OUTLOOK FOR THE NIGERIAN ENERGY SECTOR, 2026

EXECUTIVE SUMMARY

This Energy Sector Outlook situates 2026 as a transitional year in which Nigeria's energy markets move decisively from reform articulation to reform validation. The period under review demonstrates that regulatory certainty, capital availability, and institutional coordination have improved materially between 2023 and 2025, particularly following the implementation of the Petroleum Industry Act 2021 (**"PIA"**), the Electricity Act 2023 ("**Electricity Act**"), and complementary fiscal and market reforms.

However, the central question for 2026 is whether these structural improvements translate into sustained execution across the oil and gas, power, renewables, and gas-to-power value chains.

In the upstream petroleum and gas sector, the convergence of licensing activity, Field Development Plan approvals, and large-scale financing commitments in 2025 reflects renewed investor confidence in Nigeria's regulatory framework. Commitments in excess of Sixteen Billion United States Dollars (US$16,000,000,000.00) over the 2023–2025 period, alongside deepwater and gas Final Investment Decisions (**"FIDs"**) exceeding Eight Billion United States Dollars (US$8,000,000,000.00) in 2025 alone, indicate that international and regional capital has begun to re-engage with Nigeria's hydrocarbon. In 2026, attention will shift from commitments to delivery, with investors closely monitoring regulatory consistency, security of operations, cost recovery frameworks, and the enforceability of domestic supply obligations.

Downstream petroleum developments point to gradual progress towards import displacement, driven primarily by private-sector refining capacity and modular refinery development.

Nevertheless, the persistence of operational and governance challenges in state-owned refineries continues to weigh on market confidence. Accordingly, 2026 is expected to be characterised by a mixed supply environment, in which domestic refining output increases but does not fully eliminate reliance on imports. The commercial effectiveness of policies such as the naira-for-crude framework will depend on improved allocation discipline, pricing clarity, and contractual certainty.

In the electricity sector, 2026 represents a critical inflection point. Government-led liquidity interventions, including bond-backed settlement of historic debts owed to generation companies and gas suppliers, have the potential to stabilise the value chain. However, liquidity restoration alone will not resolve structural inefficiencies. The sector's credibility in 2026 will depend on demonstrable improvements in distribution performance, metering penetration, loss reduction, and tariff-cost alignment, as well as the successful operationalisation of the federal–state regulatory transition under the Electricity Act.

Renewable energy and distributed power solutions are expected to assume greater prominence in 2026, particularly in off-grid, mini-grid, and embedded generation contexts. The key determinant of growth will be bankability rather than policy ambition, with scaling dependent on credit enhancement mechanisms, local currency financing, enforceable tariffs, and disciplined operations and maintenance regimes. The transition of net billing regulations from draft to implementation status remains a material regulatory variable for behind-the-meter investments.

The gas sector emerges as a central pillar of Nigeria's 2026 energy outlook, both as a commercial industry and as a stabilising input for power generation and industrial activity. With gas production reaching approximately seven point six billion standard cubic feet (7.6 Bscf) per day in 2025 and reserves exceeding two hundred and ten trillion cubic feet (210 Tcf), the constraint is no longer resource availability but infrastructure, offtake security, and payment discipline. The commissioning trajectory of the Ajaokuta–Kaduna–Kano (**"AKK"**) pipeline, the operationalisation of flare gas commercialisation projects, and the expansion of compressed natural gas infrastructure will significantly shape outcomes in 2026.

Across all sectors, the dominant theme for 2026 is execution risk. Capital is demonstrably available, but increasingly selective. Projects, sponsors, and institutions capable of demonstrating regulatory compliance, operational discipline, credible cashflow structures, and alignment with national policy objectives will be best positioned to attract financing and sustain investor confidence.

INTRODUCTION

Nigeria's energy sector stands at a pivotal juncture as it enters 2026, following a period of significant regulatory restructuring, fiscal reform, and renewed engagement with domestic and international investors. Over the past two (2) years, the Federal Government of Nigeria (**"FGN"**) has undertaken deliberate efforts to reposition the sector through the enactment and implementation of foundational legislation, including the PIA and the Electricity Act, alongside tax reforms and market-oriented policy interventions.

The purpose of this Outlook is to provide a structured assessment of how developments in 2025 shape market expectations, investment behaviour, and regulatory risk allocation in 2026. Rather than merely cataloguing policy initiatives or transaction activity, this document evaluates the extent to which reforms have altered underlying incentives across the energy value chain and identifies the principal variables that will influence sector performance in the year ahead.

This Outlook is organised across key segments of the Nigerian energy sector, including upstream and downstream oil and gas, electricity, renewables, gas infrastructure, and market transactions. It adopts a forward-looking perspective grounded in recent data, regulatory actions, and transaction precedents, with the objective of informing strategic decision-making by sponsors, financiers, policymakers, and industry participants.

