



## DIVESTMENT POLICIES BY MULTINATIONALS ON THE GROWTH OF THE OIL AND GAS INDUSTRY IN NIGERIA AND NORWAY

Joseph Essang Essang\*  
Bariyira Simple Kpea-ue\*\*

### **Abstract**

*The Nigeria's Oil and Gas Industry appears to have set the stage for the entrance of new local and international operators into the sector. International Oil Companies have been divesting from onshore Niger Delta oil operations for over a decade, selling their interests in oil mining leases (OMLs) and associated infrastructure to domestic oil companies. The enactment of the Petroleum Industry Act is hoped to stimulate entry into the upstream sector by mandating competitive bidding as opposed to discretionary awards, the award of upstream assets and the introduction of more favourable fiscal conditions. This paper aims to discuss the effect of divestment policies on the growth of the Oil and Gas Industry in Nigeria and Norway. Adopting the doctrinal research methodology, the paper reveals that several challenges such as poor implementation of extant laws, militate against successful and effective divestment programs in Nigeria and its impact on the growth of the Nigerian oil and gas industry. Prioritization of local content thresholds into oil and gas operations, increased domestic gas supply and a healthy operator and host communities' relationship are some of the effects of divestment policies. It is recommended that although the enactment of the PIA has established a comprehensive regulatory framework for divestments, robust monitoring and enforcement of key regulations, especially environmental regulations are crucial for both divesting IOCs and acquiring indigenous companies. Strengthening the capacity of NUPRC and NMDPRA to effectively oversee divestment transactions and the operations of indigenous companies is essential for transparent, effective and speedy divestments.*

**Keywords:** Divestment, Petroleum, Local Participation, Upstream Operations

### **1. INTRODUCTION**

The Petroleum Industry Act, 2021 (PIA) represents a landmark reform in Nigeria's oil and gas sector, aimed at addressing inefficiencies, promoting transparency, and creating a more attractive investment climate.<sup>1</sup> This Act introduces significant changes to the regulatory and governance frameworks that directly impact petroleum exploration and production in Nigeria. The PIA restructures the Nigerian National Petroleum

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\* LLB (Uyo), BL (Lagos), Barrister and Solicitor of the Supreme Court of Nigeria, iamessanginr@gmail.com

\*\* B.SC(Hons.), LL.B(First Class), LL.M(RSU), B.L(Abuja), Ph.D (Nigeria), Lecturer, Department of Private And Property Law, Faculty of Law, Rivers State University, Nkpolu, Port-Harcourt. simplestbarry@yahoo.com; bariyira.kpea-ue@ust.edu.ng.

<sup>1</sup> O Awele, 'Nigeria: Petroleum Industry Bill History, Objectives, Institutions and Controversies' <<https://www.nextierlimited.com>> accessed 10 March 2025.



Corporation into a commercially driven entity called Nigerian National Petroleum Company Limited. The PIA, section 53 outlines this transformation, mandating NNPC Limited to operate as a commercially viable entity with greater transparency and financial discipline.<sup>2</sup> This restructuring is intended to enhance operational efficiency, accountability, and profitability, aligning the corporation with global best practices and attracting foreign investments. To streamline regulatory oversight, the PIA establishes two new regulatory bodies: the Nigerian Upstream Petroleum Regulatory Commission and the Nigerian Midstream and Downstream Petroleum Regulatory Authority.<sup>3</sup> This bifurcation is designed to eliminate previous overlaps and inefficiencies, enhancing regulatory clarity and effectiveness.<sup>4</sup>

The PIA introduces a more competitive and transparent fiscal framework. Sections 233-238 revise the royalty and tax structures to make them more predictable and favorable for investors.<sup>5</sup> This includes a clear delineation of taxes and royalties, aiming to reduce the financial burden on oil companies and incentivize exploration and production activities. By doing so, the PIA seeks to attract greater foreign direct investment, which is critical for the development of Nigeria's vast hydrocarbon resources.<sup>6</sup>

Additionally, the PIA reinforces Nigeria's local content policy by mandating higher levels of local participation in the oil and gas industry. Section 110 emphasizes the need for building local capacity, creating jobs, and ensuring that a significant portion of the industry's value chain is retained within Nigeria.<sup>7</sup> The passage of the Petroleum Industry Act, 2021 (PIA) is also expected to stimulate entry into the upstream sector, by mandating competitive bidding as opposed to discretionary awards, the award of upstream assets and the introduction of more favourable fiscal terms. On the divestment side, the trend of International Oil Companies exits is accelerating rapidly. The past year has witnessed the commencement of divestment processes by Chevron, ExxonMobil, and Shell of their onshore and shallow water assets. This trend is apparently driven by pressure from their stakeholders to pursue their energy transition strategies more aggressively or to focus on offshore portfolios which are more lucrative and easier to manage. While this trend presents opportunities for buyers of these assets, the process of exiting these assets can be quite cumbersome for the exiting owners.

