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Energy & Infrastructure M&A 2025

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Nigeria: Law and Practice
& Trends and Developments

Tosin Ajose, Izuchukwu Ubadinma, Deborah Leshi and Precious Omope
DealHQ Partners

NIGERIA

Law and Practice

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DealHQ Partners

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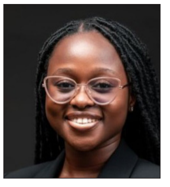

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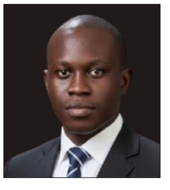

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1. Market Trends

1.1 Energy and Infrastructure M&A Market

The global energy and infrastructure M&A market recorded a strong performance in 2025, characterised by dynamic deal activity and increasing deal size. In the first half of 2025, deal value surged by 42.2% against the latter half of 2024, despite a 10.7% decline in deal volume, reflecting a shift toward higher-value transactions. Renewables led the growth, with a 10.5% increase in deal volume and a remarkable 384.6% rise in deal value, driven by significant investments across solar, wind and battery storage projects. There were also significant business consolidation activities in the oil and gas sector, where strategic acquisitions focused on efficiency, portfolio diversification and the integration of clean energy solutions.

The Nigerian market reflected similar trends as the global market, maintaining strong deal value with notable growth in the upstream petroleum sector, driven primarily by bold government reforms and the increasing participation of indigenous firms acquiring core upstream petroleum assets in the onshore and shallow water terrains of Nigeria from international oil companies (IOCs). Major transactions include:

- the acquisition of USD2.4 billion onshore and shallow water assets of Shell Petroleum Development Company by the Renaissance consortium;
- Oando's USD783 million purchase of Eni's Nigerian onshore assets; and
- Seplat Energy's USD800 million acquisition of Mobil Producing Nigeria Unlimited.

These deals reflect a wave of local consolidation facilitated by the government's positive policy posture and the introduction of favourable fiscal incentives such as cost recovery, royalty adjustments and profit-sharing mechanisms, which have mitigated fiscal risks and improved investment conditions.

In the power sector, the enactment of the National Integrated Electricity Policy expanded private sector opportunities in renewables and grid expansion, further bolstering M&A activity.

Despite inflationary pressures posing significant challenges to local lending rates and substantially increasing operational and capital costs and complicating deal valuations, Nigerian banks have shown resilience by backing many of the local acquisition activities, supported by approximately USD6 billion in foreign investments and reforms boosting banking capital and lending capacity. Market participants have also resorted to enhanced due diligence and pricing adjustments to moderate inflationary risks. Coupled with government incentives and ongoing liberalisation, investor confidence seems to have been sustained whilst the M&A market seems to maintain its momentum.

While ongoing geopolitical tension in Ukraine and Gaza, compounded by ongoing global trade wars, may have heightened global uncertainty, disrupted supply chains and shifted energy supply strategies, fostering cautious investor sentiment globally, Nigeria's pivotal role as Africa's leading energy producer has further insulated its M&A environment from external shocks. Domestic regulatory reforms and strategic local acquisitions have also helped to counterbalance inflationary and geopolitical pressures, positioning Nigeria as West Africa's leader in deal volume and second on the continent, and reinforcing its leadership role in Africa's energy transition and infrastructure expansion.

1.2 Energy and Infrastructure Trends

Nigeria's upstream oil and gas sector continues to experience significant divestments of high-risk onshore and shallow water assets by the IOCs for deeper water and gas developments.

Investor confidence is on the rise, reflected in a surge in rig activity from eight in 2021 to 69 in 2025, and in the approval of 28 new Field Development Plans backed by USD18.2 billion capital flow, expected to add 600,000 barrels of oil and 2 billion cubic feet of gas per day to national production. Midstream gas infrastructure investment is also peaking, supported by the Midstream & Downstream Gas Infrastructure Fund, which is supporting projects like the ANOH Gas Processing Company's development and construction of a 300 MMSCFD gas plant.

Renewable and alternative energy infrastructure is expanding through solar PV, mini-grids, mesh grids and CNG initiatives. Programmes like the World Bank's USD200 million DARES project are supporting rural electrification, while private investor and green bond proceeds are driving urban mini-grids and smart-grid solutions. The Presidential CNG Initiative is also promoting cleaner public transport, while EV adoption is growing with an influx of funding support for charging infrastructure from private and climate-focused investors.

Nigeria's infrastructure sector is also attracting domestic and international capital into core transport, housing, power and digital connectivity infrastructure development. Projects such as the Lagos–Calabar Coastal Highway (USD2.5 billion), the Lekki Deep Sea Port expansion, and strategic partnerships with EU, G7/US, Gulf and Asian investors are reshaping deal structures, favouring equity and joint ventures over conventional debt, with billions of US dollars being committed to energy and infrastructure pipeline deals.

The mining sector – particularly lithium processing – is growing under local value-add policies, with over USD800 million invested in processing projects and licensing now tied to in-country beneficiation. Policy reforms, including the Nigeria Tax Act and Nigerian Upstream Petroleum Regulatory Commission (NUPRC) regulations, have standardised fiscal frameworks, reporting and cost structures in upstream petroleum operations.

ESG and sustainability considerations are increasingly influencing investment decisions. IFRS S1 and S2 disclosure standards, ESG audits, climate scenario modelling and carbon market initiatives are integrating climate risk into project planning models, whilst regulators such as the Nigerian Content Development and Monitoring Board are enforcing compliance, reflecting a strategic shift toward low-carbon, sustainable infrastructure and energy investments, while balancing Nigeria's immediate development needs with long-term sustainability goals.

1.3 Access to the Energy and Infrastructure M&A Market

Investors seeking to access Nigeria's energy and infrastructure M&A market are employing diverse and strategic approaches shaped by regulatory reforms, local content policies and the ongoing energy transition strategy. The favoured approach to entry given the heavy cost of borrowing is equity investment, where investors acquire either minority or controlling stakes in existing energy and infrastructure companies in order to gain operational influence and long-term exposure to profitable ventures. Another pathway is via asset acquisitions and divestments, particularly the purchase of onshore and offshore assets divested by international oil companies.

Investors are also forming consortiums, allowing local and foreign partners to pool resources, share risks and leverage complementary expertise for large-scale projects. Similarly, private equity and venture capital firms are deploying capital into high-growth and strategically important projects, especially across renewable energy, power distribution and infrastructure modernisation, where potential returns are substantial. In addition, public-private partnerships remain a central access route for many investors, enabling collaboration with the government (sovereign and sub-sovereign) to finance, develop and operate projects under concession arrangements.

