Nigeria’s Oil & Gas Sector Performance Outlook: Trends, Challenges and Prospects

Pedro Omontuemhen
Partner, PwC Nigeria

January 2026

Table of Contents

01 Industry Context and Current State

02 Key Trends Shaping the Sector

03 Key Challenges and Risks

04 Outlook, Opportunities, and Strategic Prospects

1 Industry Context and Current State

Nigeria is a significant player with proven oil and condensate reserves of 37.5 billion barrels, and an average daily production of 1.4 mbpd in November 2025

Critical minerals dependence

- **In 2025, lithium demand has more than doubled since 2020, with over 70% of refining capacity concentrated in a few countries, heightening supply-chain and geopolitical risk.**

Shifting energy trade flows

- **In 2024–2025, Europe replaced roughly one-quarter of Middle East crude imports with U.S., Guyana, and Brazilian supply, as Red Sea and regional tensions reshaped trade routes.**

Energy transition pressure

- **While global oil demand declined by about 1 million barrels per day through 2025,** total fossil fuels still account for over 81% of primary energy, implying a gradual transition rather than a rapid replacement of traditional fuels.

Technology-driven efficiency

- In 2025, AI-enabled predictive maintenance reduced unplanned downtime by 30–50% and cut operating costs by up to 20% across leading oil and gas operators.

Policy and regulatory tightening

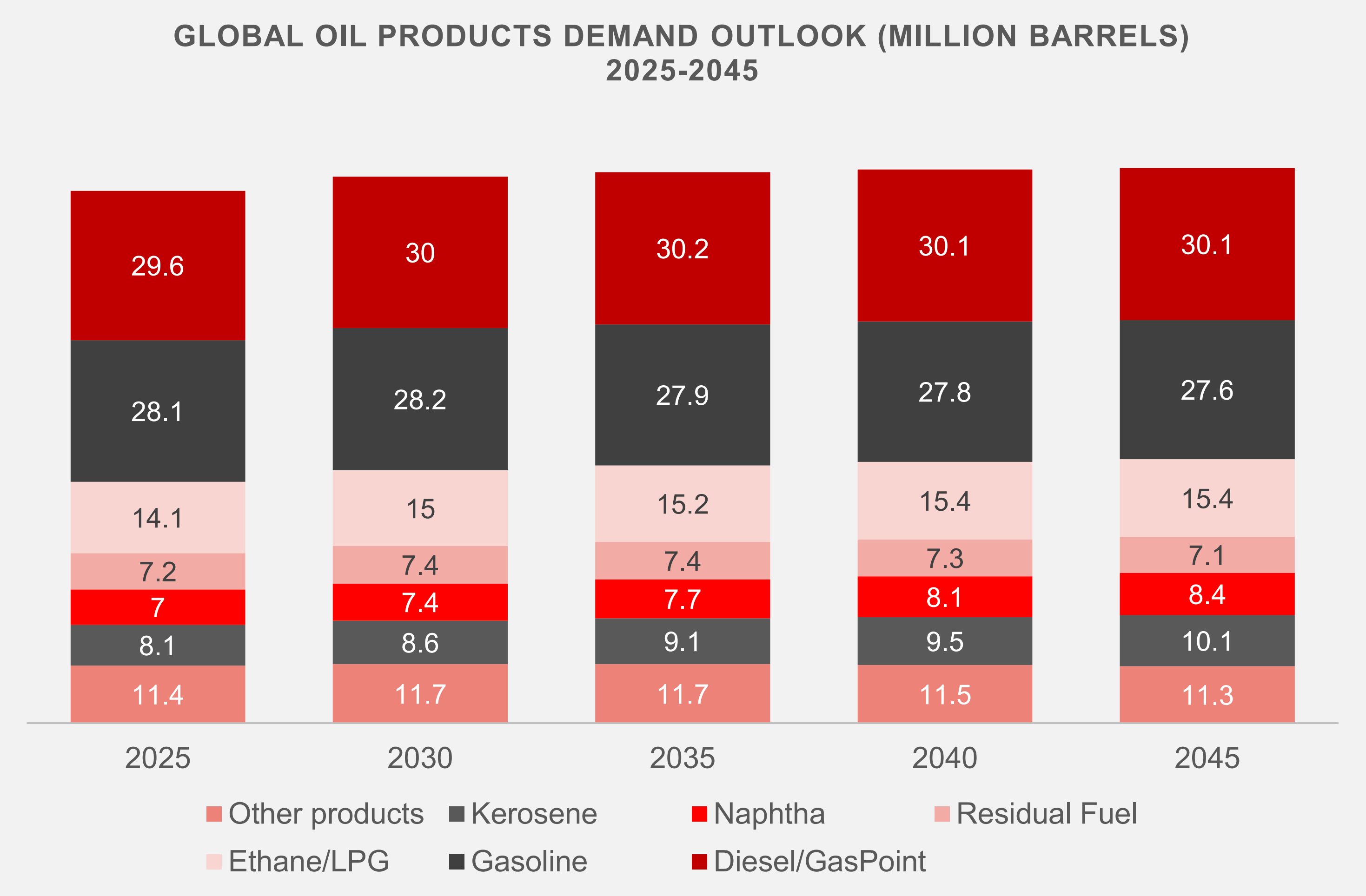
- **Between 2020 and 2025, global clean-energy investment increased by over 60%, with nearly 150 countries tightening emissions, ESG, and reporting requirements for energy projects.**