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<sup>2</sup>Petroleum Industry Act 2021, s 53.

<sup>3</sup> Terhemba Daka, 'Niger Delta Ministry Seeks Control of 3% for Host Community: The Guardian' <[www.guardian.ng/.../](http://www.guardian.ng/.../)> accessed 11 March 2025.

<sup>4</sup>Awele (n 1).

<sup>5</sup>G Etikerentse, *Nigerian Petroleum Law* (2<sup>nd</sup> edn, Tunmatee Ventures 2024) 19-35.

<sup>6</sup>Etikerentse (n 5).

<sup>7</sup>Awele (n 1).



## 2. HISTORY OF DIVESTMENT IN THE OIL AND GAS SECTOR IN NIGERIA

In Nigeria, the International Oil Companies (IOCs) own and control assets within the Oil and Gas Industry.<sup>8</sup> Factors such as climate change, oil theft, pipeline vandalism, and sabotage of petroleum products by the petroleum host communities are perceived to have driven the IOCs into selling off their oil and gas assets in the onshore, swamp and shallow waters.<sup>9</sup> Therefore, the wave of divestments in Nigeria's oil and gas sector is spurred by challenges such as oil theft and militancy, alongside governmental efforts to promote local ownership of upstream assets through its indigenization policies. However, contemporary divestment endeavours are propelled by various factors, including ageing infrastructure, inadequate investment, vandalism, and challenging operating conditions. Additionally, there is a pressing need to align with the shift towards green energy and climate action initiatives, driven by corporate commitments to emission reduction and the ultimate goal of achieving net zero emissions by 2050.

The first wave of divestment in the oil and gas industry in Nigeria is traced to 2001 following the sale of marginal fields in 2001.<sup>10</sup> This opened up the local participations of indigenous companies in onshore operations. The said marginal field program involved 24 small fields, which were undeveloped by the original leaseholders for at least ten (10) years. The non-development of the field is traceable to the IOCs thought that the field contained more of gas than oil and were considered unattractive under the prevailing fiscal and market regimes. As a result, the IOCs signed a farm-out agreement with those companies that successfully participated in the program. The hallmark of this program was to encourage local contents and local participation and for Nigeria to grow its reserves and production. There was however, a challenge as bidders were not able to raise the financial requirements to develop such fields. It was reported that only five (5) of those fields reached first oil. Nonetheless, this divestment program paved the way for indigenous oil companies to gather the requisite experience in oil and gas production. This program is adjudged a mandatory divestment of assets in the industry. In recent times, International Oil Companies (IOCs) have divested interests in upstream petroleum assets, particularly Licenses and Leases in the onshore and shallow water terrains of Nigeria.

The second wave of divestment program in the oil and gas industry was a voluntary program which culminated in the divestment of major onshore assets by the IOCs. This was triggered by the need of the IOCs to rationalise their asset portfolio, especially because of the high rate of sabotage of petroleum

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<sup>8</sup>W Ajayi and O Akanegbu, 'Divestment in the Nigerian Oil and Gas Industry –The Good and the Bad' <mondaq.com> accessed 23 June 2025.

<sup>9</sup>Ajayi and Akanegbu (n 8).

<sup>10</sup>Ibid.



operations. The first notable divestment was in 2010 when Shell divested four onshore oil blocks.<sup>11</sup> This was the genesis of the wide range divestments within the Nigerian oil and gas industry. In fact, by the end of 2015, major divestments, which would change the trajectory of the Nigerian oil industry, had occurred. This was the springboard for the growth of the indigenous companies such as Seplat Energies, Shoreline Natural Resources, Neconde, Eroton, ND Western, Elcrest, First Hydrocarbon, Newcross and Aiteo.<sup>12</sup> The divestment of oil and gas assets to indigenous or domestic oil companies was understandable given the enactment of the Nigerian Oil and Gas Industry Content Development Act<sup>13</sup> in 2010. The Act mandates the International Oil Companies to give priority to domestic oil companies especially when it involves the selling off of their oil assets.