Beyond these, development finance and blended finance structures are gaining prominence, with development finance institutions and impact investors offering concessional funding, guarantees and climate-aligned investment tools to catalyse private sector participation.

1.4 Energy and Infrastructure Projects

Nigeria is currently witnessing significant activity in both the energy and infrastructure sectors, with a mix of large-scale conventional and growing renewable projects. In the conventional energy space, major initiatives include the Dangote Refinery expansion in Lagos, which will add 750,000 barrels per day to the existing 650,000 bpd facility, bringing total refining capacity to 1.4 million bpd by 2028. This expansion also features a 1,000 MW self-generation power plant to support uninterrupted operations. The federal government is also rolling out 1.1 million electricity meters nationwide, aiming to close the metering gap, enhance billing accuracy and strengthen revenue collection.

On the renewable side, Nigeria is developing utility-scale solar projects such as the Jigawa Solar PV initiative, targeting 50–100 MW in its pilot phase, with long-term plans potentially reaching 1,000 MW. Complementing this are mini-grid and distributed energy programmes, expected to deliver electricity to 1.5–2 million people in rural and peri-urban areas, leveraging public-private partnerships and concessional financing. Infrastructure projects are equally ambitious. The Green Line rail project in Lagos will span 68 km with 17 stations, improving urban mobility, with an expected daily ridership of 500,000. The Bakassi Deep Seaport in Cross River State, valued at around USD3.5 billion, is being developed to accommodate large vessels and reduce congestion at existing ports.

In the digital infrastructure space, Project BRIDGE is set to deploy 90,000 km of fibre-optic cable nationwide, forming a backbone for broadband connectivity. Industrial development is also a focus, with Afreximbank's USD5 billion textile and industrial facility combining manufacturing, agro-industrial operations and logistics infrastructure, projected to create approximately 250,000 jobs.

Overall, while conventional energy projects – particularly oil, gas and large hydro – remain dominant in terms of scale and investment, renewable energy projects are growing rapidly, especially in distributed generation and off-grid solutions. This mix reflects Nigeria's dual focus on maintaining energy security through conventional sources while progressively expanding renewable capacity, with the renewables market expected to grow from 3.59 GW in 2025 to over 11 GW by 2030.

2. Establishing and Exiting Early-Stage Companies in the Energy and Infrastructure Industry

2.1 Establishing and Financing a New Company

Establishing and financing an early-stage company in Nigeria's energy and infrastructure sectors requires careful attention to legal, regulatory, financial and operational considerations.

One of the first decisions is the choice of business structure. Most early-stage ventures adopt a Private Limited Company (Ltd) format, which provides limited liability, flexible governance and easier access to private capital. Companies with larger ambitions or plans to raise funds publicly may instead choose a Public Limited Company (PLC). Formal registration with the Corporate Affairs Commission (CAC) is mandatory, with the company's share capital, ownership and governance framework documented, forming the legal foundation for operations.

Regulatory approval is critical. Foreign companies seeking to operate in the petroleum sector must also register locally to comply with regulatory requirements. Operators cannot commence activities without obtaining licences and permits from agencies such as the NUPRC, the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), the Nigerian Electricity Regulatory Commission (NERC) and other relevant state ministries. These approvals define operational boundaries, environmental and safety standards, fiscal obligations and broader compliance requirements.

Financing typically combines founder equity, angel investment and increasingly blended finance – mixing equity, concessional debt and grants to manage risk and attract private capital. Special Purpose Vehicles (SPVs) are commonly used to isolate project risks and align investor rights. Foreign investors must comply with Central Bank of Nigeria (CBN) rules to ensure proper documentation and the repatriation of funds.

Tax incentives may be available for renewable energy or priority infrastructure projects, while all companies remain subject to the Nigerian Tax Act (2025). Early-stage ventures are moderately common in Nigeria, with renewable energy, off-grid solar, compressed natural gas (CNG) and electric vehicle (EV) infrastructure recording the most activity. Upstream oil and gas projects are rarer due to high capital requirements and regulatory complexity. In infrastructure, transport, housing and digital network projects increasingly leverage public-private partnerships and SPVs, although large-scale mega-projects remain the domain of established operators.

2.2 Liquidity Events

In Nigeria, early-stage companies in the energy and infrastructure sectors typically achieve liquidity through strategic mergers or acquisitions, where founders and early investors exit by selling their stake to a larger company, often receiving cash or shares in the acquirer, or a combination of both. Secondary share sales have also become increasingly common, allowing shareholders – founders, angel investors or employees with stock options – to sell part of their equity to new investors or trigger company buybacks where contractual rights exist.

When planning such exits, founders and investors must carefully consider the timing of the transaction relative to operational or project milestones, the methodology used to value the company, and the potential tax implications under the Nigerian Tax Act 2025. Additional factors, such as regulatory approvals, currency fluctuations, financing restrictions and obligations under public-private partnerships or concession agreements, can materially affect both feasibility and profitability. As a result, structured exit planning and thorough due diligence are essential to maximise value and ensure a smooth liquidity event.

3. Spin-Offs

3.1 Trends: Spin-Offs

Spin-offs are not customary in Nigeria's energy and infrastructure sector, although they are recognised as an internal restructuring option for public companies under Nigerian law.

The key drivers for considering a spin-off include the need to focus on core operations, ring-fence liabilities and attract targeted investment, especially in high-growth areas such as renewables, gas processing and digital infrastructure. Spin-offs also enable companies to partly eliminate debt from their balance sheets, improve capital efficiency and position newly created entities for green or blended-finance participation. Goals include:

- to meet policy or sector reform requirements mandating the separation of business segments (for example, generation, distribution and transmission in the power sector);
- to allow the parent company and the new entity to focus on distinct business areas or strategies;
- to create a standalone vehicle that can attract new or targeted investment into specific operations, such as renewable energy or infrastructure development; to streamline management, reduce complexity and improve performance by isolating non-core or underperforming units; and
- to ring-fence liabilities, improve transparency and strengthen corporate governance structures.

3.2 Tax Consequences

A spin-off can be structured as a tax-free transaction at the corporate level in Nigeria, if it qualifies as a bona fide reorganisation and receives formal approval ("direction") from the Federal Inland Revenue Service (FIRS) under Section 29 (9) of the Companies Income Tax Act and clearance under Section 29 (12) of the Capital Gains Tax Act.

