

Nigeria Oil & Gas ESG Verification Gap

Why compliance is no longer sufficient.



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A service company's documentation can satisfy a filing requirement and still fail the test that increasingly determines whether it wins the next contract: does the record hold up when someone other than its author examines it.

FROM THE EDITOR

Three regulatory developments have converged on Nigeria's oil and gas service sector within the same year, and each tests a different dimension of the same underlying question. NUPRC now requires measurement-based emissions reporting from the third quarter of this year. Host Community Development Trust enforcement has shifted from administrative registration toward adversarial verification. And pre-qualification for the country's largest recent licensing round explicitly scored HSE track record alongside financial capacity. Taken individually, each is a compliance matter. Taken together, they describe a structural shift: the market is moving from asking whether documentation exists to asking whether it is verifiable by someone other than the party that produced it. This edition introduces the framework we use to assess where an organisation actually sits against that shift.

LEAD STORY

Enforcement Is Moving From Filing to Verification

Nigeria's upstream regulator has revised the standard for emissions reporting in a way that extends well beyond the operators it directly targets. Operators are now required to report emissions using IPCC Tier 2 methodologies from the third quarter of this year, with a full transition to measurement-based Tier 3 systems mandated by January 2027, replacing the estimation-based approach that has applied since 2022. Operators have themselves characterised the Tier 3 timeline as ambitious given current equipment lead times. The implication for service companies is structural rather than incidental: any contractor whose activity feeds an operator's emissions inventory now sits inside the perimeter of that scrutiny, independent of what its own contract specifies.

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What 172 Registered Trusts Did Not Resolve

The clearest evidence that documentation and legitimacy are separate properties sits inside the Host Community Development Trust regime. The regulator has registered 172 HCDTs and describes itself as intensifying enforcement of the Petroleum Industry Act's requirement that operators contribute three percent of operating expenditure to host community development. Yet this year a state oversight commission issued a public ultimatum concerning one trust's community representation, and state officials questioned whether a regulator's reliance on operator-submitted documentation can, in itself, establish that genuine consultation occurred

A trust that was registered, funded, and structured in accordance with the law was nonetheless not accepted as legitimate by the community and officials scrutinising it. This is the distinction the Exposure-to-Trust Curve is designed to make explicit: documentation that exists is not equivalent to documentation that is believed.

Pre-Qualification Now Scores What Was Previously Assumed

Pre-qualification for Nigeria's most recent Licensing Round screened applicants on financial capacity, technical experience, legal standing, and HSE track record, with only credible applicants advancing to the data room. This screening logic does not remain contained to operators bidding for acreage. Operators subject to this level of scrutiny over their own licences have a direct incentive to extend equivalent scrutiny to the service companies they contract, since a contractor's weak HSE or environmental record becomes a liability the operator itself must account for in its own regulatory relationships.

Unenforced Gaps Are a Backlog, Not a Reprieve

Regulatory reporting this year has also identified instances in which operators went years without submitting required emissions filings and received no formal sanction. This absence of enforcement should not be read as a safe position. As NUPRC's posture hardens simultaneously around emissions reporting and host community obligations, organisations that treated an unflagged gap as a resolved one are more exposed to a retroactive reckoning, not less.

Three Structural Implications for Service Companies

First, documentation that exists is not documentation that is believed.

A service company's ESG record must satisfy an operator's own scrutiny, and increasingly that of the operator's financiers and host communities. A record filed once does not become credible to the next party who examines it.

Second, verification is displacing volume as the operative currency of pre-qualification.

HSE track record already functions as a scored, independent criterion alongside financial capacity. A comprehensive file is worth less than a file that can be independently checked.

Third, an unpenalised gap is not a resolved one.

Enforcement lag is narrowing as regulators face pressure to demonstrate outcomes on both emissions and host community obligations within the same reporting cycle.