According to a Wood Mackenzie report, divestments in Nigeria since 2010 have totalled \$21 billion, with a pending \$1.2 billion Exxon Mobil sale. One of the notable divestments in Nigeria in recent years is Shell's divestment of its operated Joint Venture (JV) Licences held by its Nigerian onshore subsidiary, the Shell Petroleum Development Company (SPDC) to Renaissance, a consortium of five companies comprising four Exploration and Production (E & P) companies based in Nigeria and an international energy group. This includes a 30 percent interest in its 19 Oil Mining Leases (OMLs). Completion of this transaction is subject to approvals by the Federal Government of Nigeria (FGN). Another notable and recent divestment in Nigeria is Mobil Producing Nigeria Limited's (MPNU) divestment of its entire share capital from Exxon Mobil Corporation to Seplat Energy.

Most recently, Total Energies indicated interest in divesting its 10 percent stake in its onshore operations with SPDC to indigenous buyers following SPDC's divestiture in January. Subject to regulatory and contractual approvals, Equinor Nigeria Energy Company's (ENEC) divestment of its 53.85 percent interests in OML 128, and its 20.1 percent interests in the Agbami oil field operated by Chevron to Chappel Energies, an indigenous firm.

### **3. DIVESTMENT POLICIES UNDER THE PETROLEUM INDUSTRY ACT 2021**

The PIA introduced changes in the institutional, regulatory and fiscal framework of the Petroleum governance in Nigeria, particularly as it concerns licensing. In essence, one of the changes is the new licencing regime for petroleum operations. These include the: Petroleum Exploration Licence;<sup>14</sup> Petroleum

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<sup>11</sup> 'Divestment in the Oil and Gas Industry-Stakeholders Democracy'  
<<https://www.stakeholdersdemocracy.org/wpcontents/uploads/2021/11/full-report-DELta-Divestment.pdf>> accessed 23 June 2025.

<sup>12</sup>Ibid.

<sup>13</sup>Nigerian Oil and Gas Industry Content Development Act 2010 (Nigerian Content Act).

<sup>14</sup>Petroleum Industry Act 2021,s 70(1)(a).



Prospecting License;<sup>15</sup> and Petroleum Mining Lease.<sup>16</sup> Also, the Regulatory framework now includes the Minister of Petroleum,<sup>17</sup> The Nigerian Upstream Regulatory Commission (The Commission)<sup>18</sup> and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (The Authority).<sup>19</sup>

The Petroleum Industry Act provides for divestment, assignments, mergers, transfers and acquisition of a portion of assets in the petroleum industry.<sup>20</sup> A holder of a Petroleum Prospecting Licence or Petroleum Mining Lease shall not assign, novate, or transfer his licence or lease or any right, power, or interest, or a shareholder of an incorporated joint venture shall not sell or transfer its shares without prior written consent of the Minister.<sup>21</sup> Such consent of the Minister is granted upon the recommendation of the Commission.<sup>22</sup> Since it is the duty of the Commission to regulate the technical, operational, and commercial activities in Nigeria's upstream petroleum operations,<sup>23</sup> the Commission will undertake a comprehensive Due Diligence (DD) investigation before approving any upstream asset divestment or transfer. This will involve issuing a 'Request for Information' to all relevant parties. The aim is to ensure, among other consideration, that the 'proposed assignees' or 'successor entities' possess adequate technical expertise, experience, and financial capability to effectively manage the assets and fulfil the commitments outlined in the Licence or Lease. Additionally, the investigation will address issues such as the resolution of cost-related concerns regarding overlapping fields, the settlement of legal debts, and the establishment of a well-structured social inclusion and decarbonisation plan by the acquiring entity. It is the Assignor that bears the cost of due diligence exercise and the transaction fee.<sup>24</sup>

The Minister may grant consent for the assignment of a Licence or Lease on the grounds that the proposed transferee is a company; is of good reputation and standing; has sufficient technical knowledge, experience and financial resources to effectively carry out all the responsibilities of its Licensee or Lessee under the Licence or Lease; and is in compliance with the Federal Competition and Consumer Protection Act.<sup>25</sup> Such Licensee or Lessee must also make an application to the Commission for approval of such, and the Commission is required to act on such application within 60 days. The consent of the Minister shall be

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<sup>15</sup>Ibid, s 70 (1)(b).