For a spin-off to qualify as a tax-free transaction at the shareholders' level in Nigeria, it must be executed purely as a corporate reorganisation and not as a distribution of profits. To achieve this, the spin-off must meet the following key requirements:

- the transferring and acquiring companies must be related;
- the transfer must be for the better organisation of the trade or business, not a sale for profit;
- the parties must obtain FIRS approval ("direction") confirming that the transfer qualifies for tax exemption;
- the parent/transferring company must secure tax clearance from the FIRS, showing that all tax obligations have been satisfied; and
- the acquiring company must not dispose of the transferred assets within 365 days of the transaction.

However, as of 1 January 2026, Nigerian tax dispensation will change substantially with the coming into force of the Nigerian Tax Act 2025, which may substantially change the tax treatment for spin-offs, especially because it has no specific provision for the treatment thereof. It is therefore likely that the general provisions on business restructure will apply.

3.3 Spin-Off Followed by a Business Combination

There is no prohibition on business combinations immediately following a spin-off under the current tax laws, but it is likely that such transactional sequence will attract heavy tax scrutiny and may be recharacterised if the layers of restructure taken together are ruled as having been undertaken to avoid tax or as lacking commercial substance. Whether or not the transaction is permitted will be determined by how the transaction is structured – ie, whether statutory reliefs for reorganisation have been applied, and whether the tax authority will apply the substance over form principle to recharacterise the transaction where it is deemed artificial.

3.4 Timing and Tax Authority Ruling

The timing for completing a corporate spin-off typically ranges from six to 12 months, depending on the complexity of the transaction and regulatory involvement. Historically, parties were required to obtain a formal ruling or "direction" from the FIRS before completing the spin-off, a process that usually takes about eight to 12 weeks to complete. However, with the implementation of the Nigeria Tax Act 2025, prior notification to the relevant tax authority is now sufficient for corporate restructurings, eliminating the need for formal pre-approval.

4. Acquisitions of Public (Exchange-Listed) Energy and Infrastructure Companies

4.1 Stakebuilding

There is no mandatory requirement for stakebuilding prior to making a takeover bid under Nigerian law; it will therefore be a function of preference or choice, although it is more common than not for a bidder to hold existing shares in a public company before making a takeover bid. Under the Companies and Allied Matters Act 2020 (CAMA), any person who acquires significant control, including holding at least 5% of shares or voting rights, having rights to appoint or remove a majority of directors or partners, or exercising significant influence, must notify the company within seven days. The company then informs the CAC within one month and discloses information in its annual return. To this end, a disclosure obligation is automatically triggered at any time prior to a takeover bid where the bidder's interest in the business reaches 5%.

Similarly, substantial shareholders must notify the company within 14 days of acquiring such status, and the company must notify the CAC within 14 days of receipt. Public companies must also disclose any person holding 5% or more of shares to the Nigerian

Exchange (NGX) within ten business days, with details included in the annual report.

Where a shareholder's interest begins to near the mandatory takeover threshold, the bidder must disclose and state its intentions under SEC takeover rules to ensure transparency. Nigerian law does not impose any formal "put up or shut up" requirement, but the SEC can intervene if prolonged stakebuilding or speculation threatens market stability, directing the acquirer to clarify intentions or make a formal offer.

4.2 Mandatory Offer

The mandatory offer threshold in Nigeria is 30% or more of the voting rights of a company, or where the holder of 30% or more of the voting rights acquires an additional 5% or more of the voting rights. A mandatory offer is automatically triggered when there is an acquisition of up to 30% or more of the voting rights in a public company, whether directly or in concert with other parties.

4.3 Transaction Structures

Although mergers are recognised as a viable structure for acquisition in Nigeria's energy and infrastructure sector, they are not commonly used for the acquisition of public companies, and are generally less preferable because they involve lengthy regulatory procedures and multiple layers of approval from regulators. Investors tend to prefer share or asset acquisitions and joint venture arrangements, which are more practical, flexible and faster to implement, especially for projects requiring timely financing and operational continuity.

4.4 Consideration and Minimum Price

Acquisitions of public companies in the technology industry are typically structured as cash transactions, as they offer shareholders immediate value and simplify regulatory approval processes with the Securities and Exchange Commission (SEC) and other regulators. Although stock-for-stock consideration is legally permissible, it is less common due to valuation complexities, share liquidity challenges and the additional disclosure and registration requirements imposed by the SEC. In merger transactions, parties often agree on a payment structure that is either fully or partly in cash to compensate shareholders of the merging entities. Likewise, in takeover or tender offers, cash payments are the most typical form of consideration, as they provide immediate value to shareholders, reduce valuation disputes, and simplify the transaction and regulatory approval process.

There is no statutory minimum price for a takeover or business combination; transaction prices are generally negotiated between the parties, except where a court determines "fair value". Contingent value rights or other mechanisms to bridge valuation gaps are not typical in public company acquisitions in Nigeria. However, parties sometimes adopt earn-out arrangements, deferred payments or milestone-based consideration in private energy or infrastructure transactions, particularly where project performance or revenue projections influence valuation.

4.5 Common Conditions for a Takeover Offer/Tender Offer

In Nigeria, takeover offers are commonly subject to conditions designed to protect both the bidder and the target company. Offers are often conditional on a minimum level of shareholder acceptance, typically more than 50% of the voting shares, to ensure that the bidder acquires effective control. They are also generally subject to the receipt of all necessary regulatory approvals, including clearance from the SEC, the Federal Competition and Consumer Protection Commission (FCCPC) and other sector regulators.

Other typical conditions include the absence of any material adverse change in the target company's financial or operational position, and confirmation that the target has complied with all representations and warranties during negotiations.

The SEC, however, restricts the use of overly broad or discretionary conditions that could allow a bidder to withdraw the offer at will or create uncertainty in the process, ensuring that all shareholders are treated fairly and that the takeover proceeds transparently.

4.6 Deal Documentation

In Nigeria, it is customary to enter into transaction agreements in connection with a takeover offer or business combination as these agreements set out the transaction structure, the terms and conditions of the offer, representations, warranties, covenants and completion procedures, and are essential to allocate risks and guide the conduct of the parties throughout the process.

M&A transactions typically begin with preliminary documents such as a letter of intent, term sheet, exclusivity agreement, and non-disclosure or confidentiality agreement. These outline key commercial terms, ensure confidentiality and provide a roadmap for negotiation before the execution of definitive agreements such as a share purchase agreement or asset purchase agreement.

For takeover offers, the key transaction document is the Offer Document submitted to the SEC, setting out the offer terms, consideration structure and procedural requirements, and usually accompanied by a financial adviser's appointment letter and related disclosures.