Geopolitical tension

- Ongoing conflicts, sanctions, and shipping disruptions in 2024–2025 continue to drive oil price volatility, reinforcing the need for diversified supply sources and resilient energy strategies.

Source: IEA, World Bank, *Strategy& Analysis*

Despite the trends and challenges, demand for key petroleum products is expected to persist, underscoring their importance in the global energy mix



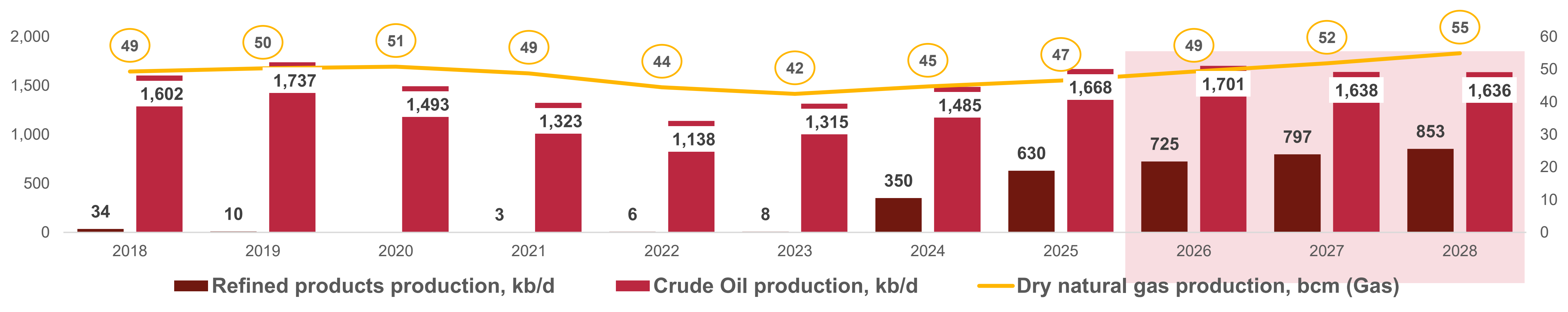
Key Insights

- According to the Global Oil Products Demand Outlook, majority of oil demand is expected to be aimed towards light products, such as gasoline forecasted to increase to 27.6m bpd in 2045), with daily diesel and gasoil demand estimated to reach 30.1 million barrels in 2045.
- Oil production is projected to be valued at 12.8 trillion U.S. dollars by 2040 as the world remains **heavily reliant on fossil fuels** for energy needs, even as renewables like solar and wind continue rapid growth.
- In 2045, **gasoline demand is forecasted to climb to 27.6 million barrels per day**. By comparison, daily diesel and gasoil demand is expected to reach 30.1 million barrels, the most of any oil product listed here.