1. UPSTREAM AND DOWNSTREAM OIL SECTOR

The upstream and downstream oil sector provides the foundational context for Nigeria's broader energy outlook in 2026. Licensing activity, asset divestments, refining expansion, and fiscal clarity have improved market sentiment, but the sector's performance in 2026 will be determined by execution discipline, production recovery, and the commercial viability of refining and supply frameworks. They are espoused better under the below subheads:

a. 2025 Licensing Round: From Award to Execution Risk.

The 2025 Upstream Licensing Round, commenced by the Nigerian Upstream Petroleum Regulatory Commission (**"NUPRC"**) on December 1, 2025, places fifty (50) oil and gas blocks on offer across onshore, shallow water, frontier basins and deep offshore terrains.

As at early 2026, the process remains at the registration and pre-qualification stage, with the bid timetable extending through mid-2026 and final awards expected by October 2026.

Beyond acreage availability, the defining issue for 2026 is execution certainty. The NUPRC Guidelines establish a structured two-stage process (pre-qualification and bid stages), strict timelines, and material financial commitments, including registration and bid fees, signature bonuses within a defined range (Three Million United States Dollars (US$3,000,000.00) – Seven Million United States Dollars (US$7,000,000.00), bid guarantees, and mandatory minimum work programmes backed by performance guarantees. Full beneficial ownership disclosure and anti-corruption compliance are central, with misstatements carrying disqualification or revocation risk.

For investors and other stakeholders alike, 2026 will test whether licensing awards translate into funded work programmes, early activity, and credible development pathways, particularly for discovered-but-undeveloped and re-circulated assets. While the round is expected to support reserve replacement, production growth and gas utilisation, outcomes will depend on regulatory consistency, post-award approvals, security conditions, and the capacity of awardees to mobilise capital and technical resources within tight timelines. NUPRC's retained discretion to amend guidelines, reject bids or cancel the round remains a sovereign risk factor that bidders must price into commercial planning.

b. Domestic Supply of Petroleum Products

Domestic supply conditions should improve further in 2026 as local refining scales, particularly with the Dangote Petroleum Refinery and Petrochemicals FZE ("**Dangote Refinery**") and modular refiners increasing their contribution to the Nigerian market. Nigerian Midstream and Downstream Petroleum Regulatory Authority (**"NMDPRA"**) has already pointed to measurable progress in crude deliveries to domestic refineries, rising from twenty thousand (20,000) barrels per day ("bpd") (2023) to forty thousand (40,000) bpd (2025), alongside a sharp rise in premium motor spirit (**"PMS"**) supply, from one billion, three hundred million (1,300,000,000) litres (2024) to three billion, eight hundred million (3,800,000,000) litres (2025). These indicators support a continued policy and market push toward stronger local supply in 2026.

However, the key issue is that domestic supply remains insufficient and operationally fragile. Recent market data suggests Nigeria's petrol consumption averaged about fifty two million, nine hundred thousand (52,900,000) litres per day in November 2025, while Dangote Refinery's PMS supply during October to November was estimated at eighteen million (18,000,000) litres per day to twenty three million, five hundred thousand (23,500,000) litres per day, leaving a persistent gap that imports still fill. Data also indicates that imported fuel accounted for about seventy three percent (73%) of PMS consumption in November, and that import volumes into West Africa reached about one million, eight hundred thousand (1,800,000) metric tonnes of gasoline in November to December.

In practical terms, 2026 is therefore likely to remain a "mixed-supply" year: local refining will continue to grow in importance, but imports may still function as the balancing mechanism, especially where refinery maintenance, crude supply constraints, logistics bottlenecks, or pricing and permit frictions disrupt local output.

c. Refining Capacity: Scale Versus Reliability

Nigeria's refining outlook for 2026 is shaped by expanding private capacity alongside persistent challenges in state-owned assets. Industry projections indicate that over eight hundred and fifty thousand (850,000) bpd of additional refining capacity could come from refineries currently under development. Since the enactment of the PIA, over thirty (30) refinery licences have been issued, with approximately twenty-three (23) refineries currently under construction, largely modular and mid-scale, expected to complement the Dangote Refinery and reduce import dependence.

However, the key issue is deliverability rather than nameplate capacity. New private refineries will only materially impact supply if commissioning timelines, crude supply arrangements, logistics integration and pricing frameworks remain commercially viable.

In contrast, state-owned refinery rehabilitation continues to pose structural risk. Approximately Eleven Trillion, Three Hundred and Fifty Billion Naira (₦11,350,000,000,000.00) has reportedly been spent over the past decade on the Port Harcourt, Warri and Kaduna refineries, including contracts of One Billion, Five Hundred Million United States Dollars (US$1,500,000,000.00) for Port Harcourt and One Billion, Four Hundred and Eighty Million United States Dollars (US$1,480,000,000.00) for Warri and Kaduna combined, yet sustained operations have not been achieved. The shutdown of the Port Harcourt Refinery in 2025 reinforced concerns around governance, accountability and operational continuity.