Beyond recommending the offer, the target company's other obligations may include granting due diligence access, assisting with regulatory filings, complying with exclusivity or non-solicitation clauses, and taking reasonable steps to secure shareholder and court approvals. Given that statutory disclosure obligations under the Investment and Securities Act (ISA) and SEC rules already provide substantial investor protection, public companies generally provide limited representations and warranties, typically restricted to corporate authority, ownership of shares and compliance with applicable law.

4.7 Minimum Acceptance Conditions

Nigeria does not prescribe a fixed statutory minimum acceptance condition for tender or takeover offers. Instead, the ISA and SEC Rules focus on the threshold that triggers a mandatory offer: when a person (acting alone or in concert) acquires 30% or more of the voting rights in a public company, they must make a mandatory takeover offer to all remaining shareholders.

However, bidders often include minimum acceptance conditions in their offer documents. These conditions are commercially determined and are designed to ensure that the acquirer obtains adequate control of the target company to implement strategic or structural changes.

4.8 Squeeze-Out Mechanisms

In Nigeria, a squeeze-out following a successful tender offer allows an acquirer to compel remaining minority shareholders to sell their shares once certain ownership thresholds are met.

Under the CAMA, the offer must be approved by holders of at least 90% of the total value of shares (excluding those already held by the acquirer) in order to initiate a squeeze-out. Once this threshold is reached, the acquirer may notify dissenting shareholders of its intention to acquire their shares on the same terms as the tender offer. Dissenting shareholders may either accept the offer price or apply to the Federal High Court to determine fair value for their shares.

If the acquirer already held more than 10% of the target company's shares at the time of the offer, the squeeze-out requires approval by at least 75% of shareholders in headcount and 90% in value, ensuring that all affected shareholders are treated equally. The law provides robust safeguards, allowing minority shareholders to petition the court for unfair treatment, seek a compulsory buyout at fair value, or request regulatory intervention by the CAC.

4.9 Requirement to Have Certain Funds/Financing to Launch a Takeover Offer

There is no express statutory requirement for an offeror to have "certain funds" (that is, fully executed financing documents or bank-certified proof of funds) before launching a takeover offer. However, the SEC requires an offeror to demonstrate adequate financial capability to complete the proposed acquisition, which may include:

- evidence of available funds in the bidder's bank accounts;
- escrow of a percentage of the purchase price with a licensed financial institution; or
- a letter of commitment from a lender or financier confirming that funding will be available to complete the offer.

Certain sector-specific regulators, such as the NUPRC and the NERC, may conduct additional due diligence on the acquirer's financial capability before approving the transaction.

Typically, the buyer (offeror) and not the financing bank makes the takeover offer. Banks or other financers usually provide proof of funding, such as a financing commitment letter, bank guarantee or escrow arrangement, to demonstrate the offeror's financial capacity to meet payment obligations.

The SEC generally discourages takeovers or merger offers that are conditional on the bidder obtaining financing, as this would create uncertainty for shareholders. Bidders are expected to have reliable and verifiable financing arrangements in place before the offer is announced.

4.10 Types of Deal Protection Measures

Target companies in the energy and infrastructure sector may grant certain deal protection measures to acquirers during mergers, takeovers or strategic investments, to enhance transaction certainty.

A target company may agree to pay a break-up or termination fee if it withdraws from a transaction or accepts a competing offer after exclusivity has been granted. Such fees must be reasonable and not punitive, and should reflect the bidder's legitimate transaction costs or opportunity loss. Excessive or coercive fees may be considered contrary to shareholder interests or public policy.

No-shop or non-solicitation clauses may be used to restrict the target from soliciting or encouraging competing bids during the exclusivity period. They are valid where they do not prevent the target board from considering superior offers in fulfilment of its fiduciary duty to act in the best interest of shareholders.

Furthermore, an acquirer may negotiate the right to match a competing bid before the target can accept such an offer. This is common in competitive or regulated energy and infrastructure transactions, ensuring the initial bidder has a fair chance of maintaining its position without stifling fair competition.

4.11 Additional Governance Rights

In Nigeria, if a bidder cannot acquire 100% ownership of a target following a takeover offer, there are no statutory mechanisms equivalent to the domination or profit-sharing agreements found in some foreign jurisdictions. However, a bidder with a majority or controlling interest in a target company can exercise significant governance and control rights through both statutory and contractual mechanisms. The bidder can appoint directors proportionate to its shareholding or negotiate board control under the transaction documents, ensuring influence over key decisions and strategic direction.

The bidder may also negotiate specific matters that require its consent before the company can act, such as incurring major debt, asset sales, capital restructuring, dividend declarations or changes in business scope. The bidder and remaining shareholders may enter into a shareholders' agreement defining voting arrangements, dividend policies, dispute resolution procedures and exit rights (eg, tag-along and drag-along rights). Depending on the level of shareholding, the bidder can influence resolutions at general meetings.

4.12 Irrevocable Commitments

In Nigeria, bidders often secure irrevocable commitments from key shareholders or institutional investors to support a proposed acquisition or merger. These agreements are executed before the offer is launched, and provide certainty that the bidder can obtain sufficient shareholder approval. Nigerian law does not prescribe a specific form for such commitments, and their enforceability depends on the contract terms. They often include clauses allowing shareholders to withdraw if a superior competing offer arises.

4.13 Securities Regulator's or Stock Exchange Process

Before a takeover or tender offer can be launched, the SEC must review and clear the offer. The SEC examines the offer price, valuation, funding arrangements and fairness to minority shareholders, typically taking 20–30 business days. For listed targets, the NGX must be notified, although its role is mainly administrative. While the SEC approves the offer document, the bidder manages the offer timeline, generally four to six weeks. If a competing offer is announced, the SEC may adjust the timeline and require additional disclosures in order to protect shareholders.

4.14 Timing of the Takeover Offer

A takeover or tender offer may be extended in Nigeria where it cannot be completed within the initial offer period due to pending regulatory or antitrust approvals. Any extension must be approved by the SEC and publicly disclosed to shareholders, indicating the reason and the new closing date.

It is also common practice for parties to announce the transaction while regulatory approvals – such as those from the SEC, Federal Competition and Consumer Protection Commission (FCCPC) or sector regulators – are still being processed, but the offer cannot be formally launched or closed until such approvals are obtained. This ensures regulatory compliance and prevents premature completion of the transaction.

