

The Federal Government of Nigeria issues the Upstream Petroleum Operations (Cost Efficiency Incentives) Order 2025

A New Era for Nigeria's Oil and Gas Sector

June 2025

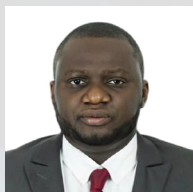


In a strategic move to boost efficiency and strengthen Nigeria's position in the global petroleum sector, President Bola Ahmed Tinubu has signed the Upstream Petroleum Operations (Cost Efficiency Incentives) Order 2025, effective April 30, 2025.

This landmark policy introduces a Cost Efficiency

Incentive (CEI) framework, designed to streamline operations, reduce costs, and enhance competitiveness in Nigeria's oil and gas industry.

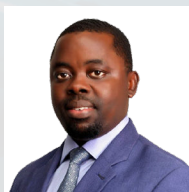
Join us as we break down the key provisions of this order and analyse its potential impact on stakeholders across the sector.



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Introduction

The President of the Federal Republic of Nigeria, Bola Ahmed Tinubu recently signed a new Executive Order titled **“Upstream Petroleum Operations (Cost Efficiency Incentives) Order 2025”** with a commencement date of 30th, April 2025. This Order introduces a Cost Efficiency Incentive (CEI) framework which is aimed at:

- I. Reducing operating costs in the upstream petroleum sector through achievable cost reduction measures and targets.
- II. Encouraging stakeholders to adopt cost-saving strategies and streamline contract cycles.
- III. Enhance Nigeria’s competitiveness in the global oil and gas sector while maximising economic gains.

Key features of the CEI Order

1

Application of the incentives: Lessees, licensees, and contractors who meet or exceed the cost reduction targets set by the Nigerian Upstream Petroleum Regulatory Commission (“the Commission”) shall be eligible for the incentives.

2

Cost efficiency incentive benchmark: The Commission will conduct annual assessments and benchmarking studies to establish cost benchmarks for upstream operational activities and unit operating costs, set terrain-specific reduction targets, and conduct annual reviews to verify performance. Companies (licensees or Lessees) that meet or exceed these targets will be eligible for cost efficiency incentives in the form of tax credits.

3

Tax Credits: Companies that reduce their costs below the Commission’s targets can claim tax credits based on their savings. The tax credits shall be applied to reduce the Company’s overall tax liability for the relevant asset. This is aimed at rewarding such Company for efficiently managing its cost without compromising government revenue. It is important to note that the incentives shall expire on 31st, May 2035, unless extended or modified. Any unused tax credits shall become invalid after this date.

4

Framework for the claim of incentives: The Commission will set cost reduction targets to align Nigeria’s upstream petroleum costs with global standards. To incentivise efficiency, Companies can claim tax credits, which will be capped at 20% of their annual tax liability. These tax credits can be used to offset income tax liability within three years of issuance. Importantly, Companies must ensure that their cost reduction strategies do not involve harmful practices, as may be determined by the Commission from time to time.

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5

Implementation guidelines and effective date: The Service and Commission will issue Minister-approved implementation guidelines within 30 days from the effective date of 30th, April 2025. These guidelines shall detail the unit cost evaluation, data submission, and publication of Companies eligible for tax incentives. The Commission will also publish benchmarks and targets on its website within 90 days of the beginning of each calendar year and subsequently list eligible Companies online prior to the deadline for tax return filings.



Our Comments

The signing of the Upstream Petroleum Operations (Cost Efficiency Incentives) Order 2025 by the President is a commendable and bold step towards making Nigeria's upstream oil and gas sector more competitive and transparent. The Order is expected to have a transformative impact on the sector by enhancing competitiveness, driving cost savings, and promoting transparency.

This new framework could help reshape the sector by promoting efficient operations and encouraging better cost management through tax incentives. Licensees and Lessees that successfully keep their costs below the set benchmarks will benefit from the tax credits, and the 10-year incentive period is expected to motivate them to adopt sustainable practices and optimise their operations. With the government having laid the groundwork, the onus now shifts to oil-producing companies to optimise their operations and unlock the full potential of the incentive scheme.

To access the full publication, click [here](#).

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