Source: IEA, World Bank, *Strategy& Analysis*

Nigeria is a significant player with proven oil and condensate reserves of 37.5 billion barrels, and an average daily production of 1.4 mbpd in November 2025

Snapshot of Nigeria's Oil and Gas Industry



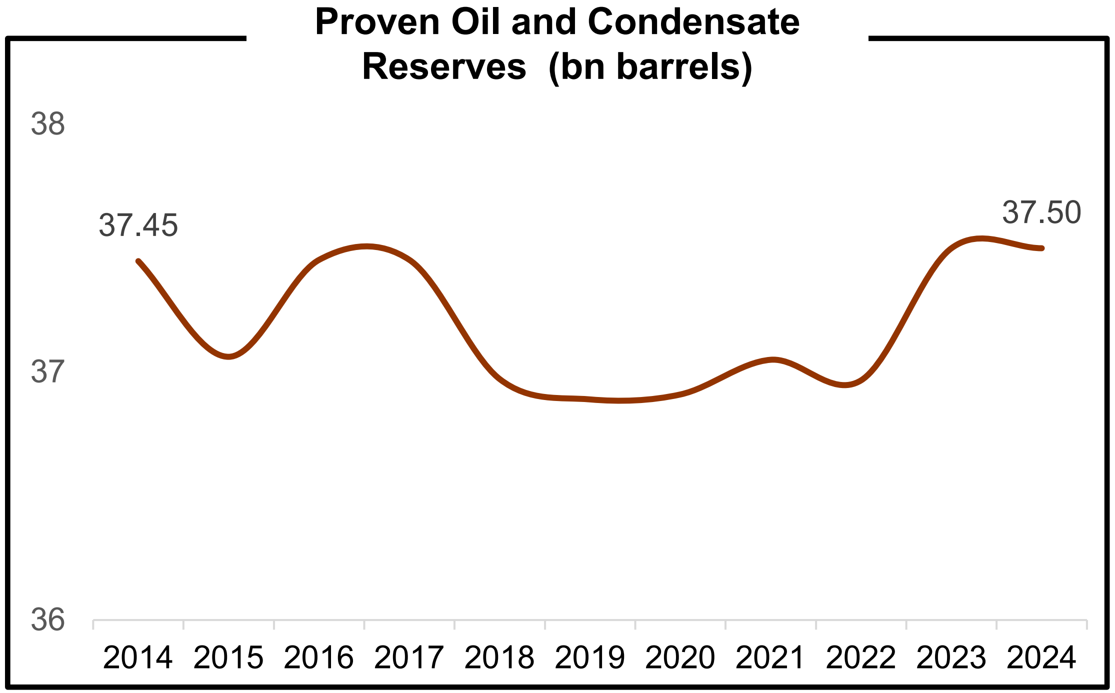
Source: OPEC, BMI

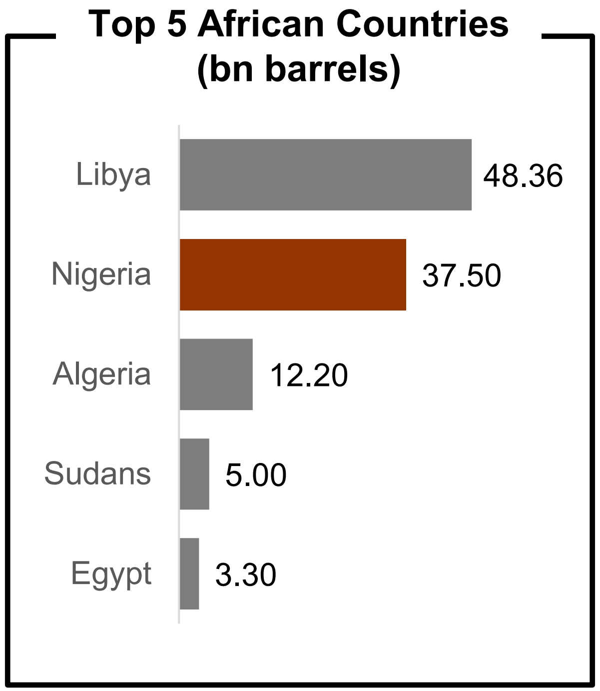
Key Insights

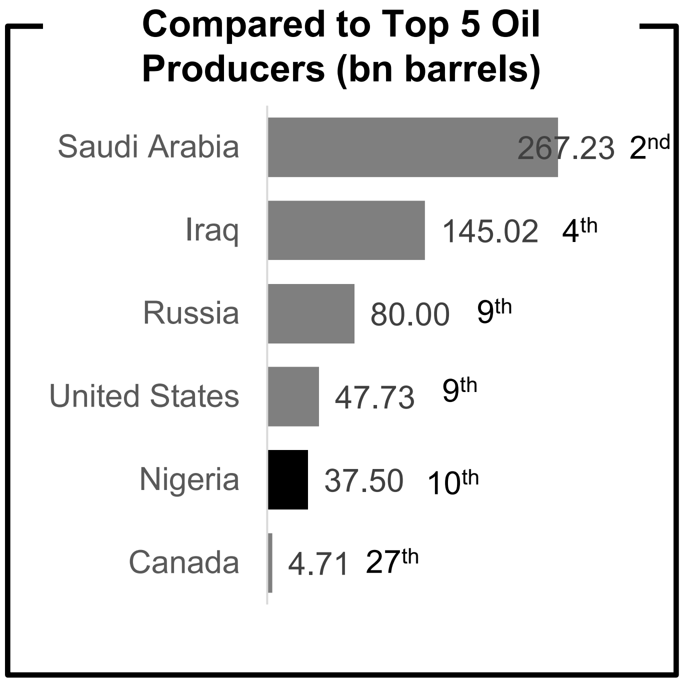
- **Nigeria's oil production averaged 1.42 million barrels per day in December 2025** (approximately 94-95% of the OPEC quota of 1.5 mb/d), **maintaining its role as a top revenue source despite persistent challenges like oil theft and underinvestment**.
- **The Petroleum Industry Act and recent executive orders have attracted over $16 billion in new investments in 2025**, boosting local participation and upstream reforms.