4.15 Privately Held Companies

Privately held companies in Nigeria are most commonly acquired through share purchases or asset purchases. In a share acquisition, the buyer acquires ownership by purchasing shares directly from existing shareholders, thereby assuming control over the company and its liabilities. In an asset acquisition, the buyer selectively acquires the company's assets and business operations, often excluding liabilities unless specifically agreed.

Key considerations include due diligence (legal, tax and financial), valuation, consent of shareholders and directors, regulatory compliance (including FCCPC notification thresholds where applicable), and tax implications of the chosen structure. For foreign buyers, compliance with foreign investment laws and exchange control regulations under the CBN's regime is also essential.

5. Overview of Regulatory Requirements

5.1 Regulations Applicable to Energy and Infrastructure Companies

Regulations for setting up new companies in the energy and infrastructure industry vary depending on the specific subsector of operation. As a general requirement, all companies must first be incorporated with the CAC, after which they are required to obtain the necessary licences and permits from the relevant regulatory agencies, in line with the sector-specific regulatory frameworks governing their operations.

Power

The power sector is governed by the Electricity Act 2023, which empowers the NERC to issue licences for relevant operations. such as generation (on-grid generation licence, embedded generation licence, off grid generation licence), a transmission licence, a trading licence and a system operations licence. The licences are required to be issued within six months from receipt of their application. In states that have established devolved electricity markets, the respective State Electricity Regulatory Commissions perform equivalent licensing and oversight functions.

Oil and Gas

The Petroleum Industry Act 2021 provides the legal and institutional framework governing Nigeria's oil and gas sector, with the NUPRC regulating upstream activities and the NMDPRA overseeing midstream and downstream operations. Companies engaging in upstream operations must obtain the appropriate licences (Petroleum Exploration Licence, Petroleum Prospecting Licences or Petroleum Mining Lease), through a transparent, competitive process managed by the NUPRC, with final approvals granted by the Minister of Petroleum Resources. Recent licensing rounds, such as the 2024 round, followed a six to eight-month timeline from pre-qualification to award. Midstream and downstream licences for refining, gas processing, transport, storage and marketing are issued by the NMDPRA, with processing timelines varying by licence type.

Infrastructure

Setting up and commencing operations is subject to project-specific regulatory oversight and may require permits or approvals from either federal or state-level ministries and agencies. Where the project involves a public-private partnership, the Infrastructure Concession Regulatory Commission (ICRC) provides oversight under the ICRC Act 2005, and developers are required to obtain an Environmental Impact Assessment certificate administered by the Federal Ministry of Environment through its Environmental Assessment Department.

5.2 Primary Securities Market Regulators

M&A transactions in Nigeria fall under the regulatory oversight of two key regulatory bodies, depending on the nature of the transaction.

- The FCCPC, established under the Federal Competition and Consumer Protection Act 2018 (FCCPA), serves as the primary regulatory authority for merger control. It oversees the competition, consumer protection and economic concentration aspects of all mergers, acquisitions and business combinations, whether public or private.
- The SEC previously served as the sole regulator for M&A transactions but has had its role redefined with the introduction of the FCCPA. It now retains jurisdiction over the securities and capital markets aspects of M&A transactions involving public companies.

In practice, both regulators often exercise complementary oversight, with the FCCPC leading on competition and merger approval, while the SEC focuses on investor protection and compliance with capital market rules.

5.3 Restrictions on Foreign Investments

Foreign investment is generally encouraged in Nigeria, but certain restrictions apply. The Nigerian Investment Promotion Commission (NIPC) prohibits foreign participation in sectors on its negative list, including the production of arms and ammunition, narcotics, military/paramilitary equipment and other items designated by the Federal Executive Council.

In addition, some sectors impose foreign participation requirements. The Coastal and Inland Shipping (Cabotage) Act 2003 mandates that domestic coastal shipping be wholly Nigerian owned, although foreign participation may be allowed if no suitable Nigerian vessel is available. In the oil and gas sector, the Nigerian Oil and Gas Industry Content Development Act 2010 requires at least 51% Nigerian ownership.

All foreign investments must be registered with the NIPC in order to access incentives. Technology transfer agreements must be registered with the National Office for Technology Acquisition and Promotion). Capital inflows must also be registered with the CBN via an authorised dealer bank, with a Certificate of Capital Importation ensuring the ability to repatriate funds. Filings are mandatory but do not suspend investment activities.

5.4 National Security Review/Export Control

Whilst no general standalone national security review regime exists in Nigeria, certain acquisition transactions may attract heightened scrutiny where national interests, security or strategic resources are concerned. For example, in the oil and gas, telecommunications, defence and power sectors, regulatory approvals often involve assessments to ensure that investors or acquirers do not pose a risk to national or economic security.

In addition, although there are no blanket restrictions on investors from particular countries, the government may exercise discretionary oversight in cases involving entities from jurisdictions subject to international sanctions or appearing on anti-money laundering watchlists. The CBN retains powers to monitor, deny approvals or restrict capital inflows linked to such entities under the Money Laundering (Prevention and Prohibition) Act 2022 and related financial regulations.

Nigeria also maintains several export control regulations regulating the export of strategic materials such as crude oil, natural gas and defence-related goods. Key regulations include:

- the Nigerian Export Promotion Act, which primarily governs the Nigerian Export Promotion Council (NEPC) to regulate exports through licensing, inspection and export documentation – exporters must register with the NEPC and obtain the relevant permits;
- the Nigeria Customs Service Act, 2023;
- the Explosives Act 1964; and
- the Firearms Act.

5.5 Antitrust Regulations

The FCCPA and the Merger Review (Amended) Regulations 2021 are the primary laws governing antitrust and competition oversight in mergers, acquisitions and business combinations in Nigeria. These laws mandate filing requirements with the FCCPC for mergers, takeovers and business combinations, to ensure compliance with competition rules.

A large merger (ie, where the combined annual turnover of the acquiring and target companies is NGN1 billion or more, or where the target company's annual turnover is NGN500 million or more in the preceding financial year) must be notified to the FCCPC prior to completion. Small mergers below these thresholds are not automatically subject to notification, unless the FCCPC, within six months of implementation, determines that the transaction may substantially prevent or lessen competition.

The FCCPA mandates the following filing requirements:

- parties must complete the merger notification form (FCCPC Form 1) – this application can be made jointly or separately;
- the application is to be submitted alongside supporting documents, including all transaction agreements, board resolutions, the most recent annual report and accounts, and business plans;
- the Commission publishes the notice on its website within three business days for small mergers and within seven business days for large mergers; and
- the merging parties are equally required to serve copies of the notice to relevant registered trade unions and the employees of the acquiring and target companies.