Nigerian National Petroleum Company Limited's ("NNPCL") stated move toward engaging technical equity partners represents a strategic pivot, but 2026 will be judged by whether this results in stable output rather than repeated rehabilitation cycles. Meanwhile, the naira-for-crude policy, under which an estimated two hundred and fifty thousand (250,000) bpd –three hundred thousand (300,000) bpd was allocated to domestic refineries, has eased foreign exchange pressure but remains constrained by pricing disputes, allocation delays and limited participation. Addressing these issues will be critical to translating refining capacity into reliable domestic supply.

d. Regulatory Consolidation under the Petroleum Industry Act

The implementation phase of the PIA continues to shape both upstream and downstream operations. The NUPRC and the NMDPRA have issued multiple regulations and guidelines to operationalise the PIA, and 2026 is expected to see further regulatory consolidation.

In the downstream sector, particular attention is on the anticipated finalisation of draft regulations such as the Midstream and Downstream Petroleum Safety and Environmental Regulations 2025.

These draft instruments are intended to harmonise safety, environmental, and decommissioning standards, while repealing overlapping 2023 regulations. The issue for operators in 2026 will be regulatory clarity and consistency, especially where compliance obligations affect operating costs, timelines and asset valuation.

e. Prospective Amendments to the Petroleum Industry Act

While the PIA represented a significant reform milestone, its implementation has revealed areas of ambiguity and operational friction. In response, a proposed Petroleum Industry Act (Amendment) Bill 2025 was introduced in July 2025, aimed at strengthening fiscal administration, clarifying regulatory responsibilities, and consolidating aspects of government participation.

In 2026, the passage and scope of any amendments will be a material issue for upstream and downstream investors. The critical consideration will be whether proposed changes enhance predictability and commercial confidence without reopening settled fiscal assumptions or creating transitional uncertainty for existing operators.

2. NIGERIAN ELECTRICITY SECTOR - 2026 OUTLOOK

Nigeria's electricity and renewable energy story in 2026 will be decided by implementation, not intent. The reforms are largely on the table. The market will judge the year on five practical outcomes: (i) whether liquidity is restored across the value chain, (ii) whether the federal–state regulatory transition becomes predictable, (iii) whether grid governance improves through visibility and discipline, (iv) whether distribution companies (**"DisCos"**) materially tighten collections, and (v) whether distributed renewables scale on bankable structures. Underpinning all this will be the urgent need to operationalize gas-to-power projects for grid stability and the emerging pressure from European Union carbon policies, which will make renewable energy a competitive necessity for Nigerian exporters."

a. Liquidity Restoration and Market Settlement

Liquidity remains the binding constraint, and 2026 will be shaped by whether the proposed debt clearance plan becomes cash in the system. The planned issuance of approximately Four Trillion Naira (N4,000,000,000,000.00) in debt-clearance bonds, intended to settle generation companies (**"GenCos"**) and gas supplier arrears by mid-2026, is the single most material stabiliser on the table. If executed credibly, it should reduce payment uncertainty, unlock deferred maintenance, and improve contract bankability across generation and gas supply.

Still, refinancing legacy debts does not cure the structural deficit at the distribution end.

The market enters 2026 with the underlying indicators still pointing to leakage: in Q2 2025, DisCos billed about Seven Hundred and Forty-Two Billion, Three Hundred Million Naira (₦742,300,000,000.00) against energy offtake valued at about Nine Hundred and Nine Billion, Five Hundred and Ninety Million Naira (₦909,590,000,000.00) (a gap of about One Hundred and Sixty Seven Billion, Two Hundred and Fifty Million Naira (₦167,250,000,000.00), and collected about Five Hundred and Sixty Four Billion, Seven Hundred and Ten Million Naira (₦564,710,000,000.00) (seventy six point zero seven percent (76.07%) collection efficiency). In 2026, investor confidence will track whether these gaps tighten through metering, enforcement, network investment and more disciplined commercial operations.

Ownership and control changes also become part of the liquidity and performance story. The acquisition of Eko Electricity Distribution Company Plc (**"Eko Disco"**) by the Transgrid/Enerco consortium sets up a clear 2026 test case: whether new ownership translates into improved service delivery, better metering performance, and stronger revenue outcomes, rather than a change in paper control alone.

b. Regulatory Consolidation and the State Market Transition

The regulatory issue for 2026 is consolidation, not proliferation. The system has moved into a multi-tier structure under the Electricity Act, with states taking on deeper intrastate roles. What the market needs now is clearer boundaries, enforceable rules, and predictability around approvals and compliance.

The Electricity (Amendment) Bill that passed second reading in 2025 sits squarely within that 2026 agenda. The practical value of any amendment is whether it reduces friction around federal–state responsibilities, particularly on tariff setting, market oversight, and institutional coordination. The signal investors will look for in 2026 is whether the legal architecture translates into fewer grey zones, not more.

State market expansion remains a material driver. By late 2025, at least sixteen states had commenced market structuring and assumed regulatory oversight, and additional states such as Kano, Rivers and Delta are positioned to advance enabling laws and market institutions in 2026. The execution risk is straightforward: institutional creation must be followed by credible implementation. That means bankable licensing, coherent tariff orders tied to service expectations, technical standards that can be enforced, and workable coordination with national grid institutions to avoid regulatory fragmentation.