<sup>16</sup> Ibid, s 70(1)(c).

<sup>17</sup>Ibid, pt II.

<sup>18</sup>Ibid, s 4(1).

<sup>19</sup>Ibid, s 29 (1).

<sup>20</sup>Ibid, s 95.

<sup>21</sup>PIA 2021 (n 14),s 95(1).

<sup>22</sup>Ibid, s 95(2).

<sup>23</sup>Ibid, s 6.

<sup>24</sup>The Nigerian Upstream Petroleum Assignment of Interest Regulations 2023 (Drafts), s 10(f)  
<<https://www.arise.tv/nuprc-releases-regulatory-divestment-framework-for-exiting-international-oil-companies/#google-vignette>> accessed 12 February 2025.

<sup>25</sup>Petroleum Industry Act 2021, s 11(a)(b)(c)(d).



deemed to be granted where he fails to act on the recommendation by the Commission within 60 days of such recommendation. The consent is however granted on the condition that the Assignor pays the attached fees or bonus ranging from five (5) percent to ten (10) percent of total value of the transaction within 90 days of such grant or otherwise have the consent vitiated.

By the PIA, section 68 all titles to any data and its interpretation relating to upstream petroleum operations are vested in the Federal Government of the Federation of Nigeria and shall be administered by the Commission. Consequently, the Licensee or Lessee divesting its interests must return all geological, geographical, and geotechnical data obtained during its operations to the Commission prior to divestment approval.

As a signatory to the Paris Agreement 2015, Nigeria is obligated to promote initiatives that effectively reduce greenhouse gas emission, thereby facilitating the attainment of the country's Nationally Determined Contributions (NDCs). The PIA thus provides robustly for environmental management which the new entrants or successor entities must commit to. In this scenario, the Licensee or Lessee, referred to as the Assignor, is required to possess an Environmental Management Plan (EMP).<sup>26</sup> The plan will serve as the foundation for environmental considerations during project execution. The Commission will approve the EMP if it is convinced that the Licensee or Lessee has the capacity to mitigate and manage environmental impacts across all projects phases, from inception to decommissioning. A condition for the approval of an EMP is the payment of the prescribed financial contribution to an Environmental Remediation Fund (ERF) established by the Commission or the Authority to be applied to the management of the environmental impact of Licensee or Lessees operations.<sup>27</sup> At the point of divestment, the Assignor is required to conduct an Environmental Evaluation Studies (EES) and document the state of the environment at the time of divestment which shall be approved by the Commission Chief Executive before finalising any divestment agreement.<sup>28</sup> The new entrants may remodify and resubmit a new EMP in line with the Act.<sup>29</sup>

Licensee and Lessees are required to establish a Decommissioning and Abandonment (D & A) programme in accordance with good international petroleum industry practice. The Commission will grant approval for the D & A, contingent upon compliance with pertinent environmental, technical, and commercial regulation and standards.<sup>30</sup> The Commission may recall a Licensee or Lessee to carry out an obligation with respect to its D & A commitments under its licence or lease after the divestment of transfer of its interest or equity.

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<sup>26</sup>PIA 2021(n 14), s 102 and 103.

<sup>27</sup>Ibid.

<sup>28</sup>The Upstream Petroleum Environmental Regulations 2022, s 8.

<sup>29</sup>Ibid, s 34.

<sup>30</sup>PIA 2021(n 14), s 232 (8).



Upon obtaining approval from the Commission for the divestiture, the successor entity shall inherit all corresponding obligations, relieving the Licensee or Lessee of any further responsibilities.<sup>31</sup>

#### **4. FACTORS RESPONSIBLE FOR DIVESTMENT IN THE OIL AND GAS SECTOR IN NIGERIA**

There are many causes of divestment of assets in the oil and gas sector in Nigeria. Some of these reasons are discussed below;

##### **4.1 Regulatory Factor**

The Petroleum Industry Act<sup>32</sup> empowers the Nigerian Upstream Regulatory Commission (the Commission) to regulate the technical, operational and commercial activities in Nigeria's upstream petroleum operations.<sup>33</sup> In exercising its authority, the Commission will undertake a comprehensive Due Diligence (DD) investigation before approving any upstream asset divestment or transfer. This will involve issuing a 'Request for Information' to all relevant parties. The aim is to ensure, among other considerations, that the 'proposed assignees' or 'successor entities' possess adequate technical expertise, experience, and financial capability to effectively manage the assets and fulfil the commitments outlined in the License or Lease. Additionally, the investigation will address issues such as the resolution of cost-related concerns regarding overlapping fields, the settlement of legacy debts, and the establishment of a well-structured social inclusion and decarbonisation plan by the acquiring entity. Furthermore, evidence of the capability to manage all residual aspects of the sale will be scrutinized. It is worthy of note that the Assignor is to bear the costs of the DD exercise as well as the transaction fee.<sup>34</sup>