- **However, with Dangote Refinery still importing crude to meet its 650,000 bpd capacity, as 47% imported of its crude need is imported from sources like the U.S, Brazil, Angola, Ghana, and Equatorial Guinea**, highlighting a major opportunity for domestic supply chain integration.

Source: NUPRC, *Strategy& Analysis*

And Nigeria remains the Africa's second-largest oil producer with 37.5 billion barrels in proven oil and condensate reserves





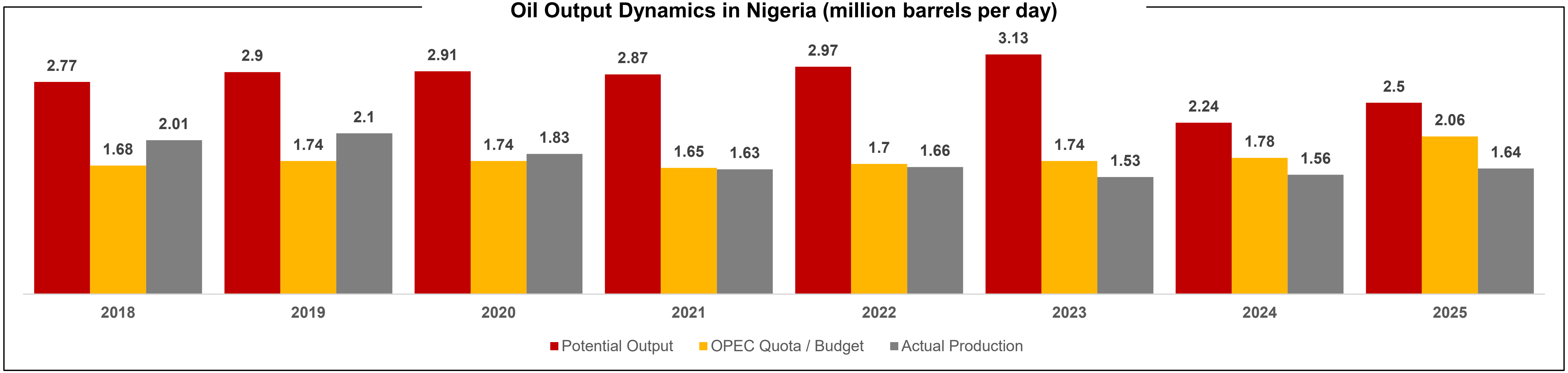


Key Insights

- **Nigeria holds 37.5 billion barrels of oil reserves, ranking second in Africa and 10th globally, underscoring its strategic importance in global energy markets.**
- This scale of reserves offers opportunities for domestic refining expansion and investment in infrastructure, reducing reliance on imports and boosting GDP contribution.