At the federal level, implementation of the National Integrated Electricity Policy and its plan becomes a 2026 delivery question. The same applies to tariff methodology. Multi-Year Tariff Order (MYTO)-based pass-through adjustments remain the operational tool, but the legitimacy of tariffs will keep depending on measurable service outcomes and billing credibility. The Power Consumer Assistance Fund is a policy lever that matters precisely because it can reduce political resistance to reform by providing targeted support for low-income consumers, including for metering and electricity charges, if it is operationalised.

c. Grid Governance, Operational Visibility and Reliability

Grid reliability is still one of the fastest routes to undermining otherwise sound market reform. For 2026, the question is not whether "the grid collapses" becomes a headline, but whether the system develops stronger operational governance and real-time control that reduces disturbances and improves dispatch discipline.

Nigerian Electricity Regulatory Commission's Order mandating integration of grid-connected generating units into the SCADA/EMS platform, with a December 31, 2025 deadline, sets up a 2026 enforcement and outcomes issue. Compliance has value only if it produces system-wide visibility, better response to grid events, and disciplined adherence to dispatch instructions. The core 2026 test is whether integration becomes real operational control, including penalties and disconnections where non-compliance persists, rather than a box-ticking exercise.

The 2025 synchronisation of Nigeria's grid with the West African Power Pool is relevant context, but 2026 will judge it through practical benefit: whether regional coordination supports reliability, reserve sharing and realistic trading arrangements, rather than a one-off technical milestone.

d. Metering, Loss Reduction and Distribution Performance

Metering and losses remain the front-line reform issues because they determine liquidity, tariff credibility and consumer trust. The 2025 trajectory is encouraging but still incomplete: metering moved from about forty-sxi point six percent (46.6%) (Q4 2024) to about forty seven percent (47%) (Q1 2025), and rose to about fifty six point one percent (56.1%) by October 2025, driven in part by the installation of one hundred and eighty seven thousand, seven hundred and fifty six (187,756) meters between September and October 2025. Billing efficiency also improved to about eighty-one point six percent (81.6%) in Q2 2025. The 2026 issue is whether these gains translate into tighter collections, reduced leakages, and a narrower "unaccounted energy" gap.

2026 should therefore be framed around three delivery points: accelerated metering rollout, migration toward smarter metering and stronger integration into billing/collections systems, and network rehabilitation that improves the physical performance of feeders and substations. The Power Consumer Assistance Fund, if activated, becomes relevant as a practical tool for pushing metering to low-income consumers without triggering a public backlash that stalls reform.

e. Demand Growth, Industrial Loads and the Embedded Supply Response

Demand growth is not in doubt. What is in doubt is how much of that demand the grid can reliably serve. The data centre and technology load story in 2026 matters because it combines high consumption with low tolerance for outages.

Your draft notes investments approaching One Billion United States Dollars (US$1,000,000,000.00) in new data centres. The key issue is that these loads demand reliability standards the grid struggles to meet, which reinforces the embedded generation and dedicated supply model, often anchored on gas-fired solutions.

Underpinning this shift to embedded generation is the urgent need to operationalize Nigeria's strategic gas resources. The African Energy Chamber report projects natural gas will supply forty five percent (45%) of Africa's power by 2050, serving as the critical transition fuel for grid stability and renewable integration. For Nigeria in 2026, the timely completion of key gas-to-power projects—such as the ANOH Gas Development (peaking at five hundred and ninety-five million cubic feet per day (595 MMcf/d)) and the Ubeta project to supply Nigeria LNG Limited—is not optional. These projects are fundamental to securing the affordable, reliable gas supply required to stabilize the national grid, reduce dependency on expensive diesel backups, and provide the flexible generation needed to support higher renewable energy penetration.

The persistent supply gap underlines the same point: installed capacity of about thirteen thousand megawatts (13,000MW) with only around five thousand, eight hundred megawatts (5,800MW) consistently available to consumers. In 2026, that gap will keep driving self-generation by businesses and bilateral, embedded, and captive solutions for manufacturing clusters, agro-processing, mining, and dense urban residential growth.

3. RENEWABLES

Renewables in 2026 will be judged by bankability and delivery. The market already knows the demand is there. The real issues are whether projects can be financed in local currency on workable terms, whether operations and maintenance discipline sustains performance, and whether the regulatory framework keeps pace with distributed generation, prosumers and standards enforcement.

a. Off-grid and Mini-grids as the Near-Term Growth Engine

The near-term growth engine remains off-grid and mini-grid deployment, especially in underserved communities where grid expansion is slow or uneconomic. The most credible 2026 signals sit in the financing structures that emerged in 2025 and can be replicated. Two (2) are particularly bankable in design: the Five Billion Naira (₦5,000,000,000.00) billion revolving local-currency facility announced by United Capital Infrastructure Fund for Husk Power Systems to expand mini-grids, and InfraCredit's credit enhancement of CEESOLAR Energy Limited's local currency debt issue to finance four isolated solar hybrid mini-grids with a combined capacity of seven hundred and sixty (760) kWp in Cross River State. These structures matter because they show how mini-grids scale in practice: local currency funding, credit enhancement, and repeatable project templates.

