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# Aligning ESG Practices in the Nigerian Oil and Gas Sector with Climate Change and Nigeria's Net-Zero Goal by 2060

## Introduction

Nigeria's oil and gas sector evolved over the decades. The sector has moved from an era where little or no effort was put towards addressing the negative impacts occasioned by oil exploration and other incendiary activities, the failure by the Federal Government (FG) to sign the Petroleum Industry Bill into Law and a plethora of socially related malaise that have affected the host communities; their source of livelihood and their living conditions to one where a robust Legislative framework coupled with Regulations have been put in place to make it align with global best practices.

The signing of the Petroleum Industry Act in 2021 ("PIA" or "Act") and the introduction of a handful of regulations by the Nigerian Upstream Petroleum Regulatory Commission (the "Commission") and the Nigerian Midstream and Downstream Regulatory Authority (the "Authority") have no doubt played a vital role in aligning the sector with Nigeria's Net-Zero goal and global best practices that promote Climate Sustainability. This article explores the significance of aligning ESG practices in the Nigerian oil and gas sector and highlights key strategies for achieving this alignment.

## Understanding ESG Practices Generally

The abbreviation ESG stands for Environmental, Social and Governance adopted by certain companies to promote sustainability. The Environmental factor here involves corporations embracing cleaner technologies, reducing greenhouse gas emissions, and promoting sustainable practices. The Social factor entails prioritizing the well-being of local communities, ensuring fair labour practices, and fostering inclusivity and diversity while the code of corporate Governance factor focuses on Compliance, transparency, accountability, and ethical decision-making within the sector. ESG practices encompass various aspects of a company's operations including its environmental impact social responsibility and governance structure.

## **The Nigerian Oil and Gas Sector and ESG Practices**

In the context of the oil and gas sector the discourse revolves primarily on reducing greenhouse gas emissions, minimizing environmental damage, and promoting sustainable practices. Climate change poses a significant threat to the planet and the oil and gas industry is a major contributor to global emissions. Therefore, aligning ESG practices with climate change mitigation efforts is crucial for achieving the net-zero goal by 2060. The recently enacted PIA establishes the Commission and the Authority respectively (collectively referred to as “Regulators”) to, among other things, regulate the upstream and the midstream & downstream components in the sector respectively.

The delineation of these components has occasioned the introduction of sustainable practices as seen in the calibre of Regulations issued by both Regulators for players within their respective purview. We will now examine Regulations issued by both Regulators to highlight the impact it has made towards sustaining ESG practices.

### **1. Regulations issued by the Commission:**

The Commission has issued regulations and guidelines that essentially capture sustainability practices it requires players in the field to adhere to. The released and gazetted Regulations and Guidelines include the following:

- a. **Gas Flaring, Venting and Methane Emission (Prevention of Waste and Pollution) Regulations, 2023:** seeks to: reduce environmental and social impact associated with gas flaring and venting of natural gas and fugitive methane emissions into the atmosphere; preserve and protect the environment; prevent waste of natural resources; enhance energy transition in Nigeria; create social and economic benefits from gas flaring and venting; and set out the procedure for the Commission to exercise its rights to take gas at flare point in accordance with the Act and all other applicable laws.
- b. **Nigeria Upstream Decommissioning and Abandonment Regulations 2023:** It seeks to ensure that decommissioning and abandonment activities are conducted in accordance with good international petroleum industry practice. The regulations also set the framework for the establishment and administration of a Decommissioning and Abandonment Fund.<sup>1</sup>

In addition to the above Regulations, the Commission has gazetted the Nigerian Upstream Petroleum Host Communities Development Regulations, 2022; the NUPRC Host Communities’ Development Trust Implementation, 2022. The Commission has also released guidelines on the health, safety, and environment protection of operations in the sector.

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<sup>1</sup> <https://www.nuprc.gov.ng/press-statement-4/>

## 2. Regulations Issued by the Authority:

The Authority, in the same vein has issued Regulations to industry players in the Midstream & Downstream oil and gas industry. Some of these Regulations that ensure sustainable ESG practices include:

- a. **Midstream and Downstream Petroleum Environmental Regulation 2023:** This Regulation ensures environmental standards and practices are upheld across midstream and downstream petroleum industry operations.
- b. **Midstream and Downstream Environmental Remediation Fund Regulation 2023:** This Regulation establishes a financial contribution in the form of a Fund for Midstream and Downstream Operations. This Fund is aimed at helping provide resources for the clean-up, rehabilitation, or management of the negative environmental impact from petroleum operations nationwide, the new regulations would enhance value, create an enabling environment, and deepen activities in the midstream and downstream sector for the benefit of Nigerians.
- c. **Midstream and Downstream Decommissioning and Abandonment Regulations, 2023:** This Regulation outlines the requirements and procedures for the decommissioning and abandonment of petroleum facilities in the midstream and downstream sector.
- d. **Midstream Gas Flare Regulations, 2023:** The Regulation outlines the acceptable gas flare under the midstream and downstream sector. These include safety flaring; initial start-up flaring during commissioning and start-up phases of a plant or process unit; continuous flaring (when the plant or process unit is in operation); and non-continuous operational flaring on a planned or unplanned basis for scheduled maintenance, equipment shutdowns,

## Strategies for Aligning ESG Practices:

To achieve the net-zero goal by 2060 the Nigerian oil and gas sector needs to transition towards low-carbon solutions and reduce its greenhouse gas emissions. The PIA has created the necessary legal framework to support sustainability practices. Additionally, the Regulations made by the Regulators have established mechanisms for monitoring and reporting while ensuring transparency and accountability in the sector. For example, by requiring players to disclose their decommissioned and abandoned sites, gas flares and environmental impact assessments, key players are conditioned to adopt practices that reduce environmental hazards and foster social relations with host communities.



To further align the sector with sustainable environmental, social and governance practices, we are of the view that the following and more needs to be done:

1. Implementing carbon capture and storage (CCS) technologies for storing carbon emissions to mitigate their impact on the environment.
2. Promoting sustainable practices through the reduction of environmental impact through responsible resource extraction, waste management, and biodiversity conservation.
3. Engaging in initiatives that offset carbon emissions, such as reforestation, renewable energy projects, and sustainable agriculture. By so doing, where players in the sector develop initiatives to offset emissions in their activities, certain credits (in form of carbon credits) as well as other incentives should be put in place to encourage such projects.
4. In achieving the carbon credits initiative or other incentive packages for players in the sector, collaborating with the Nigerian Council on Climate Change becomes necessary in formulating policies, guidelines, and regulations that are tailored towards the Nigerian oil and gas ecosystem.

## **Conclusion**

Beyond the legal framework – the PIA, Regulations and Guidelines issued by the Regulators which has culminated in compliance by industry players, certain Companies have taken bold strides in ensuring that they adopt sustainable ESG practices in their operations. Some of these practices include the adoption of environmental management systems, conducting regular environmental impact assessments, promoting community engagement and development, and investing in renewable energy projects. These practices aim to minimize the industry's carbon footprint and contribute to the environmental, and socio-economic well-being of host communities and the Country at large.