Source: OPEC, BMI

Nigeria's potential production remains above 2 mbpd, but actual output averaged only 1.56 mbpd in 2024 and 1.64 mbpd in 2025

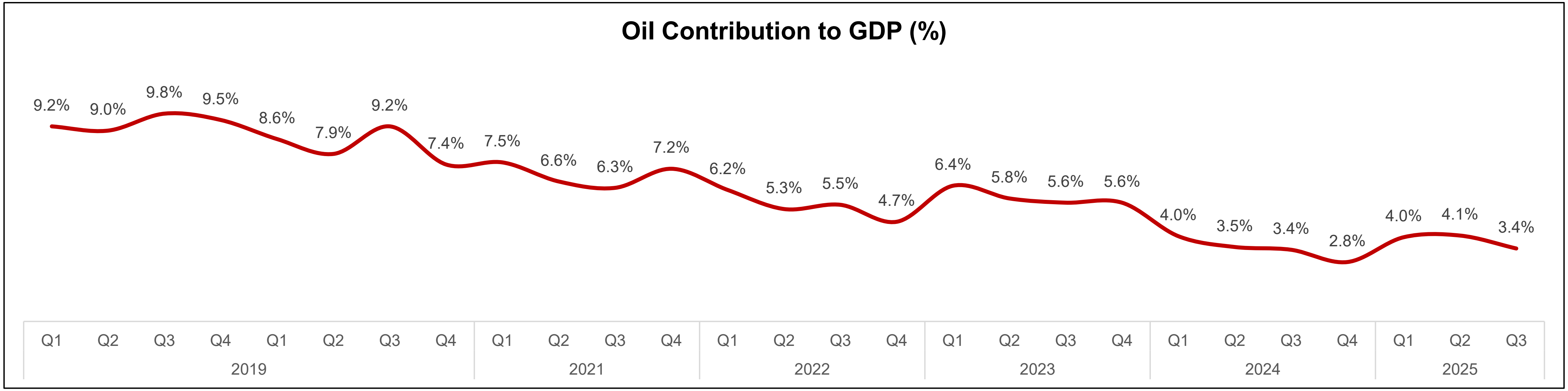


Key Insights

- **Nigeria's persistent production gap, 1.64 mbpd (including condensates) actual versus 2.5 mbpd potential and 2.06 mbpd budget target in 2025**, underscores systemic inefficiencies driven by oil theft and infrastructure sabotage.
- This gap between potential and actual output highlights the inefficiency and underutilization of resources due to oil theft, pipeline vandalism, underinvestment, aging infrastructure, regulatory uncertainty, and operational inefficiencies that have disrupted operations, reduced output, and led to significant revenue losses
- As major oil companies divest from Nigeria due to these operational challenges, indigenous oil and gas firms are well-positioned to fill the production gap by leveraging smaller fields and implementing tighter security measures

Source: OPEC, NUPRC

Oil and gas contribution to GDP declined slightly to ~3.4% in Q3 2025 from ~3.5% in Q3 2024



Key Insights

- Oil and gas contribution to GDP grew slightly to 3.44% in Q3 2025 from 3.38% in Q3 2024, reflecting YoY , a modest YoY uptick driven by firmer oil prices and increased activities in the sector .
- The marginal performance reflects incremental security gains and indigenous operators' optimisation offsetting ongoing losses from theft, pipeline downtime, amid the ~1.64mbpd vs. ~2.06 mbpd budgeted production gap.
- Growth is expected to stabilise into 2026 as regulatory reforms, improved security frameworks, and indigenous field optimisation gradually support production recovery and revenue inflows.