The Distributed Access through Renewable Energy Scale-Up (**"DARES"**) project provides the wider pipeline context. As a World Bank-backed programme implemented through the Rural Electrification Agency (**"REA"**), it anchors rural electrification as a structured market opportunity and has already been used to support incentives that reward local integration and deployment discipline. In 2026, scaling will depend on bankable tariffs, rigorous operations and maintenance (O&M) discipline, and the continued availability of local currency financing that reduces foreign exchange risk.

b. Consumer Finance as an Adoption Lever

Consumer credit models are likely to deepen in 2026, building on examples such as the Sterling Bank/Sun King repayment model (up to forty eight (48) months) and First City Monument Bank (**"FCMB"**)'s solar/clean energy finance products, including the FCMB–REA credit programme aligned with DARES.

c. Net Billing and the Prosumer Framework as a 2026 Watch Item

A major 2026 watch item is whether the Draft Net Billing Regulations 2025 progress from draft to implementation. If implemented in workable form, the framework can unlock behind-the-meter solar by allowing eligible customers to export surplus generation into the distribution network for energy-based credits, thereby improving project economics for commercial and industrial rooftop solar while setting clear technical and safety rules for interconnection.

d. Local Manufacturing, Standards and Procurement Discipline

As locally assembled modules gain share, 2026 becomes a quality and governance test.

Your 2025 review ties adoption growth to improved compliance with standards and to REA/DARES incentives that favour Nigerian-assembled modules and local balance-of-system components. In 2026, the issue is whether standards enforcement and procurement discipline keep pace with adoption, so that localisation strengthens reliability and performance rather than introducing quality risk.

e. Grid-support Renewables and Storage

Storage sits at the intersection of renewables and grid performance, and 2026 will be shaped by whether proposed interventions become operational assets. The African Development Bank's proposed Five Hundred Million United States Dollars (US$500,000,000.00) facility for the Nigeria-grid Battery Energy Storage System programme is therefore a 2026 issue, not a future aspiration: whether it disburses, and whether it translates into measurable improvements in flexibility and dispatchability.

4. GAS SECTOR

a. Domestic Gas Supply as a Policy and Commercial Imperative

Nigeria enters 2026 with proven gas reserves exceeding two hundred and ten trillion cubic feet (210,000,000,000,000 Tcf),

but domestic supply performance remains constrained by infrastructure, offtake risk, and payment discipline rather than resource availability. In 2025, national gas production averaged approximately six billion five hundred million (6,500,000,000) to seven billion standard cubic feet per day (7,0000,000,000) Bscf/d), with a material portion still either flared or constrained from effective domestic utilisation.

The PIA continues to anchor domestic gas delivery as a regulatory priority. In practice, the NUPRC has increasingly linked approvals for field development plans, drilling campaigns, and production optimisation to compliance with Domestic Gas Delivery Obligations (**"DGDOs"**). This enforcement posture is expected to continue into 2026.

Key processing assets underpinning near-term domestic supply include the Assa North–Ohaji South (**"ANOH"**) gas processing plant, with a processing capacity of approximately three hundred million million standard cubic feet per day (300,000,000 MMscfd) of dry gas, which commenced commercial operations in 2025. In 2026, the central issue is no longer capacity installation, but sustained operations, evacuation reliability, and enforceable offtake contracts, particularly for power-sector and industrial users where payment default historically undermines gas supply stability.

b. Flare Gas Commercialisation and Reduction of Routine Flaring

Gas flaring remains a material contradiction in Nigeria's gas narrative. In 2025, gas flaring increased year-on-year, with NUPRC data indicating that approximately one hundred and fifty (150) Bscf was flared in the first nine (9) months of the year alone, representing roughly eight to nine percent (8–9%) of total gas output and an estimated Four Hundred and Fifty Million United States Dollars (US$450,000.000.00) in lost value.

Against this backdrop, 2026 represents an execution year for the Nigeria Gas Flare Commercialisation Programme (NGFCP). By late 2025, NUPRC had issued flare gas permits to twenty-eight (28) companies, covering forty-nine (49) flare sites, with an estimated two hundred and fifty (250)–three (300) MMscfd of flared gas targeted for capture. The programme is projected to unlock up to three gigawatt (3GW) of power generation potential, produce approximately one hundred and seventy thousand (170,000) metric tonnes of Liquified Petroleum Gas (**"LPG"**) annually, and attract up to Two Billion United States Dollars (US$2,000,000,000.00) in investment.

The 2026 outlook depends on whether awarded projects achieve sustained operations, secure viable offtake, and move beyond pilot-scale utilisation. Concurrently, stricter enforcement of flare penalties under the PIA is expected to reinforce compliance and accelerate reductions in routine flaring.

c. Midstream Infrastructure as the Binding Constraint

Midstream infrastructure remains the most decisive constraint on Nigeria's gas sector performance. While upstream gas availability has improved, pipeline capacity, compression, processing, and security continue to lag demand.