Before then, the launch of the Marginal Field Program in 2000 forced the IOCs to give up undeveloped fields, given Nigeria's desire to encourage the participation of indigenous companies in the oil and gas sector while also growing its reserves based on annual production. Consequently, the IOCs had to enter into Farm-Out Agreements with successful bidders respecting those fields that met the definition of 'marginal field' under the Program. It is worthy of note that it was that mandatory policy that forced the IOCs into the initial divestment activities.

##### **4.2 Uncertain Fiscal and Regulatory Regime**

The delay in the passage of the Petroleum Industry Act<sup>35</sup> over about two decades left the oil and gas industry under regulated. The inability of Nigerian Government to speedily pass the PIA in to law forced some of the IOCs to exit the country because of the uncertain fiscal and regulatory regime. The key objectives of

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<sup>31</sup>PIA 2021(n 14), s 232 (13).

<sup>32</sup>Ibid.

<sup>33</sup>Ibid, s 6.

<sup>34</sup>The Nigerian Upstream Petroleum Assignment of Interest Regulation 2023 (Draft) s 10(f).

<sup>35</sup>Petroleum Industry Act 2021.



the PIA are to foster a business environment that will be conducive competitive enough for petroleum operations<sup>36</sup> and promote transparency, good governance and accountability in the administration of the country's petroleum resources.<sup>37</sup> The PIA is still a work in progress. Therefore, it would appear too hasty to conclude whether or not the PIA has lived up to its set objective.

#### 4.3 Portfolio Rationalisation

There is the discovery of oil in many countries of the world. In order to attract oil producing companies to their domains, these countries are now offering various tax and regulatory incentives to woo investors. In business, capital will only flow to where it is appreciated and where it will generate high rate of income and returns to investors. Again, investors usually have little capital to investment with. Therefore, investors would usually, and/or periodically evaluate their investment portfolio with a view to rationalisation. It is therefore the position that oil investments are flowing to these countries with a better and healthier tax and regulatory incentives.<sup>38</sup> In Nigeria for instance, the cost of production per barrel appears to be one of the highest due to issues such as bureaucratic bottlenecks and long contracting cycles. This has given rise to most of the divestments in the oil and gas industry in Nigeria.

#### 4.4 Operational Risk Management

One of the most challenges facing the International Oil Companies, which they have openly decried, is the mounting instances of sabotage by the petroleum host communities that have led to disruptions in oil production and distribution networks. In the early days, the employees of these IOCs were usually kidnapped for ransom. This led to a situation where the IOCs had to move their headquarters to Lagos. These deliberate acts of sabotage did not only result in significant financial losses but also posed serious environmental risks.<sup>39</sup> The resulting oil spills and leaks had devastating consequences on the ecosystems and the host communities. The IOCs have continued to express deep apprehension regarding the escalating community crises that have erupted in the Niger Delta, where they operate.<sup>40</sup> These crises often stem from disputes over land rights, resource allocation, and the environmental impact of oil extraction activities. These conflicts have disrupted operations, strained relationships with local communities and resulted in

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<sup>36</sup>Ibid, s 2(d).

<sup>37</sup>Ibid, s 2(c).

<sup>38</sup>Ajayi and Akanegbu (n 8).

<sup>39</sup>I O Albertand others, 'Back to the Past: Evolution of Kidnapping and Hostage Taking in the Niger Delta, Nigeria' (2000)(11)(1) *Beijing Law Review*<<https://www.scirp.org/journal/paperinformation.aspx?paperid=98926>> Accessed 25 June 2025.

