- encourage third-party access to pipelines and processing facilities;
- reduce barriers to market entry; and
- foster competition among suppliers.

These reforms are intended to ensure that price liberalization is supported by adequate transportation infrastructure rather than monopolistic control.

6. Incentives for Domestic Gas Supply

The pricing reforms form part of a broader strategy to encourage producers to allocate more gas to the domestic market through:

- clearer pricing mechanisms;
- fiscal incentives under the PIA;
- domestic gas delivery obligations; and
- executive measures supporting investment in gas infrastructure.

Industry reports suggest these reforms have contributed to increased domestic gas sales and stronger investor confidence in Nigeria's gas sector.

• Other Policy Frameworks

Other policy efforts being implemented to improve opportunities in the gas industry include the Federal Government CNG Initiative . The rapid expansion of compressed natural gas infrastructure has created new commercial opportunities in vehicle conversion, equipment manufacturing, logistics, retail gas distribution and project financing.

Another policy recently launched is the NNPCL's Gas Master Plan 2026 . The Gas Master Plan has long served as the strategic framework for the commercial development of the country's gas resources. The 2026 plan aims at shifting focus from policy formulation to policy execution. The current priorities include expanding domestic gas supply; completing strategic transmission infrastructure; promoting gas-based industries; strengthening regional gas exports; encouraging private investment through public-private partnerships; improving market liquidity; expanding city gas distribution networks; and supporting industrial clusters.

For investors, the significance of the Gas Master Plan lies not merely in government policy statements but in the pipeline of commercially viable projects that require private capital, technology and technical expertise.

Where the Investment Opportunities Exist

Perhaps the most attractive feature of Nigeria's gas industry is that investment opportunities exist throughout the value chain rather than being concentrated solely in upstream production. Key opportunities include:

Upstream:

- dedicated gas exploration;
- flare gas commercialization;
- marginal field development; and
- integrated gas projects.

Midstream:

- gas processing facilities;
- LPG extraction;
- LNG infrastructure;
- gas storage;
- compressor stations; and
- pipeline infrastructure.

Transportation:

Major infrastructure projects (including the Ajaokuta-Kaduna-Kano (AKK) Pipeline, OB3 Pipeline, Nigeria-Morocco Gas Pipeline and associated transmission networks) continue to create opportunities for engineering contractors, financiers, investors, EPC companies and professional advisers.

Financing Opportunities:

Nigeria's gas industry presents significant opportunities for commercial banks, development finance institutions, infrastructure funds, export credit agencies, pension funds and private equity investors seeking long-term infrastructure assets.

Increasingly, gas projects are being financed through innovative structures involving project finance, syndicated lending, blended finance, public-private partnerships, infrastructure bonds and strategic joint ventures. Investors with expertise in structured finance, risk allocation and capital markets can therefore play an important role in unlocking commercially viable gas projects.

Critical Legal and Commercial Considerations

Commercial success depends not only on identifying attractive projects but also on effectively managing legal and regulatory risks. Before committing capital, investors should undertake comprehensive legal due diligence covering:

- Title to petroleum assets;
- Validity of licences;
- Gas supply arrangements;
- Transportation agreements;
- Processing agreements;
- Host community obligations;
- Environmental compliance;
- Nigerian content requirements;
- Land acquisition;
- Tax incentives;
- Foreign exchange protections;
- Competition law issues;
- Dispute resolution mechanisms.

Equally important is the contractual framework underpinning gas projects. Investors should ensure that gas sales agreements, gas transportation agreements, processing agreements, engineering, procurement and construction (EPC) contracts, operation and maintenance agreements, financing documents and joint venture arrangements appropriately allocate risk, address force majeure events, provide robust payment security and include effective dispute resolution mechanisms.

Conclusion: Positioning for Nigeria's Gas Economy

Nigeria's gas sector is entering a defining phase of its development. The convergence of regulatory reform, targeted fiscal incentives, strategic infrastructure projects and sustained government commitment to gas commercialization has created one of the most compelling energy investment landscapes in Africa.

The opportunities are significant, but so too are the legal, regulatory and commercial considerations that accompany major gas investments. Investors who combine sound commercial judgement with careful legal structuring, robust due diligence and proactive regulatory engagement will be better positioned to unlock value across the entire gas value chain.

For domestic investors, strategic partnerships and innovative financing models can accelerate participation in large-scale gas projects. For foreign investors, collaboration with experienced local advisers is essential to navigating Nigeria's evolving regulatory environment, managing project risks and ensuring compliance throughout the investment lifecycle.

As Nigeria advances its ambition of becoming a leading gas-powered economy, lawyers have an increasingly strategic role to play – not merely as transaction advisers, but as partners in structuring bankable projects, facilitating regulatory approvals, managing risk and enabling long-term investment.

How We Can Help?

Our Energy & Infrastructure Project Team advises sponsors, developers, financiers, operators and investors across the full spectrum of gas transactions – from project development and regulatory compliance to mergers and acquisitions, project finance, infrastructure development, commercial contracting and dispute resolution. By combining deep sector knowledge with a practical understanding of the Nigerian business environment, we help clients transform opportunities into commercially successful and legally resilient investments.

End Notes

01 *NUPRC: "Media Release on the National Annual Petroleum Reserves Position, 1st January 2026" – https://www.nuprc.gov.ng/media/news/5fa3f1a3c8223aa7c4dc4a39*

02 *Africa Policy Research Institute: "Nigeria's natural gas and Africa's sustainable industrialization" – https://afripoli.org/nigerias-natural-gas-and-africas-sustainable-industrialization*

03 *The "Decade of Gas" program, launched by the Federal Government of Nigeria in 2021, is a collaborative effort focused on 7 key areas towards achieving a gas-powered economy by 2030 – https://decadeofgas.com.ng/*

04 *NUPRC: Presidential Executive Orders of 2024 and 2026 – on tax incentives, local content compliance, reduction of contracting costs & timelines, and regulatory clarity – https://www.nuprc.gov.ng/laws/executive-orders*

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11 *Presidential Initiative on Compressed Natural Gas and Electric Vehicles – https://pci.gov.ng/programmes.html#cng-conversion*

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www.brookspartners.ng

brookspartners@brookspartners.ng

+234 (0) 703 125 7222

2nd Floor, 168 Awolowo Road, Ikoyi,
Lagos State

linkedin.com/company/brookspartners