The AKK Pipeline, a six hundred and fourteen (614) km trunkline with a design capacity of two billion, two hundred thousand (2,200,000,000) scf/d, is expected to reach mechanical completion and potential commissioning in early 2026. The completion of pipeline welding in late 2025 marked a critical milestone after prolonged delays linked to the River Niger crossing.

If operationalised, AKK will materially alter domestic gas flows by enabling large-scale supply to northern Nigeria, supporting new power plants, fertiliser facilities, and gas-based industrial clusters in Kaduna, Kano, Abuja, and Ajaokuta. However, 2026 will test whether complementary infrastructure—spur lines, custody transfer metering, and industrial connections—comes onstream in parallel. Without these, the commercial impact of AKK will remain muted.

d. Gas Fiscal Regime and the Nigeria Tax Act

The commencement of the Nigeria Tax Act 2025 introduces a tighter but more consolidated fiscal environment for gas operations in 2026. The shift towards cash-based royalty payments and centralised tax administration aims to improve transparency and reduce historical revenue leakages.

This fiscal tightening is balanced by targeted gas incentives preserved under the PIA, including value added tax (VAT) exemptions for domestic gas, LPG, and Compressed Natural Gas (**"CNG"**), and capital allowances for qualifying non-associated gas developments. In 2026, investors will assess whether this fiscal clarity materially reduces regulatory and financing risk, particularly for midstream and processing assets that have historically struggled to reach financial close.

e. Downstream Gas Expansion and the CNG Push

Compressed Natural Gas remains a strategic policy lever in 2026, driven by the removal of petrol subsidies and sustained pressure on transport costs. The Presidential CNG Initiative continues to target rapid expansion of vehicle conversion centres, refuelling infrastructure, and fleet adoption.

The critical issue for 2026 is scalability. Market confidence will depend on whether CNG infrastructure expands beyond pilot corridors into commercially viable networks supported by reliable gas supply, standardised safety frameworks, and cost-reflective pricing. Without this, adoption risks remaining fragmented and subsidy-dependent.

f. Emergence of a Regulated Domestic Gas Trading Market

A significant structural shift underway is the gradual development of a regulated domestic gas trading and settlement framework, following the licensing of Nigeria's first formal gas trading platform in 2025. The objective is to move domestic gas transactions toward standardised contracts, transparent pricing, and centralised clearing and settlement.

In 2026, success will be measured by liquidity and participation from major producers, aggregators, and creditworthy offtakers. The Gas Aggregation Company of Nigeria ("GACN") will continue its statutory role as aggregator for the power sector, while supporting the transition toward a more market-driven domestic gas ecosystem. Improved payment discipline remains the decisive variable.

g. Deepwater Gas as the Medium-Term Growth Frontier

While domestic gas dominates the near-term agenda, deepwater gas remains central to Nigeria's medium-term growth. Projects such as Ubeta, which achieved Final Investment Decision in 2025, signal renewed investor appetite for offshore gas linked to Liquified Natural Gas (**"LNG"**) and industrial demand.

In 2026, progress will depend on regulatory stability, fiscal predictability, and alignment with global LNG market conditions. Additional deepwater gas projects are unlikely to reach sanction without clear evacuation routes and commercially viable offtake structures.

h. Security, Regulatory Performance, and Operational Continuity

Security challenges remain a structural drag on gas sector performance. Pipeline vandalism, theft, and community-related disruptions continue to impose material costs and undermine supply reliability. Industry estimates indicate losses running into billions of dollars annually across oil and gas operations.

In 2026, sustained production continuity will depend on enhanced surveillance, right-of-way protection, and more effective community engagement frameworks. From a regulatory perspective, NUPRC's role will remain central, with its effectiveness measured by predictable approvals, data transparency, and consistent enforcement across domestic supply, flaring compliance, and upstream work programmes. Rig activity, which increased materially in 2025, will be closely watched as a leading indicator for new gas well development and future deliverability.

5. MARKET TRENDS, ANTICIPATED DEALS, PROJECTS

Energy-sector transactions in 2025 provide critical signals for 2026. Indigenous consolidation, increased participation by African financial institutions, and large-scale power and gas transactions have reshaped market expectations. In 2026, deal flow is expected to reflect heightened emphasis on operational control, regulatory clearance certainty, and demonstrable cashflow resilience.

a. 2026 Starts from a Clear 2025 Baseline: Capital is Back, But It Wants Proof

2025 was a "signals year" for financing: Nigeria recorded Eight Billion United States Dollars (US$8,000,000,000.00) in deepwater and gas FIDs/investments (per the Presidency's energy team), while NUPRC referenced ~ Sixteen Billion United States Dollars (US$16,000,000,000.00) in upstream investment commitments over 2023–2025, and Eighteen Billion, Two Hundred Million United States Dollars (US$18,200,000,000.00) of FDPs unlocked in 2025.