5.6 Labour Law Regulations

In M&A in Nigeria, acquirers must consider labour laws governing employment contracts, employee rights, trade union representation, occupational safety, pensions and severance entitlements. Key legislation includes the Labour Act (Cap L1 LFN 2004), the Trade Unions Act 2004, the Pensions Reform Act 2014, the Employees' Compensation Act 2010 and the National Minimum Wage (Amendment) Act 2024.

Employees of a target company are not automatically transferred to the acquirer. Any transfer requires the employees' written consent and endorsement by an authorised labour officer, applicable only to "workers" performing manual or clerical duties.

For redundancies arising from M&A, employers must inform trade unions or workers' representatives of the reasons and extent of layoffs, adopt a fair selection principle, and negotiate adequate severance for affected employees.

While Nigeria does not have a statutory works council system like in the EU, labour consultation is conducted through registered trade unions, which act as collective bargaining representatives. Employers are required to engage with these unions to discuss workforce reductions and negotiate severance terms, where applicable. Final decision-making authority, however, rests with the company's management board, although failure to consult or consider the union's input may lead to industrial disputes.

5.7 Currency Control/Central Bank Approval

Nigeria operates a currency control framework under the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, supervised by the CBN. For M&A transactions involving a foreign acquirer, all payments must pass through authorised dealer banks. The foreign acquirer must obtain a Certificate of Capital Importation, which formalises the right to repatriate profits, dividends or proceeds from asset sales.

CBN approval is only required for M&A transactions involving banks or other CBN-licensed financial institutions that result in a change of control. Other M&A transactions do not require CBN approval and are instead subject to oversight by the FCCPC or other relevant sector regulators.

6. Recent Legal Developments

6.1 Significant Court Decisions or Legal Developments

In the past three years, a few landmark cases have significantly shaped Nigeria's energy and infrastructure landscape, especially in how they influence dealmaking, risk management and investor confidence.

- A pivotal case was *Process & Industrial Developments (P&ID) v Federal Republic of Nigeria*, where Nigeria successfully set aside an USD11 billion arbitral award arising from a fraudulent gas pro-

cessing agreement. This case highlighted the critical importance of robust contract governance and due diligence in state-backed energy projects, signalling to investors and regulators that courts will no longer uphold transactions compromised by misconduct.
- In *Tempo Energy Resources Ltd v Aiteo Eastern E&P Company Ltd & Ors* (FCT High Court, 2025), the court nullified London arbitration proceedings related to Aiteo's acquisition of OML 29 and the Nembe Creek Trunk Line, reaffirming that Nigerian courts can oversee disputes involving domestic assets, even with foreign arbitration clauses. The ruling underscores the need for careful drafting of arbitration and governing law clauses in M&A agreements to avoid conflicts with Nigerian law, and signals that local courts will likely retain jurisdiction over domestic energy assets
- Finally, In *Alame v Shell Plc* (UK High Court, 2025), the court extended potential liability for environmental damage in the Niger Delta to the parent company, emphasising that legacy environmental obligations can materially affect asset valuation and post-acquisition responsibilities. As a result, investors now place greater scrutiny on environmental liabilities during due diligence.

6.2 Key Developments in Renewable Energy and Cutting Emissions

The Electricity Act 2023 is the most significant legal development in Nigeria's renewable energy space. It repealed the existing legislation and decentralised the electricity market, empowering state governments to establish and regulate their own independent power systems, thereby creating opportunities for solar, mini-grid and embedded power projects, while promoting competition in off-grid electricity provision.

From a regulatory and political viewpoint, Nigeria's priorities are centred on expanding energy access, advancing its energy transition and reducing carbon emissions. The country's Energy Transition Plan 2022 targets net-zero by 2060, and Nigeria iscommitted to cutting emissions by 32.2% by 2035 under its updated Nationally Determined Contribution 3.0 (submitted September 2025). The Nigeria government has demonstrated considerable support through regulatory reforms, formal commitments and active promotion of private sector participation, signalling a positive and enabling environment for investors.

Several incentive schemes underpin this support, including feed-in tariffs guaranteeing fixed payments for renewable electricity, pioneer status tax holidays for three to five years, and customs and import duty exemptions for critical renewable energy equipment. Concessional financing and grants from development partners complement domestic incentives, particularly for off-grid and distributed energy solutions.

In conventional energy, political and regulatory focus has been on domestic refining, gas development and regulatory clarity. New reforms following the enactment of the Petroleum Industry Act 2021 established clear frameworks for upstream and midstream operations, enforcing environmental and social obligations, including decommissioning and remediation funds for host communities, and strengthening gas-to-power initiatives. Milestones like the Dangote Refinery exemplify efforts to reduce reliance on imports, expand local production and attract private investment, reflecting a co-ordinated strategy to balance energy security, environmental accountability and industrial growth.

7. Due Diligence/Data Privacy

7.1 Energy and Infrastructure Company Due Diligence

Public companies are allowed to provide bidders with comprehensive due diligence information necessary for the bidders to accurately assess the value, risk and prospects of the target company. Non-public data may be disclosed as long as it upholds fair dealing and market transparency standards under the SEC's Code of Corporate Governance and NGX Listing Rules.

While a company is under no legal obligation to provide identical information to all bidders, its board of directors must ensure that disclosures are made in a manner consistent with their fiduciary duties, balancing bidder access with confidentiality and the protection of shareholder interests. The board also retains discretion over the scope and depth of due diligence permitted, depending on the stage of the transaction and bidder status.

7.2 Restrictions

Due diligence of an energy and infrastructure company may be limited by data protection rules, regulatory restrictions and contractual confidentiality obligations. The Nigeria Data Protection Act 2023 does not restrict due diligence, but parties must:

- have a lawful basis for processing personal data;
- implement appropriate confidentiality and security safeguards; and
- apply data-minimisation and anonymisation principles where possible.

In addition, sector regulators impose control on access to operational and technical data. The NUPRC's National Data Repository Regulations 2024 classify oil and gas reserves, production volumes and well test results as proprietary or national security information, and mandate strict controls on who can access such data during the due diligence phase. Likewise, the NERC limits the disclosure of information on power plant operational metrics, grid stability data, distribution network capacity and customer consumption patterns.

8. Disclosure

8.1 Making a Bid Public

In Nigeria, the requirement for public disclosure arises when any person or group of persons acting in concert acquires shares carrying 30% or more of the voting rights in a public company. This applies whether the acquisition occurs through a series of transactions or through a single transaction. Even an intention to acquire shares that would reach or exceed the 30% threshold requires compliance with bid procedures.