<sup>40</sup>Abby Kalio Amabipi, 'Understanding Host Community Distrust and Violence Against Oil Companies in Nigeria' (PhD Thesis, Walden University, 2016) 63. <<https://scholarworks.waldenu.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=3094&context=dissertations>>. Accessed 10 April 2025.



legal disputes which take forever to settle. In fact, it is alleged that Shell is unable to conclude its divestment program because of ongoing litigation issues.<sup>41</sup>

#### **4.5 Climate Change**

One of the needs for divestment policies in the oil and gas industry in Nigeria is the prevailing force to transit from fossil fuels to more climate-friendly forms of energy. The International Oil Companies have found themselves grappling with a growing global decline for the financing of fossil fuel activities. As nations and financial institutions commit to reducing carbon emissions and transitioning to cleaner energy sources, IOCs have faced increased pressure to adapt their business models and invest in more sustainable and environmentally friendly technologies.

### **5. CHALLENGES IN THE ADOPTION OF DIVESTMENT POLICIES IN THE OIL AND GAS INDUSTRY IN NIGERIA**

Divestment in Nigeria's oil and gas industry faces several significant challenges, including funding and financial constraints for local companies, lack of technical and operational capacity, regulatory hurdles, and concerns about transparency and government interference in divestment process. Additionally, issues like oil theft, pipeline vandalism, and challenging conditions in the Niger Delta region further complicate the process. They include;

#### **5.1 Legal and Regulatory Challenge**

While the Petroleum Industry Act aims at streamline operations, it still faces implementation challenges, including funding for enforcement and a lack of clarity in some areas. Despite the passage of the Act in 2021, it still faces implementation challenges related to its lengthy lists of requirements; lack of funding for enforcement and implementation; insufficient capacity at both federal and state levels; potentially high taxation levels; and lack of clarity around cost allocations.

#### **5.2 Financial Challenge**

The ongoing transition to green energy has left behind the challenge of funding for fossil fuel. This is more so as Banks that would have provided the requisite funding to develop these assets are facing still oppositions from shareholders and climate rights agitators.<sup>42</sup> The independent oil and gas companies that are taking over these assets do not have the financial strength like the International Oil Companies. Consequently, such Nigerian independents are unable to comply with the provisions of their field development plans. Inability to access foreign exchange has also contributed a big challenge as the bulk of finance required in the oil and gas operations are foreign currency denominated.<sup>43</sup>

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<sup>41</sup>Ajayi and Akanegbu (n 8).

<sup>42</sup>Ajayi and Akanegbu (n 8).

<sup>43</sup>Ibid.



### **5.3 Revenue Loss due to Non-Compliance**

Nigerian independents, despite increased ownership, have shown limited compliance with local content regulations, and regulators face challenges in enforcing these rules. Given the laxity in the implementation of applicable laws and regulations, there is a negative impact on revenue generation to the Federal Government of Nigeria.

## **6. EFFECTS OF DIVESTMENT POLICIES ON THE GROWTH OF THE OIL AND GAS INDUSTRY IN NIGERIA**

The divestment in the Oil and Gas Industry is crucial for the development of the Nigerian local oil and gas industry as well as other aspects of her economy. Specific effects include;

### **6.1 Prioritisation of Local Content Threshold**

In a bid to promote local content development in Nigeria, the National Assembly enacted the Nigerian Oil and Gas Industry Content Development Act.<sup>44</sup> This Act is committed to the development of the Nigerian domestic oil and gas industry by giving priority to domestic companies in the acquisition of oil and gas assets. This legislative initiative has led to more domestic oil companies taking over the forefront in the development of the oil and gas industry.

One of the characteristics of divestment in the oil and gas industry is the emergence of indigenous oil and gas companies. The exit and/or divestment of most multinationals has paved the way for the emergence of local and indigenous companies to step up and provide the market with alternative exploration and production like the operations of the multinationals. This, in a way, has helped to boost indigenous participation in the country's dominant economic sector. In a way, such local participation has helped to boost confidence to fill in the gaps and attempt to succeed where the multinationals could not sustain.

The emergence of indigenous oil and gas companies has helped in the development of local skills, oil and gas technology transfer, and use of local manpower and local manufacturing. This has been adjudged one of the critical issues as every economy would like its citizen to capture the commanding heights of its economy and thus assist to keep its wealth within its borders, as well as providing more jobs to the ever-increasing population. This is often achieved through capacity building, creating Small and Medium Enterprises (SMEs) as well as offering products and services locally.

### **6.2 Increased Gas Production and Utilisation**

Most of the indigenous companies that took over assets of the Multinational Oil Companies are always focused on growing gas reserves and production. The share of their contributions to gas production has sufficiently increased. The independent companies supply gas to power companies, gas-based industry, and

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<sup>44</sup>Nigerian Oil and Gas Industry Content Development Act 2010 (Local Content Act).



commercial companies that use gas as fuel. Most of them supply gas to the Nigerian LNG Company for exports.

