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# ASSIGNMENTS UNDER THE PETROLEUM INDUSTRY ACT: INVESTOR CONSIDERATIONS FROM UPSTREAM TO DOWNSTREAM

## PART II



## INTRODUCTION

In Part 1 of this article series, we examined the regulatory framework governing the assignment of interests in Nigeria's upstream oil and gas sector under the Petroleum Industry Act (PIA). We highlighted the types of transactions that require ministerial consent, those that do not, the fees involved, and the consequences for non-compliance.

A solid understanding of these requirements enables investors to structure transactions that are commercially sound, legally compliant, and aligned with long-term strategic objectives.

In this second part, we focus on the regulatory framework for assignments in the midstream and downstream sectors and conclude with a comparative analysis of how the rules differ across the upstream and midstream/downstream segments.



## ASSIGNMENT OR TRANSFER OF LICENCE OR PERMIT IN THE MIDSTREAM/ DOWNSTREAM SECTOR

Section 117 of the Petroleum Industry Act (PIA) provides that no holder of a licence or permit may assign or transfer such licence, permit, or any rights and obligations arising from it, without the prior written consent of the Authority. In furtherance of this, Section 33(g) of the PIA empowers the Authority to prescribe the conditions and procedures governing such transfers. Exercising this mandate, the Authority issued the Assignment or Transfer of Licence and Permit Regulations, 2023 (the “Regulations”), which establish the framework for assignments and transfers in Nigeria's midstream and downstream petroleum sectors.

### KEY HIGHLIGHTS OF THE REGULATIONS

#### 1. Scope and Applicability:

The Regulations outline the types of transactions requiring the Authority's oversight. They apply to assignments or transfers arising from mergers, acquisitions of companies or assets, intra-group restructurings aimed at improving efficiency or resource allocation. The scope also covers transfers to newly incorporated entities, devolutions of ownership by operation of law, share transfers, private placements, public listings, and even testamentary transfers. The Regulations also reserve the power to expand the categories of applicable transactions by issuing a notice.<sup>27</sup>

The breadth of this scope means that virtually any form of corporate restructuring or equity transaction connected to midstream and downstream licences could

<sup>27</sup> Assignment or Transfer of Licence and Permit Regulations, 2023, Regulation 3

trigger a consent requirement. This is not limited to the outright sale of assets, but also extends to share transfers, listings, and inheritances.

## 2. Exceptions to the Authority's Required Consent:

The Regulations provide a narrow exception to what qualifies as an assignment or transfer of licence, and that is, a change of name resulting from a corporate restructuring or rebranding.<sup>28</sup> However, the licensee or permit holder must still notify the Authority in advance. If the Authority raises no objection, the holder is required to apply for a new licence or permit in the new name and return the old licence or permit for cancellation.<sup>29</sup> The implication of this is that even a seemingly simple name change still triggers regulatory compliance.

## 3. Fees:

A transferee is required to pay the prescribed fee for the assignment or transfer of a licence or permit, or alternatively, 5% of the transaction value. The Regulations also include a schedule detailing the specific facilities covered and their corresponding processing fees.

## 4. Penalties for Non-compliance:

Any person who fails to comply with the provisions of the Regulations, directives, licence conditions, or who furnishes false or incomplete information is subject to significant penalties. For midstream processing facilities, installations, terminals, and pipelines, the administrative penalty is USD 100,000 per licence or permit, alongside the risk of suspension, cancellation, or revocation of the relevant licence, permit or authorisation. For

blending facilities and petroleum product storage facilities, the fine is USD 50,000 (or Naira equivalent) per licence or permit, with similar risks of suspension, cancellation, or revocation. For oil and gas retail outlets, the penalty is N2,000,000 per licence or permit, also with the possibility of suspension, cancellation or revocation.<sup>30</sup>



## CONCLUSION

The PIA and its Regulations have fundamentally reshaped the assignment and transfer regime across Nigeria's oil and gas value chain. While both upstream and midstream/downstream frameworks require regulatory consent and provide for deemed approvals, they differ in scope, process, and cost implications. In the upstream sector, careful structuring around the 7% transaction fee and adherence to the robust compliance framework are prerequisites for securing Ministerial consent. In the midstream and downstream sector, the broad application of consent requirements means investors must plan for approvals even in the context of intra-group restructurings or share transfers, while ensuring that name changes are properly notified to avoid compliance pitfalls. Ultimately, successful navigation of Nigeria's evolving petroleum sector demands a balance between commercial ambition and regulatory discipline.

<sup>28</sup> Ibid. Regulation 4 (1) & (3)

<sup>29</sup> Ibid. Regulation 4 (2)

<sup>30</sup> Ibid. Regulation 11

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Do you need to get in touch with us, to know more on how we can help you and your business? Kindly contact us by using any of the details provided below:

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