In this case, the bidder must apply to the SEC for authority to proceed with the bid within three business days of reaching or proposing to reach the threshold. Subsequently, the intention to make the takeover bid must be publicly announced in at least two national daily newspapers and on the target company's website, and formally announced on the floor of the securities exchange where the target's shares are listed. The announcement must include key information such as the bidder's identity, the offer price and the percentage of shares sought.

Voluntary Bid Disclosure

A bidder proposing a voluntary takeover offer (before the mandatory 30% threshold) must also engage with the SEC before making the bid public. No takeover bid, whether mandatory or voluntary, can lawfully proceed without first obtaining "authority to proceed" from the SEC. A voluntary bid is announced after this is obtained.

Private Companies

For private companies, there is no general requirement of public disclosure of the bid inventions or transaction terms in the manner mandated for public company takeovers. Disclosure is typically limited to post-completion filings with the CAC and, where applicable, relevant sector regulators to reflect all changes.

8.2 Prospectus Requirements

When a bidder offers its shares as consideration (stock-for-stock transaction) in a takeover offer, it is required by law in Nigeria to prepare and issue a prospectus approved by the SEC. The Investment and Securities Act, 2025, mandates the registration of all securities offered to the public, including shares issued as consideration in takeovers.

Shares being used as consideration for a public company would generally need to be listable or follow specific SEC-approved issuance processes (like a private placement to select investors with shareholder approval). Transactions involving only Nigerian private companies have fewer capital market regulations, and the shares do not need to be listed on any exchange.

Foreign buyers are not mandated to be listed on the NGX for the purpose of M&A. They could rely on equivalent listings in other jurisdictions, provided that such exchanges meet comparable regulatory standards and are approved by the SEC. The offer and underlying securities would still be registered with the SEC.

8.3 Producing Financial Statements

Bidders involved in stock-for-stock transactions or a takeover bid for a public company must provide their audited financial statements and, in some cases, pro forma statements to show the financial impact of the transaction. This is a part of the documentation submitted to the SEC as part of the approval process for M&A transactions.

The SEC requires the filing of the Offeror's Annual Report and accounts for the preceding five years (or fewer if the company has been in operation for less than five years) when applying for the registration of a takeover bid. This requirement enables regulators and shareholders to assess the financial health or value of the bidder's shares they would receive in exchange for their own.

For cash transactions, the emphasis is different. Here, the primary concern would be for the target company and its shareholders to ascertain the sufficiency of the bidder's funds to complete the transaction.

Required Accounting Standards

The Financial Reporting Council of Nigeria has adopted International Financial Reporting Standards (IFRS) as the mandatory accounting standard for all public interest entities, including companies listed on the NGX and other regulated companies. Therefore, any financial statements submitted by a bidder in a public transaction must be compliant with IFRS in order to ensure transparency, consistency and comparability for all stakeholders.

8.4 Disclosure of Transaction Documents

Public companies or mergers that meet the notification threshold would need to submit definitive transaction agreements to the relevant regulatory agency. The SEC demands the filing of the share purchase agreement or asset purchase agreement and any other relevant executed agreement, alongside the statutory disclosure documents. Similarly, the FCCPC requires the submission of all documents forming the basis of the merger.

Other filing requirements from regulatory agencies like the FIRS, CAC and CBN must be adhered to where relevant.

9. Duties of Directors

9.1 Principal Directors' Duties

In a business combination, directors owe their duties primarily to the company as a whole, which is generally interpreted to mean the collective interests of the shareholders. Under the CAMA and common law principles, directors must act honestly, in good faith, and in what they reasonably believe to be the best interests of the company.

Their principal duties include the following.

- A duty of care, skill and diligence to make the informed and prudent decisions reasonably expected of someone in their position. This involves thoroughly reviewing financial, operational and legal information relating to the business combination, to ensure that decisions are well grounded and in the company's best interest.
- A fiduciary duty to act bona fide in the interests of the company by prioritising the company's interests over personal gain and avoiding conflicts of interest.
- Directors are prohibited from using confidential company information or corporate opportunities for personal benefit. Any opportunity identified through the company's business, resources or position must be assessed in the company's interest first, before considering personal gain.
- Directors must disclose any personal or financial interest in proposed transactions or arrangements involving the company. Full transparency ensures that potential conflicts of interest are addressed, and that all decisions are made with integrity and fairness to the company and its shareholders.
- Directors must ensure full and fair disclosure to shareholders, obtain independent valuation or fairness opinions where appropriate, and refrain from actions that frustrate a bona fide offer without shareholder approval.

While the primary duty is to shareholders, directors are also expected to consider the interests of employees, creditors and the community, especially where the company's solvency or continuity may be affected by the transaction.

9.2 Special or Ad Hoc Committees

It is common practice for boards of directors to establish special or ad hoc committees in the context of business combinations, particularly in mergers, acquisitions or tender offers. These committees are usually tasked with reviewing the transaction independently, providing recommendations to the full board, and ensuring that proper governance procedures are followed.

Special committees are often established when:

- certain directors have a conflict of interest (eg, they stand to benefit personally from the transaction);
- the transaction is complex or material, requiring focused expertise or detailed assessment; or
- independent judgment is needed to protect minority shareholder interests or comply with SEC and stock exchange disclosure requirements.

9.3 Role of the Board

The board of directors is expected to exercise active oversight in a business combination but does not directly negotiate on behalf of the company unless specifically mandated to do so. Its primary functions include:

- evaluating the terms of the proposed transaction and assessing whether it aligns with the company's best interests;
- recommending for or against the transaction to shareholders, based on independent review, fairness assessments and compliance with statutory and regulatory requirements; and
- actively defending the company in the sense of ensuring that shareholders are fully informed and that competing or unsolicited offers are considered properly.

However, the shareholders – particularly minority shareholders – may challenge the board's recommendation, alleging breach of fiduciary duties, conflicts of interest not properly managed or lack of transparency in the recommendation process. Therefore, buyers should be aware of:

- potential delays or injunctions if litigation is filed before or during the transaction;
- the need for thorough disclosure and fairness procedures, including independent valuations, to mitigate risk of challenges;
- documented board deliberations and committee recommendations to demonstrate compliance with CAMA and SEC requirements; and
- regulatory approvals and shareholder consent processes, which can be impacted by ongoing litigation.