### **6.3 Healthy Relationship and Management with Local Host Communities**

Independent companies that acquired divested assets from the Multinational Oil Companies have a better understanding with the needs, demands and yearnings of host communities. With that understanding, indigenous companies are able to resolve domestic whatever dispute they have with host communities than the IOC's. The Oil and Gas Industry has witnessed fewer disputes regarding claims and rights over whatever assets divested by the Multinational Oil Companies to independent companies. The Nigerian independent companies adopt a more flexible management approach that would foster a healthy work environment thereby increasing productivity.<sup>45</sup> This is against the story in the past when there were recurrent conflicts and disputes between host communities and Multinationals. The case that readily comes to mind is the Ogoni-Shell debacle which led to the stoppage of oil exploration and production in Ogoniland and the formation of the Hydrocarbon Petroleum Remediation Program (HYPREP) and subsequent cleanup of polluted environment in Ogoniland.

### **6.4 Promotion of Integrated Petroleum Operations**

Unlike the Multinational Oil Companies, whose focus were majorly on the upstream sector, the Nigerian independents are primarily focused on developing integrated petroleum operations, involving upstream and midstream operations. The main driver for this integrated operation is to extract value from every barrel of crude oil produced in Nigeria. Therefore, some of the Nigerian Independents have invested significantly in gas processing plants and modular refineries. This huge investment in gas processing plants has helped to reduce gas flaring and the local production of naphtha, kerosene, gas oil and fuel oil. The pipeline vandalisation issue that stalled exportation of crude in the past has been surmounted as the Nigerian independents now depend on local refineries as revenue sources.<sup>46</sup>

## **7.0 PROSPECTS FOR DIVESTMENT POLICIES IN THE OIL AND GAS SECTOR IN NIGERIA**

Following the new regulatory and operational regime for the petroleum industry in Nigeria, it thus appears that divestment of oil and gas assets will continue. Again, the recent exodus of the Multinational Oil Companies from Nigeria has equally signalled the possible sustainability of divestment policies and programs for Nigeria. It is noted that following the implication of divestment on the economy and the crucial role of the oil and gas industry on the Nigerian economy, the Nigerian environment and the general

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<sup>45</sup> Stakeholder Democracy Network (SDN), 'As International Oil Companies Are Leaving Onshore Oil Fields, What Are the Consequences for Nigeria and the Niger Delta?' <<https://www.stakeholderdemocracy.org/ioc-divestment/>>. Accessed 20 May 2025.

<sup>46</sup> Abby Kalio Amabipi, 'Understanding Host Community Distrust and Violence Against Oil Companies in Nigeria' (PhD Thesis, Walden University, 2016) 63 .  
<<https://scholarworks.waldenu.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=3094&context=dissertations>>. Accessed 10 April 2025.



wellbeing of Nigerians, there would be a need to streamline the process and legal framework towards achieving transparent divestment programs. In achieving this, the PIA provides that the Minister(s) must give their consent within 60 days of the recommendation by the Nigerian Upstream Petroleum Regulatory Commission. Nonetheless, the prospect of divestment policies and program in the oil and gas sector of the economy include;

### **7.1 Impact on Economic Growth**

The oil and gas industry is the cornerstone of the Nigerian economy. Nigeria depends heavily on oil revenue as oil exports account for over 90 percent of export revenue. Therefore, a well streamlined, regulated and transparent divestment program will positively impact upon the economy. Again, any divestment program that is stalled for whatever reason will negatively impact the economy. To this end, there may be need for Government to diversify the economy beyond revenue from oil.

### **7.2 Environmental Sustainability**

The allegation against some of the IOCs is that they are divesting their mature assets to avoid the statutory obligations in respect of decommissioning and abandonment of the related facilities. The implication of this development is to the effect that new owners of those assets may not be able to fund the abandonment when the need arises. This, of course, will result to environmental degradation and health hazards for livelihood of host communities. However, the PIA has gone a step ahead to put this ugly trend by IOCs to rest by making it mandatory for every operator to set up an abandonment fund. The IOCs are equally jointly and severally liable for decommissioning abandoned wells and facilities. Therefore, with these legislative intervention, environmental concerns would have been protected in all divestment programs under the current legal regime.