That combination matters for 2026 because it shifts the market from "policy optimism" to "execution pricing". In 2026, lenders and sponsors will keep showing up (an example is Shell's pre-decision to invest about Twenty Billion United States Dollars (US$20,000,000,000.00) in Bonga Southwest project- OML 118 after acquiring same from Total Energies), but you will see tighter due diligence around deliverability (evacuation, security), offtake enforceability, and FX/repayment structure.

b. Upstream and Gas Monetisation: Reserves Are Not the Constraint, Commercialisation Is

NUPRC's numbers give the core framing for 2026: ~two hundred and ten point forty eight (210.54) Tcf gas reserves (including ~one hundred and nine point fifty one (109.51) Tcf non-associated gas (**"NAG"**) and ~one hundred and one point zero three (101.03) Tcf associated), with ~fifty five (55) Tcf uncommitted, and gas production rising to ~seven point six one (7.61) Bscf/day in 2025, while the domestic market accounted for ~twenty-eight percent (28%) of usage. The 2026 market trend is therefore not "do we have gas", it's "can we consistently move it, pay for it, and contract it". Expect financing to concentrate around projects that can demonstrate: (i) stable production/processing uptime, (ii) credible evacuation routes, and (iii) bankable domestic offtake, particularly for power and industrial users.

c. Indigenous Consolidation Accelerates: 2025 Transactions Set the 2026 Playbook

2025 closed with multiple consolidation moves that will shape 2026 deal behaviour. Aradel Holdings Plc (**"Aradel"**)'s acquisition of an additional forty percent (40%) in ND Western, taking its ownership to eighty one point six seven percent (81.67%), and lifting its indirect control in the OML 34 operating JV (Renaissance Africa Energy) from thirty three point three percent (33.3%) to fifty three point three percent (53.3%), is a clean example of "control for execution". It also matters that this closed with regulatory approvals including NUPRC and Federal Competition and Consumer Protection Commission (**"FCCPC"**), which reduces perceived closing risk for similar transactions in 2026.

In parallel, the Heirs Energies Limited (**"Heirs"**) acquisition of Maurel & Prom's twenty point zero seven percent (20.07%) stake in Seplat for ~Five Hundred Million United States Dollars (US$500,000,000.00), backed by African Export-Import Bank (**"Afreximbank"**) and Africa Finance Corporation (**"AFC"**), reinforces a second 2026 theme: African capital is increasingly underwriting big-ticket Nigerian energy deals, so transaction structuring will lean more on regional DFIs and local lenders rather than waiting for international bank appetite to return fully.

d. Power Sector M&A Goes "Market-Driven": 2026 Will Reward Operational Turnaround Stories

The 2025 Transgrid Enerco Limited acquisition of sixty percent (60%) of Eko Disco (valued at about Three Hundred and Sixty Billion Naira (₦360,000,000,000.00),

structured as One Hundred and Eighty Billion Naira (₦180,000,000,000.00) upfront plus One Hundred and Eighty Billion Naira (₦180,000,000,000.00) via bank guarantees) is not just a big deal.

It is a signal that investors will pay for distribution assets when they see a credible path to collections, loss reduction, and governance reform. In 2026, you should expect the market to treat DisCo acquisitions as "operational turnaround" plays, where financing and valuation are tied to measurable performance improvements rather than optimism.

On the generation side, the Geregu control change (sale of ninety eight percent (95%) stake in Amperion Power to MA'AM Energy, closing December 19, 2025, with Geregu still listed and valued around Two Trillion Eight Hundred and Fifty Billion Naira (₦2,850,000,000,000.00) points to something else: ownership transitions can happen without destabilising listed structures. In 2026, expect more holding-company level restructurings and control shifts, especially where sponsors want liquidity without disrupting public market float.

e. Liquidity and Settlement: 2026 is About Whether the Bond Programme Actually "Bites"

Power-sector cashflow is still the master variable. 2025's headline decision was the Four Trillion Naira (₦4,000,000,000,000.00) debt-clearance bond programme for GenCos (and gas suppliers), with Series 1 of Five Hundred and Ninety Billion Naira (₦590,000,000,000.00) disclosed (a split of Three Hundred Billion Naira (₦300,000,000,000.00) cash bonds to the market and Two Hundred and Ninety Billion Naira (₦290,000,000,000.00) non-cash allotment to GenCos), and an ambition to raise ~One Trillion Two Hundred and Thirty Billion Naira (₦1,230,000,000,000.00) by Q1 2026. The 2026 outlook flows directly from that: if the bond programme is executed on time and claims are properly audited without stalling disbursement, it reduces systemic payment risk and improves bank appetite across the value chain. If execution drags, you will see lenders re-price risk quickly and push for stronger security packages and tighter covenants.

f. Renewables and Public-Sector Demand Anchors: 2026 Blends Grid, Off-Grid, and Public Loads