Source: OPEC, NUPRC

2 Key Trends Shaping the Sector

Nigeria's oil and gas sector is characterized by the rising dominance of indigenous companies, a definitive shift toward domestic self-sufficiency amongst others

Drivers	Description
A **Rise of Indigenous Giants and IOC Divestment**	• **International oil companies have divested over $6 billion in onshore and shallow-water assets since 2021 (Post PIA)**, driven by security risks and a global shift toward cleaner energy
B **Downstream Transformation and Refining Capacity**	• **The full-scale operation of the Dangote Refinery has fundamentally shifted Nigeria from a fuel importer to a self-sufficient refiner.**
C **Decade of Gas" and Energy Transition**	• **Nigeria is prioritizing natural gas for domestic power generation and industrial use under the "Decade of Gas" initiative, aiming for a gas-powered economy by 2030.**
D **Policy & Regulatory Reforms**	• **The Petroleum Industry Act (2021) , executive orders and recent fiscal terms have attracted billions in investment,** enabling structured divestments and boosting investor confidence
E **Technological and Security Advancements**	• **Operators are increasingly adopting digital oilfield analytics, AI-based reservoir simulators, and remote operations to cut costs and improve efficiency.**

Source: PwC Analysis

There is structural shift in Nigeria's oil and gas sector as major IOCs divested their assets to indigenous firms, reshaping ownership in Nigeria

Feature	International Oil Companies (IOCs)	Indigenous Producers
Current Production Share	• Control about 45% of Nigeria's oil production, but this is decreasing as they divest	• Control approximately 55% of Nigeria's total oil production and this share is increasing.
Historical Dominance	• Historically dominated production, accounting for over 80% of crude oil output decade ago.	• Historically had a much smaller share, though they hold significant reserves (e.g., 33% of crude oil reserves).
Key Driver of Shift	• Divestment of onshore and shallow water assets, which has boosted indigenous company activity.	• Increased capacity, operational efficiency, and ambition, allowing them to take over and optimise assets.
Examples of Operations	• Still major players, with companies like Shell, Chevron, ExxonMobil, and TotalEnergies remaining.	• Companies like Seplat, Oando, and Heirs Energies are taking over assets and increasing output.
Expertise and Advantage	• Large global expertise and capital investment.	• Lower overhead costs, faster decision-making, stronger community relationships, and increased focus on Nigeria.

Source: PwC Analysis

Since the PIA, local firms have driven over $6 billion in oil and gas acquisitions, marking a major shift to indigenous ownership

Acquirer	Target	Deal description	Period	Total value ($)
Heirs Energies	TotalEnergies, Shell, eni	Acquisition of 45% stake in OML 17 (onshore Niger Delta) including operatorship, pipelines, and associated infrastructure.	Completed 2021	$1.1 billion
Oando ...the energy to inspire	eni	Purchase of Eni's onshore assets: OML 60, 61, 62, 63, plus two gas processing plants and associated infrastructure.	Approved 2024	$738 million
CHAPPAL Energies	equinor	Acquisition of OML 128 (deepwater) and 20.21% interest in Chevron-operated Agbami oil field, including production rights and reserves.	Closed Dec 2024	$1.2 billion
Seplat Energy	ExxonMobil	Entire shallow-water business of ExxonMobil in Nigeria, including 40% interest in 13 OMLs and associated infrastructure.	Approved 2024	$1.3 billion
RENAISSANCE AFRICA ENERGY COMPANY LIMITED Energy for People and Planet	Shell	Acquisition of 30% interest in 19 onshore OMLs in the Niger Delta, including pipelines and facilities.	Completed 2025	$2.4 billion
Heirs Energies	Seplat Energy	Heirs Holdings acquired a 20.07% stake in Seplat Energy	Finalised Jan 2026	$496 million

Source: NNPCL, Company websites

Deepwater projects are emerging as the next frontier for Nigeria's oil and gas industry, offering high production potential and reduced exposure to onshore security risks

1. Context and Opportunity

- Nigeria's deepwater basin holds over 13 billion barrels of recoverable reserves and remains largely underdeveloped
- Deepwater operations offer high production potential and longer asset life cycles
- Growing investor interest due to fiscal reforms, technological advancement, and security advantages over onshore assets

