



DUALE, OVIA &
ALEX-ADEIPE



Review of the 2024 Licencing Round Guidelines

Introduction

On 13th May 2024, the Federal Government of Nigeria through the Nigerian Upstream Petroleum Regulatory Commission (“**NUPRC**” or the “**Commission**”) announced the commencement of the 2024 petroleum licencing round for 12 new blocks¹ (the “**Announcement**”). It is imperative to note that the Commission already issued the 2024 Licencing Round Guidelines in April 2024 (the “**Guidelines**”)² prior to the Announcement. In furtherance of the Announcement, the Commission launched the 2024 licencing round portal on 20th May 2024 (the “**Portal**”). The Portal will serve as a one-stop digital platform for management and co-ordination of the bid round process as well as a repository of relevant information.

In this article, we examine the licencing guidelines, highlighting key and relevant areas for the attention of prospective bidders.

The Bidding Process

Below is the bidding process as set out in the Guidelines, with the expected timeline as set out in the Portal:

1. Registration and Prequalification

The process for registration and submission of requalification documents is currently ongoing and is expected to conclude on June 26, 2024 unless an extension is granted by the Commission. A Pre-Bid Conference is scheduled for May 25, 2024, providing an excellent platform for potential investors to gain valuable insights and seek clarification about the bid process. The evaluation of submissions and publication of prequalified applicants will take place from June 28, 2024 to July 2, 2024.

2. Technical and Commercial Bid Submission

Selected companies will be invited to participate in the licensing round starting from July 4, with the process set to conclude on November 2024. The commission will open its portals for data access, purchase, evaluation, and bid preparation from July 4 to November 29, 2024, giving the bidders sufficient time for thorough analysis and strategic planning for their bid preparation and submission. Between December 2 and December 9, 2024, the Commission will commence evaluation of technical bids and publication of prequalified companies while the commercial bid conference will take place on December 13, 2024.

3. Ministerial Consent and Contract Negotiation

While Ministerial approval of awardees is expected to take place between December 16, 2024, and December 20, 2024, the contract negotiation and signing should span between the period of December 20, 2024 and January, 2025. This stage effectively marks the final stages of the process.

4. Award of Licence

Upon conclusion of the previous stages, the relevant license is expected to be issued to the preferred bidder who are deemed to have satisfied all the necessary conditions as specified by the Commission.

¹ The proposed blocks for licensing under this Round are PPL 300, PPL 301, PPL 3007, PPL 3008, PPL 2000, PPL 2001, PML 51, PPL 267, PPL 268, PPL 269, PPL 270 AND PPL 271, in various block sizes located along the continental shelf, deep offshore and onshore within the Benin basin and Niger delta.

² Section 73(1) of the Petroleum Industry Act (the “**Act**”) empowers the Commission to issue licensing round guidelines for each licensing round.

It is imperative to note that the timeline is published by the Commission on the Portal and may be modified, revised or changed from time to time. Accordingly, bid participants must regularly visit the Portal for the most current information on the bid timeline.

The Participation Rules

- a) **Eligibility:** All domestic and foreign companies are eligible to participate in the Licencing Round, as long as they meet the Prequalification Criteria in the Guidelines. In the case of a foreign company, it will be required to incorporate a Nigerian Company upon being awarded the license³.
- b) **Participation:** An Applicant may participate in the bidding process either as an individual company or as a member of a Consortium.
- c) **Disqualification of Pre-Qualified Applicant and Rejection of Bids:** Any of the reasons listed in Paragraph 11 of the Petroleum Licencing Round Regulations 2022 (the “**Regulations**”)⁴ and paragraph 7 of the Guidelines may result in the disqualification of a prequalified applicant at any time. In compliance with the Guidelines and paragraph 13 of the Regulations⁵, the Commission may reject a bid.
- d) **Joint Awards:** A block may be awarded to multiple Bidders and preference shall be given to the reserve bidders in such award.
- e) **Number of Blocks for Tender:** Although a bidder may submit an offer for an unlimited number of blocks, the Commission may restrict the number of blocks that a single bidder may receive to no more than three to promote diversity and boost the number of businesses operating in the nation.
- f) **Order of Preference Bidders:** When bidding for more than one block, an applicant must submit the order of preference for the blocks on offer.
- g) **Fees:** Fees are set out in the guidelines and payment of these applicable fees is mandatory for participation in the Licencing Round.
- h) **Confidentiality Agreement:** It is compulsory for all Bidders to execute a Confidentiality Agreement before accessing the virtual or physical data room.