### **7.3 Climate Change Mitigation**

Nigeria is a signatory to the Paris Agreement on Climate Change.<sup>47</sup> Therefore, an obligation is placed on her to promote activities that positively tilt towards reduction of emission of greenhouse gases. In achieving this, Nigeria is committed to achieving net zero greenhouse emission by 2060. Hence, Nigeria has set targets for its Nationally Determined Contribution (NDC). Under the said NDC, Nigeria plans to reduce its emissions by 20 percent unconditionally and 47 percent conditionally below business as usual by 2030. The enactment of the Climate Change Act is a full demonstration of Nigeria's commitments in achieving these targets. Therefore, if every divestment program is evaluated in line with the climate change laws and policies, then Nigeria will be on its path towards a healthy divestment regime that will mitigate emission of greenhouse gases.

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<sup>47</sup>Paris Agreement 2015.



#### **7.4 Divestment Policies in the Oil and Gas Sector in Norway**

The need for the protection of the interests of local communities through policies formulation and implementation in the oil and gas sector started in 1970s. This was just ten years after oil exploration and production commenced. Norwegian policies intentionally aimed at promoting local participation in the industry through.

#### **7.5 Promotion of Local Research and Development Engagements and Partnerships**

Following the entrance of foreign investors into the Norwegian oil and gas sector in the 1970s, those foreign companies were encouraged as a matter of policy to form research and development partnerships and joint development programs with Norwegian independent operators and regulators. This effort helped in integrating the Norwegian contents in oil and gas operations thereby, promoting local participation in the industry.<sup>48</sup>

#### **7.6 Local Participation**

At the earliest stage of oil and gas operations, the Norwegian authorities started awarding contracts to Norwegian companies when they proved competitive in terms of price, quality, deliverables, and service. The reason for this effort was to promote the establishment of local industry and objective was achieved through cooperation with the IOCs. Competencies and capacities developed through intentional utilisation of local human, materials and services.

#### **7.7 Commitment to Technology Transfer**

The International Oil Companies were made to be committed to putting in place strategies for technology transfers which were made a crucial and fundamental factor before granting licences to any foreign company by the Minister of Petroleum and Energy. This has equally helped in integrating local contents thresholds into all investments and operations in the oil and gas sector.

### **7. CONCLUSION AND RECOMMENDATIONS**

The PIA provides for divestment, assignments, mergers, transfers and acquisition of a portion of assets in the petroleum industry to the effect that a holder of a Petroleum Prospecting Licence or Petroleum Mining Lease shall not assign, novate, or transfer his licence or lease or any right, power, or interest, or a shareholder of an incorporated joint venture shall not sell or transfer its shares without prior written consent of the Minister. Such consent of the Minister is granted upon the recommendation of the Commission. Since it is the duty of the Commission to regulate the technical, operational, and commercial activities in Nigeria's upstream petroleum operations, the Commission will undertake a comprehensive Due Diligence (DD) investigation before approving any upstream asset divestment or transfer. For a safer and effective divestment operation in the petroleum industry in Nigeria, the following recommendations are made;

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<sup>48</sup>Ajayi and Akanegbu (n 8).



1. Although the enactment of the PIA has established a comprehensive regulatory framework for divestments, robust monitoring and enforcement of key regulations, especially environmental regulations are crucial for both divesting IOCs and acquiring indigenous companies. Strengthening the capacity of Nigerian Upstream Petroleum Regulatory Commission and Nigerian Midstream and Downstream Petroleum Regulatory Authority to effectively oversee divestment transactions and the operations of indigenous companies is essential for transparent, effective and speedy divestments.
2. Oil Companies must adhere to responsible divestment practices, including thorough environmental assessments, comprehensive remediation of past damages through a robust decommission and abandonment programs, and transparent engagement with host communities. Indigenous companies should prioritize investments in technology, infrastructure, and human capital development to enhance their operational efficiency and environmental performance. Fostering collaborative partnerships between IOCs and indigenous companies for knowledge and technology transfer can also be beneficial.
3. The government should also develop specific policies and support mechanisms to enhance the technical and financial capabilities of indigenous oil and gas companies. Ensuring the effective implementation and monitoring of the Host Community Development Trust is vital for addressing community concerns and promoting sustainable development. Finally, providing clarity and addressing any ambiguities in the PIA and its regulations related to divestments will foster a more stable and predictable investment environment.
4. Beyond the letters of the law, Nigeria should imbibe the historic culture of prioritizing the participation of Nigerian human, materials, works, services and skills in the oil and gas industry as the case in Norway.