2. Key Ongoing and Planned Projects

- Bonga North (Shell): ~110,000 bpd potential, FID announced in December 2024
- Preowei (TotalEnergies): tie-back to Egina FPSO, enhances project economics
- Owowo (ExxonMobil): multi-billion barrel reserves approved by NUPRC in October 2025
- Bosi & Zabazaba Fields: awaiting regulatory clarity and cost optimisation

3. Key Advantages

- Reduced exposure to vandalism and oil theft prevalent in the Niger Delta
- Higher well productivity (often >10,000 bpd per well)
- Offshore operations less affected by community disruptions
- Leverages global expertise and capital from IOCs

Policy and Investment Drivers				
	• **Petroleum Industry Act (PIA, 2021):** Improved fiscal terms for deepwater projects	• **NUPRC Reforms:** Streamlined licensing, contract sanctity, and transparency	• **Energy Transition Drive:** Balancing oil monetisation with decarbonisation goals	• **Renewed IOC Confidence:** Increasing dialogue on FIDs and project reactivation

Source: NNPC, NUPRC, PwC Analysis

3 Key Challenges and Risks

Nigeria's oil and gas sector remains central to the economy but is constrained by security risks, infrastructure gaps, and softer investment conditions (1/2)

Production vs. Budget Targets Deficit

- **As of January 2026, Nigeria's crude production averaged 1.64 million barrels per day (bpd) in 2025.**
- While an improvement over previous years, **this remains significantly below the 2.06 million bpd target set in the 2025 budget.**

Crude Oil Theft and Sabotage

- Despite a sharp drop from peak 2021 levels (102,900 bpd) to approximately 9,600–11,300 bpd by late 2025**, security remains a major concern.**
- **Estimates still suggest Nigeria loses up to $15 billion annually to vandalism and theft, draining vital revenue.**

Infrastructure Decay

- **Aging pipelines and terminals continue to hinder flow.** In late 2024 and early 2025, sabotage at major hubs like the Forcados Terminal reduced supply by 50%.
- **Most existing assets are nearing the end of their productive lifespan, leading to frequent unplanned downtime.**

Source: NNPC, NUPRC, PwC Analysis

Nigeria’s oil and gas sector remains central to the economy but is constrained by security risks, infrastructure gaps, and softer investment conditions (2/2)

Relative Under-investment in Oil and Gas sector

- **Since 2016, Nigeria has attracted only 4% of total oil and gas investments in Africa, despite holding 33% of the continent's gas reserves.**
- **Major international oil companies (IOCs) have committed over $82 billion** to projects in other countries since Nigeria's last deepwater project reached Final Investment Decision (FID) in 2013.

IOC Divestment Risks

- **The trend of IOCs selling onshore assets to indigenous firms has accelerated.**
- **While this boosts local participation, under-resourced local operators often struggle to match the surveillance and security armaments of multinationals,** leading to a 25% spike in attacks in certain regions during Q4 2025.

Global Market Volatility

- As 2026 begins, there is concern over a global market glut, with **supply projected to exceed demand by 3.85 million bpd.**
- **Brent crude is expected to average roughly $61.00 per barrel in 2026,** a price level that threatens Nigeria's fiscal stability.

Source: NNPC, NUPRC, PwC Analysis

4 Outlook, Opportunities, and Strategic Prospects

The tenacity of oil and gas sector to drive economic growth in 2026 is premised on key dynamics