Qualification Criteria

We have set out below, in shortened version, the minimum technical, financial capacity as well as the legal and regulatory criteria for participation in the licensing round;

³ Section 72(2) of the Act

⁴ The grounds for disqualification of any bidder include but not limited to a) express ban or prohibition by the Federal Government of Nigeria b) presentment of false information or forged documents c) obtaining information relating to the bid process through unauthorised means d) direct or indirect circumvention of bid process e) indebtedness to Government f) non-compliance with applicable laws g) indebtedness to Government i) Non-operation of its current oil and gas asset in a non-business-like manner.

⁵ The grounds for rejection of bids include but not limited to a) failure to commit to the minimum work programme or minimum level of investment b) presentment of incomplete or illegible information c) presentment of false information during the licensing round d) non-compliance with confidentiality agreement for access to data room or geophysical license agreement e) provision of an unenforceable bid guarantee e) involvement in actions construed to influence the winning bid or bid process.

MAIN CATEGORIES	TECHNICAL COMPETENCE	FINANCIAL CAPACITY & VIABILITY	LEGAL AND REGULATORY REQUIREMENTS	OTHERS
Key Criteria	<ul style="list-style-type: none"> ▪ At least 3-5 years' experience as an operator in deep offshore and Shallow water ▪ Production of at least 40,000 bpd in offshore for an existing producing company ▪ Production of at least 5,000 bpd in shallow water & onshore for an existing producing company ▪ The experience of the parent company concerning production will apply. Any specific technical expertise. 	<ul style="list-style-type: none"> ▪ Minimum average annual turnover of US\$200 million for deep offshore and US\$50m for shallow waters and onshore assets. ▪ Minimum cash in bank of US\$200 million for deep offshore and US\$50m for shallow waters and onshore assets. ▪ Market capitalization of not less than US\$1 billion deep offshore and US\$250m for shallow waters and onshore assets. ▪ Bank guarantee to the tune of US\$200 million for deep offshore and US\$50m for shallow waters and onshore assets. ▪ Parent company guarantee to the tune of US\$200 million. ▪ The financial statements must indicate viability. ▪ Current ratio of 2:1. ▪ Gearing ratio of not more that 70%. ▪ Interest cover of 2.0 or more. 	<p>The documents required shall include the following:</p> <ul style="list-style-type: none"> ▪ Certificate of Incorporation from the Corporate Affairs Commission; ▪ Particulars of shareholders and directors of the Applicant company; ▪ Beneficial Ownership Information; ▪ Letter of Good Standing of the Applicant from the Corporate Affairs Commission; ▪ Valid Tax Clearance Certificate for the past three years, or for each year since incorporation for a company incorporated for less than three years; ▪ Memorandum and Articles of Association of the Applicant; ▪ The organizational chart of the Applicant; ▪ Profiles of the Applicant's promoters/management team; ▪ Security Clearance from the Department of State Security or its equivalent in foreign jurisdiction (to be obtained for shareholders with 5% or more holdings and directors of the company); and ▪ An affidavit confirming that the natural persons of the applicant is acceptable to the Government. 	<ul style="list-style-type: none"> ▪ Health Safety and Environment policy. ▪ statements, evidence of HSE management system, certificates (ISO), HSE records from last 3-5 years.

Procedure for Submission of Bids

The Procedure for submission of Bids shall be in accordance with the process set out in Paragraph 12 of the Regulations and paragraph 16 of the Guidelines. Applications shall be submitted both physically and electronically. All physical Applications must be received at the address published on the Commission's website and all electronic Applications uploaded on the Portal. All applications must be received by the Commission, no later than 11.59 p.m. on November 29, 2024. The Bidders name should be prominently marked on each package and all three packages placed in an outer package and prominently marked Bid for Nigeria 2024 Licencing Round and named and addressed to;

**“Chief Executive Officer
Nigerian Upstream Petroleum Regulation Commission
7 Sylvester Ugoh, Crescent, Jabi, Abuja, F.C.T, Nigeria”**

Conclusion

The Guidelines represents a positive step forward in Nigeria's oil and gas sector as it provides a sense of certainty on the procedure and requirements for participation in the licensing round. Whilst being the second round conducted under the PIA, this round undoubtedly signifies Nigeria's unwavering commitment to attracting investment and fostering exploration activities in a pivotal sector in Nigeria. It is also critical that the investors and interested parties keep abreast of the licensing timeline whilst complying with all the requirements set out in the Portal, Regulations and Guidelines. In furtherance of the principles outlined in the PIA, the NUPRC emphasizes a fair, transparent and competitive bidding process which ensures a level playing field for all interested companies, fostering confidence and transparency in the Nigerian oil and gas landscape.



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