THREE KEY RECOMMENDATIONS

- Assess the organisation's position on the Exposure-to-Trust Curve using a structured, honest self-assessment, before a pre-qualification review does it externally.
- Convert emissions and HSE documentation from an annual filing exercise into a continuously maintained, audit-ready record, ahead of NUPRC's third-quarter Tier 2 requirement.
- Establish a communications layer around the ESG record, not only a compliance layer, so that when an operator, financier, or host community makes an inquiry, the narrative is as prepared as the underlying documentation.

RISK RADAR: THREE THINGS TO KNOW THIS WEEK

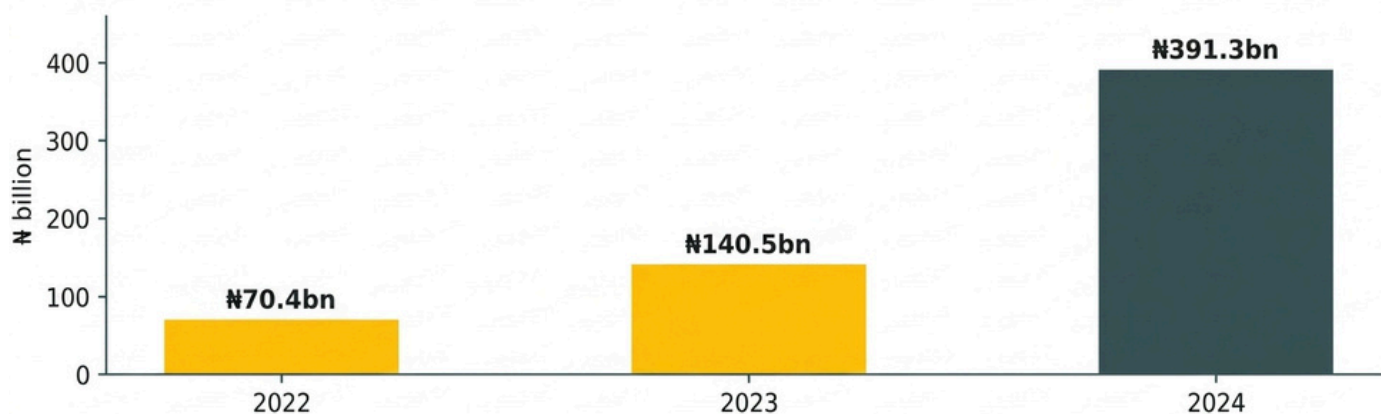
- NUPRC has registered 172 Host Community Development Trusts and describes itself as intensifying enforcement of the PIA's three percent operating expenditure requirement, even as a dispute over one trust's community representation reached state oversight bodies this year.
- Operators must report emissions using IPCC Tier 2 methodologies from the third quarter of this year, with full transition to measurement-based Tier 3 systems required by January 2027.

THE EXPOSURE-TO-TRUST CURVE



Figure 1: The exposure-to-trust curve – Four stages of ESG maturity for Nigerian oil and gas service companies.

Gas Flare Penalties Remitted to the Federal Government



2025 penalties reached an equivalent of \$646 million, the highest level in five years.

Figure 2: Gas flare penalties remitted to the Federal Government have risen sharply since 2022, indicating hardening enforcement across the sector.

- Pre-qualification for Nigeria's most recent Licensing Round screened applicants on financial capacity, technical experience, legal standing, and HSE track record — criteria operators increasingly extend to their service company contractors.

THE STANDARD: ONE ACTION THIS WEEK

Position the Organisation on the Exposure-to-Trust Curve.

Before the next tender submission, map the organisation against the four stages: Exposed, Compliant, Capable, and Trusted. Wherever the record cannot demonstrate continuous maintenance rather than periodic filing, that is the stage the organisation actually occupies, independent of where it is presumed to sit.

The regulatory shift toward verification is not a temporary posture. It is an early stage in a longer transition. Organisations that move deliberately from Compliant to Capable ahead of the next enforcement cycle will be positioned as the contractors operators approach first, rather than the ones subjected to the most scrutiny.

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