

SYNTEGRAL
LEGAL PRACTICE

# NIGERIA TAKES CHARGE OF ITS OIL EARNINGS: DUPLICATION ELIMINATED, OVERSIGHT STRENGTHENED, IMPLEMENTATION KEY

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President Bola Ahmed Tinubu has signed a significant Executive Order aimed at overhauling Nigeria's oil and gas revenue framework. The reform is designed to tackle revenue leakages, eliminate duplicative deductions, and ensure more funds flow directly into the Federation Account, reinforcing federal control over the nation's mineral resources which is pursuant to Section 5 and Section 44(3) of the constitution of the Federal Republic of Nigeria, which vests ownership and control of mineral resources in the Federal Government.

**What Has Changed?**

The Executive Order introduces several significant adjustments to the petroleum revenue framework, reshaping how deductions, remittances, and statutory payments are treated within the sector. The key changes are outlined below:

**1. Ending the 30% Frontier Exploration Deduction:** Under the previous framework, the Nigerian National Petroleum Company Limited (NNPC Limited) retained 30% of profit oil and profit gas for the Frontier Exploration Fund. The Executive Order now requires that these revenues be remitted directly into the Federation Account, thereby increasing the pool of funds available for distribution among the federal, state, and local governments.

**2. Removing the 30% Management Fee:** The Executive Order also eliminates the 30% management fee previously charged by NNPC Limited under Production Sharing, Profit Sharing, and Risk Service Contracts. This fee has been deemed unnecessary on the basis that the company already receives defined commercial entitlements under the applicable contractual framework, including the existing retention of up to 20% of its profits.

**3. Direct Remittance of Government Entitlements**: With effect from 13 February 2026, all operators and contractors operating under production-sharing arrangements are required to remit royalties, tax oil, profit oil, profit gas, and all other government entitlements directly into the Federation Account. This reform streamlines revenue flows, reduces reconciliation complexities, and strengthens financial transparency and accountability in the management of petroleum revenues.

**4. Reallocation of Gas Flare Penalties:** In a significant policy realignment, gas flare penalties will no longer be channelled into the Midstream and Downstream Gas Infrastructure Fund. Instead, such revenues are to be paid directly into the Federation Account, enhancing fiscal transparency and central oversight. Any subsequent utilisation of funds for gas infrastructure will be subject to public procurement processes, thereby reinforcing expenditure discipline and value-for-money controls. This approach is consistent with Section 103 of the Petroleum Industry Act, which established an Environmental Remediation Fund administered by the Nigerian Upstream Petroleum Regulatory Commission to support host communities affected by gas flaring. The reform therefore preserves the objective of environmental remediation while ensuring that funding mechanisms remain targeted, transparent, and subject to appropriate regulatory supervision.

**Structural and Institutional Implications**

The Executive Order also addresses NNPC Limited's dual role as both regulator and commercial operator under Production Sharing Contracts, positioning the company strictly as a commercial entity. This change aims to reduce conflicts of interest and strengthen competition in the sector.

An inter-ministerial Implementation Committee, including the Ministers of Finance, Attorney-General of the Federation,Minister of Budget and National Planning, and Minister of State for Petroleum Resources has been established to coordinate the reforms, highlighting the government's commitment to structured and accountable execution.

**Why This Matters**

By aligning statutory petroleum governance with constitutional revenue principles, the reform is expected to:

- Increase distributable revenue for federal, state, and local governments;
- Strengthen fiscal planning and debt management;
- Improve transparency in petroleum revenue accounting; and
- Expand funding for critical national priorities such as infrastructure, healthcare, education, security, and energy transition initiatives.

Most importantly, the Executive Order reaffirms that Nigeria's petroleum resources belong to the entire Federation. The Presidency has also indicated that a broader review of the Petroleum Industry Act will follow, signalling the first step in a comprehensive restructuring of the nation's oil and gas sector.

## CONCLUSION

Nigeria has embarked on a significant reform in the governance of its oil revenues. The new Executive Order seeks to centralise payment flows and eliminate overlapping or unauthorised deductions, thereby bringing fiscal practice into closer conformity with constitutional requirements. Its ultimate effectiveness, however, will depend less on the text of the Order itself than on the rigour of its implementationspecifically, sustained administrative discipline, coherent coordination among the relevant public institutions, and firm, consistent regulatory oversight.