Sectors	Demand & trade dynamics	Investment & funding	Government reforms	Technological dynamics
Oil and Gas	• **Crude oil remained Nigeria's dominant export in 2025**, accounting for 56.1% of total exports (₦12.8 trillion in Q3 2025). • **Global oil demand is expected to rise by ~860 kb/d in 2026**, with Brent prices stabilising around US$55/bbl, supporting stronger export earnings and reserves. • **Domestic demand remained robust, as higher local refining output reduced imports and gas consumption rose with power generation and industrial growth**, trends expected to persist into 2026.	• **Oil and gas investment is set to increase in 2026**, driven by upstream opportunities and regulatory clarity under the Petroleum Industry Act. • **Major commitments include Chevron's expanded drilling plans, Shell's US$5bn Bonga North development, and ExxonMobil's US$1.5bn Usan field investment.** • **Gas infrastructure financing, including Afreximbank's US$500m support for LNG and pipelines**, alongside flare-gas monetisation initiatives, is accelerating midstream growth. • **The potential 2026 listings of Dangote Refinery and NNPC Limited** are set to transform the Nigerian capital market by massively increasing its size, liquidity, and global appeal through their dominant oil and gas operations.	• **In 2025, regulatory reforms strengthened oversight under NUPRC and NMDPRA, unlocking over US$18bn in field development plans.** • **Settlement of legacy gas debts** improved investor confidence and domestic gas supply for power. • Most reform benefits are expected to materialise progressively through 2026.	• Technology adoption in 2025 remained moderate, focused on remote monitoring, predictive maintenance, and data analytics in upstream operations. • Wider digital adoption is expected in 2026, as regulators and operators push efficiency, production optimisation, and ESG compliance.

The outlook for Nigeria's oil and gas in 2026 may deepen the sector due to the opportunities it presents (1/2)

Outlook	Driver	Opportunities for Oil & Gas Players	Risk
Upstream Production Growth	• Nigeria is targeting ~2.5 million bpd crude output by 2026, supported by PIA-driven reforms, licensing rounds, rising rig counts, and asset reactivation.	• JV participation in divestment deals • Acquisition of onshore, shallow-water blocks • Expansion of drilling, well services, and field optimisation	
Oil Output Recovery	• Production recovering toward ~1.8–2.0 mbpd in 2026, driven by improved security, operational ramp-ups, and investment momentum	• Partner with domestic operators to scale production • Provide production services and field reactivation expertise	
Gas Monetisation & Infrastructure	• Nigeria's gas sector is expanding with key infrastructure (AKK pipeline nearing completion) and focus on gas use for power, fertiliser, and industrial hubs.	• Invest in gas processing, CNG/LPG, and LNG infrastructure • Develop gas-to-power and gas distribution networks	
Domestic Refining Expansion	• Dangote and modular refineries are reshaping downstream supply, reducing import dependence and strengthening local refining capacity.	• Secure feedstock supply contracts • Build logistics, storage, and distribution services • Support regional product exports	
Regulatory & Fiscal Reform Momentum	• The Petroleum Industry Act (PIA) and related orders (e.g., cost efficiency incentives) provide clearer fiscal terms, faster approvals, and investment predictability.	• Leverage tax incentives for project economics • Engage with regulators for faster licensing and approvals	

Source:PwC Analysis

Risk Level		
Low	Medium	High

The outlook for Nigeria's oil and gas in 2026 may deepen the sector due to the opportunities it presents (1/2)

Outlook	Driver	Opportunities for Local Producers	Risk
Regulatory & Fiscal Reform Momentum	• The Petroleum Industry Act (PIA) and related orders (e.g., cost efficiency incentives) provide clearer fiscal terms, faster approvals, and investment predictability.	• Leverage tax incentives for project economics • Engage with regulators for faster licensing and approvals	
Investment & Capital Inflows	• The sector has attracted about $16bn in investment commitments over two years, and efforts continue to draw $30bn+ by 2030 for upstream, midstream, and refining.	• Capital partnerships and financing structures • Asset financing and project co-development	
Market & Price Volatility	• Global oversupply risks and price swings, with potential crude price pressure due to supply growth outpacing demand, threaten revenue predictability.	• Hedging and risk management strategies • Diversify into gas and downstream revenue streams	
Security & Operational Risks	• Pipeline sabotage, theft (~200,000 bpd), and under-investment in midstream security and maintenance continue to constrain output and investor confidence.	• Invest in security technologies and patrols • Public–private partnerships for infrastructure protection	
Environmental & ESG Pressures	• Increasing expectations for environmental stewardship (e.g., gas flaring reduction) and host-community obligations strain costs and compliance responsibilities	• ESG compliance services and reporting • Environmental remediation and local development programs	

Source: PwC Analysis

Risk Level		
Low	Medium	High

Pedro Omontuemhen
Partner & Clients and Market Leader, PwC Nigeria

Email:
pedro.omontuemhen@pwc.com

Thank you