

2024 LICENSING ROUND



The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) on May 7, 2024 announced the commencement of the Nigeria 2024 Licensing Round (Licensing Round) aimed at growing the Nigeria oil and Gas reserves, attracting foreign direct investment, expanding the opportunity for gas utilization and to enhance Nigeria's oil and Gas production capacity. This marks the first licensing round in the Nigerian oil and gas sector since the enactment of the Petroleum Industry Act ("the Act") in 2021 and will operate within the regulatory and legal frameworks designed in the Act.

Overview of the Licensing Round

The peculiarity of this Licensing Round firstly lies in the adherence to the detailed provisions of the Act and the Petroleum Licensing Rounds Regulations 2022 ("Regulations") designed to provide a seamless procedure and regulatory framework for conducting a fair, transparent and competitive bidding process for the grant of petroleum prospecting licence to winning bidders.

Secondly, the 2024 Licencing Round promises the availability of high-quality geological and geophysical data to prospective bidders which will enable them access the latest and most accurate information required to make informed decisions during the bidding process. This access to seismic datasets is managed by the National Data Repository (NDR) of NUPRC in collaboration with other stakeholders.

It is also worthy of note that the 2024 Licencing Round prioritizes environmental, social, and governance (ESG) considerations and has also incorporated ESG criteria into the licencing process to ensure that exploration activities are conducted in a manner that mitigates environmental impact.

The assets offered in this round numbering 12 are primarily Greenfield assets covering the Onshore, Shallow Water, and Deep Offshore areas and the winners will be awarded a Petroleum Prospecting Licence (PPL) for a duration of an initial 3 years with a possible extension of another 3 years.

The blocks on offer are; PPL 300-CS, PPL 301-CS, PPL 3008, PPL 3009, PPL 2001, PPL 2002, PML 51, PPL 267, PPL 268, PPL 269, PPL 270, and PPL 271.



Licensing Process Stages



■ **Registration/Pre-qualification:**

After the announcement/advertisement of the Licensing round, applicants must register their interest by submitting an online application with pre-qualification documents. A Pre-Bid Conference will brief prospective bidders on requirements. The NUPRC will evaluate pre-qualification applications, and successful applicants will proceed to the next stage.

■ **Technical and Commercial Bid Submission:**

Applicants will purchase and access Block data and submit technical and commercial proposals for the blocks they are bidding on. A commercial bid conference will be held, and winners will be announced. Applicants must execute a confidentiality agreement with the FGN to gain access to seismic, multibeam, and well field data.

■ **Ministerial Approval and Contract Stage:**

Successful bidders will negotiate and execute the license and production sharing contracts with the NUPRC and subsequently, be issued the license.

It is expected that the licensing round process will be concluded within a nine (9) month period beginning from the 10th of May 2024 and ending in January 2025.



Participation and Evaluation Criteria

The Licensing Round is open to local and foreign companies meeting the Prequalification Criteria and an applicant is eligible to participate in the bidding process either as an individual company or as a member of a Consortium. It is however instructive to note that only companies duly registered in Nigeria under the Companies and Allied Matters Act (CAMA) is eligible to be awarded a Petroleum Prospecting License. The process for the selection of the Bidder for the award of the Blocks efficiently has been divided into two stages. The first stage involves the qualification of interested applicants who submit their applications in line with the provisions of the Regulation and the Guidelines. Afterwards, the NUPRC will announce a short-list of suitable qualified Applicants who shall be eligible for participation in the second stage of the Bidding Process. Only Applicants that are qualified and shortlisted by the NUPRC shall be invited to submit their Bids. Those who are shortlisted must execute a Confidentiality Agreement. The second stage being the Bid Stage, the shortlisted Bidders will be invited to submit their Technical and Commercial Bid proposals

Bids will be evaluated based on:

1 Technical Competence: the technical competence of the applicant will be evaluated using existing work experience in Geological and geophysical capabilities (exploration), Drilling and well engineering, Reservoir evaluation and management, Production engineering and technology; and Development planning.