2025 created real financing channels for renewables: REA referenced One Billion Six Hundred Million United States Dollars (US$1,600,000,000.00) raised for off-grid expansion; the FGN launched the One Hundred Billion Naira (₦100,000,000,000.00) National Public Sector Solarization Initiative (NPSSI) to electrify public institutions; and states floated targeted funds like the Fifty Hundred Billion Naira (₦50,000,000,000.00) Kano–Katsina–Jigawa electrification fund (against a stated ~seven hundred (700)MW demand and ~one hundred and thirty (130)MW supply baseline). These numbers matter for 2026 because they create predictable anchor demand and a pipeline of bankable deployments, especially where offtake is tied to public institutions or structured state programmes. The market trend in 2026 is blended finance and programme-backed deployments, not one-off "hero projects".

g. Fiscal and Regulatory Architecture Tightens: 2026 is a "Clarity Premium" Year

The Nigeria Tax Act 2025 consolidates taxes (including integrating Hydrocarbon Tax provisions), conditions deductibility of decommissioning/abandonment funds (e.g., escrow deposit requirements), legislates incentives for NAG greenfield developments, and introduces a four percent (4%) development levy on assessable profits (with carve-outs around hydrocarbon tax computation). In 2026, this should increase predictability, but it also raises the premium on compliance and structuring.

On the upstream side, NUPRC's 2025 licensing round (fifteen (15) onshore, nineteen (19) shallow water, fifteen (15) frontier, one (1) deepwater asset) with an estimated Ten Billion United States Dollars (US$10,000,000,000.00) target investment and a cluster development model signals that 2026 financing will favour shared-infrastructure economics and phased development concepts over standalone capex-heavy builds.

h. Macro-Deal Pipeline and Pricing Infrastructure: 2026 Becomes More Benchmark-Driven

Two moves in 2025 will shape the 2026 market environment. First, the Presidency approved an NNPCL debt write-off of about One Billion Four Hundred and Twenty Million United States Dollars (US$1,420,000,000.00) (and additional large legacy liabilities as stated) through end-2024, which is a transparency and balance-sheet reset signal that may improve investor comfort around state-linked counterparties. Second, the NMDPRA's work with S&P Global Commodity Insights on a West African petroleum products price index is a quiet but important 2026 trend: better benchmark pricing supports clearer cashflow modelling and investment decisions across refining, trading, and storage. Add to this NNPCL's stated Thirty Billion United States Dollars (US$30,000,000,000) investment drive to 2030 and 2026 oil output ambition (~one million eight hundred thousand (1,800,000,000) bpd target), and you can see why 2026 will be more "project finance and structured capital" than speculative positioning.

CONCLUDING REMARKS

The Nigerian energy sector enters 2026 with a markedly improved structural foundation relative to previous years. Legislative clarity, regulatory consolidation, and renewed capital inflows have repositioned the sector as investable across multiple subsectors. However, these gains remain inherently fragile and contingent upon consistent execution, institutional discipline, and market confidence.

In practical terms, 2026 will be a year in which reforms are judged less by their intent and more by their outcomes. Investors and financiers are expected to apply increasingly rigorous scrutiny to project execution timelines, offtake enforceability, security arrangements, and revenue collection mechanisms, particularly in power and gas-to-power transactions. Regulatory agencies will likewise face heightened expectations regarding transparency, timeliness, and consistency in approvals and enforcement.

If current reform momentum is sustained and operational bottlenecks are progressively addressed, 2026 has the potential to consolidate Nigeria's position as a leading African energy investment destination. Conversely, slippage in implementation or regulatory coherence would risk eroding the confidence that has only recently begun to return. The balance of outcomes will therefore depend on disciplined execution across institutions, operators, and market participants throughout the energy value chain.

OUR TEAM

Bloomfield LP's team continues to be recognized by clients and peers as the go-to commercial and value-adding energy and natural resources team. The team is reputed to provide excellent and timely legal services.

Set out below are some of our rankings and recognitions.

- Ranked by the Legal 500 from 2021 to 2025 as a leading Nigerian firm in the Energy and Natural Resources practice areas.

- The Firm won the "**Oil and Gas Team of the Year**" award at the 2024 edition of the Nigerian ESQ Awards.

- According to the Chambers Global 2024 Ranking - "*Bloomfield houses a particularly active projects and energy team. It holds expertise in a range of project developments, acting for lenders, sponsors and developers alike. The law firm advises clients on oil and gas projects as well as demonstrating a notable experience handling mandates in the renewable energy sector.*"

- According to the Legal 500 2024 Rankings – "*The Firm's broad workload includes energy financing, mini-grid projects, and power purchase agreements, and is well known for acting for international power and oil and gas companies*."

- According to the IFLR 2020 Ranking – "*The team is recognised for 'excellent, top-quality work provided by firm at all stages of the process. Top quartile work done by all members of the team on all elements of the engagement including general legal advisory, due diligence, project documentation, and finance documentation*."

- The Firm won the "**Oil and Gas Team of the Year**" award at the 2019 edition of the Nigerian ESQ Awards.

We are grateful to our diverse clients and colleagues for their usual cooperation, collaboration and sustained trust.

Godspeed to our clients and energy stakeholders in 2026.

For more information please contact the Energy team or your usual contact at Bloomfield LP.

Bloomfield LP