2 Financial and Commercial Strength: in evaluating financial capability, the minimum financial requirements are as follows:

- Minimum average annual turnover of US\$200 million for deep offshore and US\$50million for shallow waters and onshore assets,
 - Minimum cash in bank of US\$200 million for deep offshore assets and US\$50million for shallow waters and onshore assets
 - Market capitalization of not less than US\$2 billion deep offshore and US\$250million for shallow waters and onshore assets
 - Bank guarantee to the tune of US\$200 million for deep offshore and US\$50million for shallow waters and onshore assets
 - Parent company guarantee to the tune of US\$200 million (for newly incorporated companies)
- Additional financial requirements include (but not limited to):**
- Recently filed audited financial statements providing financial viability assurances.
 - Financial plan providing a breakdown of debt by funding type, lender, rates, and security specifically identifying lending from shareholders.
 - Commitment coverage plan providing an integral financial model estimating the cost and cashflow projections related to the work programme committed costs.
 - Commercial value assurance detailing the Proposed rates of additional payment to Government in view of consideration for the award, and including signature bonus, additional royalty interest, profit oil/gas, and work commitment

3

Health, Safety, Environment, Sustainability & Community: HSE policy statement, management system records, and certification (ISO).

4

Corporate & Legal Structure: Shareholding structure, directors' particulars, governance documents, tax clearance certificate, and security clearance.

5

Work Program Commitment: Detailed work program and geological rationale.

Contract Duration and Applicable Fees

The contract duration varies based on the terrain. Deep offshore licenses are granted for an initial term of 5 years with an optional extension of a further 5 years, while petroleum mining leases are granted for 20 years with a renewable period of another 20 years, subject to performance and payment of the performance security.

Fees for the bid round include:

- **Registration fee:** USD\$10,000
- **NDR (Physical) Data Prying Fee:** USD\$10,000 per session per block
- **Signature Bonus:** Up to USD\$10M per block and USD\$20M for cluster for deep offshore blocks
- **Application & Processing Fee per Bid Submission:** USD\$25,000
- **Production bonus, royalty interest, and profit split as specified in the guidelines**
- **Tie Breaker bonus in case of tied bids**



Fiscal Incentives

The government offers fiscal incentives such as reduced royalties based on production, hydrocarbon tax, production allowance, cost price ratio, and tax consolidation. Additionally, recent tax incentives aim to boost investment in the gas industry, including Gas Tax Credits and Gas Utilization Investment Allowances.



Other Investor Friendly Reforms

The 2024 Licensing Round supported by new guidelines and legislative reforms brings significant changes to attract investments while creating value for the Nigerian government and investors. It also promises a more streamlined, transparent, and investor-friendly process, making it an attractive opportunity for both local and foreign investors in the oil, gas, and energy sectors. The introduction of an electronic platform for bid submission and evaluation is a game changer. This platform will enhance transparency of licensing rounds and reduce previous bureaucratic delays and uncertainties. The NUPRC is also required to publish a licensing round plan, ensuring that all processes and timelines are clear and accessible. It is also important to recognise that the Minister of State for Petroleum Resources (Oil) has shown commitment to simplify the financial commitments required for licensing. At the 2024 Offshore Technology Conference, (OTC) held in Houston, Texas, the Minister hinted at an arrangement where Investors no longer need to pay signature bonuses until when funds are required for exploration and production.

Rather at the initial stage, investors will be only required to provide satisfactory documentary evidence that they have the funds required to move into exploration. If implemented, this will have a positive impact on the financial planning of investors.

One of the key objectives of the 2024 Licensing Round is to enhance Nigerian content development. The Guidelines emphasize local content development, encouraging international investors to partner with Nigerian companies thereby promoting local capacity building and development.

The Act also provides that if the Minister fails to inform the NUPRC of their decision within 90 days of a PPL or PML application, the license is deemed granted to the winning bidder. This provision ensures timely processing According to the NUPRC Licensing Round Calendar, ministerial approval of awardees is expected between December 16, 2024, and December 20, 2024. This schedule provides clarity and predictability for investors of applications and reduces bureaucratic delays

Bid Submission Details

Pre-Qualified Bidders must submit a Technical Bid, Commercial Bid, and a Bid Guarantee in separate sealed packages, marked appropriately, and delivered to the NUPRC by 4:30 pm on June 25, 2024. Electronic bids must be uploaded by 11:59 pm on the same date.

Conclusion

The 2024 Licensing Round offers a significant opportunity for investors in Nigeria's upstream oil and gas industry. The NUPRC aims to provide a transparent and open process, in line with international best practices, enhancing the sector's investment attractiveness. We encourage all interested parties to participate and take advantage of the available fiscal incentives and strategic opportunities.

Thank you for your attention, and we look forward to a successful Licensing Round.

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