By ensuring a transparent, well-documented process and engaging with independent advisers, the buyer can reduce exposure to shareholder claims while reinforcing the legitimacy of the transaction.

9.4 Independent Outside Advice

It is common practice for directors to seek the following independent outside advice in connection with a takeover or business combination, to ensure that they fulfil their fiduciary duties and make informed decisions.

Financial Advice

Directors commonly seek independent financial advice from advisers or investment banks in a takeover or business combination, which may include a fairness opinion to assess whether the offer price is fair to shareholders. Such advice helps the board demonstrate that its recommendation is both reasonable and impartial, supporting informed decision-making and fulfilment of fiduciary duties.

Legal Advice

Law firms provide directors with legal advice to ensure compliance with the laws on mergers, takeovers and acquisitions and with stock exchange requirements, covering regulatory obligations, disclosure, contractual matters and risk mitigation.

Other Advisory Services

Valuation experts may be engaged to provide independent asset or business valuations, while tax advisers guide directors on the tax implications of the transaction.

It is customary for a financial adviser to provide a fairness opinion in Nigeria, especially for significant or material transactions. A fairness opinion strengthens the board's position by demonstrating that its recommendation is reasonable, impartial and informed, which can help mitigate shareholder litigation risk.

Trends and Developments

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DealHQ Partners

DealHQ Partners is a Pan-African transaction advisory firm dedicated to enabling businesses to operate efficiently within Africa's dynamic market, and committed to driving a connected Africa, through providing cutting-edge solutions, premium deal advisory, beyond-border thinking and rigorous execution. It is Africa's foremost "deal-only" law firm, focused on engineering transactions that unlock capital, infrastructure and trade across the continent, one client at a time. The firm's experience spans mergers and acquisitions, energy, project development and finance, infrastructure, construction and projects, climate/clean energy and sustainable finance, corporate commercial, technovation, data governance, corporate and concierge services, business formations and start-up support, amongst other areas. DealHQ Partners has earned strong market recognition for its work in the legal space.

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An Introduction to Energy M&A in Nigeria

The Nigerian energy and infrastructure market witnessed a steady increase in transactional activity in the first three quarters of 2025, shaped significantly by divestments of key upstream oil and gas assets, heightened public–private collaboration in infrastructure financing, and a significant upturn in investor confidence driven by regulatory stability under the Petroleum Industry Act (PIA) and the Infrastructure Concession Regulatory Commission (ICRC) framework. The market remains largely defined by portfolio rebalancing activity amongst the international oil companies (IOCs) and increased participation by indigenous oil and gas companies seeking to consolidate upstream, midstream and power assets for operational control and value integration.

In the energy sector, M&A activities in 2025 have been dominated by strategic exits and asset realignments, with the most notable being TotalEnergies' divestment of its 12.5% non-operating interest in Bonga OML 118 to Shell plc for approximately USD510 million. This deal reinforced the continuing trend of IOCs divesting mature offshore assets to focus on a lower-emission portfolio. Chevron also completed a USD250 million disposal of non-core onshore assets in the Niger Delta, transferring operatorship to a Nigerian consortium backed by local financiers. In the gas and midstream segment of the market, the Midstream and Downstream Gas Infrastructure Fund (MDGIF) executed circa NGN165 billion equity-linked project funding, strengthening local participation and incentivising PIA-compliant gas infrastructure expansion.

The infrastructure market has also recorded modest yet strategic deal momentum, reflecting Nigeria's ongoing pivot towards blended-finance models and increased public-private partnership activities, especially at sub-national level. Major infrastructure deals in 2025 include BUA Group's USD65 million concession-led investment in Rivers Port Terminal B, and the USD200 million distributed mini-grid programme between WeLight and the Rural Electrification Agency (REA). These deals underscore investor appetite for commercially viable infrastructure projects with a clear pathway to revenue and a sustainable governance framework.

Taken together, these M&A and project finance trends demonstrate a maturing market where transaction value is increasingly tied to regulatory transparency, credit enhancement and the localisation of asset ownership – factors that will likely define Nigeria's energy and infrastructure investment landscape way beyond 2025.

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M&A market activities

Nigeria's energy and infrastructure sectors have remained active, reflecting a sustained transition from policy reform to deal execution anchored on the positive, market-friendly posture of the government (sovereign and sub-sovereign). More importantly, regulatory certainty under the ICRC and Highway Development and Management Initiative frameworks and the PIA have created a transactional environment that reflects compliance, localisation and value optimisation across oil, gas, renewables, power, transport and port infrastructure. Below is a summary of major market activities recorded between Q4 2024 and Q3 2025.

Upstream asset divestments

The upstream oil and gas sector continues to record asset divestments by international operators in a bid to shed mature production assets and focus on lower carbon and higher yield assets. In May 2025, TotalEnergies SE announced the sale of its 12.5% non-operated interest in the OML 118 Production Sharing Contract (Bonga Field) to Shell plc for USD510 million. This divestment reflects a broader industry trend of portfolio rationalisation, while simultaneously supporting increased domestic participation in upstream asset ownership.

Other notable divestment transactions within the period include:

- Shell's USD2.4 billion sale of its onshore subsidiary (SPDC) to the Renaissance Africa Energy consortium;
- ExxonMobil's USD1.28 billion divestment of its shallow water assets to Seplat Energy;
- Eni's sale of its USD783 million Nigerian onshore assets (NAOC) to Oando PLC; and
- TotalEnergies' divestment of its stake in the SPDC joint venture to Chappal Energies.

These asset divestments have added approximately 200,000 barrels per day to Nigeria's crude output whilst unlocking over USD5.5 billion in Final Investment Decisions. However, whilst increased participation by local operators is a positive development, these divestments often come with substantial operational and legacy risks, including security, ageing infrastructure and huge environmental liabilities.

Asset retirement (decommissioning and abandonment liability)

In response to heightened divestment of core upstream assets, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) is driving a more responsible abandonment and decommissioning policy, together with host communities' environmental remediation plans. The NUPRC has recently secured over USD400 million in decommissioning and abandonment liability, reinforcing a new regime of asset retirement compliance.

Gas monetisation and infrastructure expansion

Over the past year, the federal government of Nigeria has adopted a more defined and assertive approach to domestic gas monetisation, shifting from policy intention to practical execution in line with its "Decades of Gas Policy". This includes accelerating gas infrastructure projects, securing industrial buyers and prioritising domestic gas supply for power generation and manufacturing in a bid to stimulate industrial growth.

To support this, significant investment is being channelled into domestic gas-processing and distribution facilities, including the construction and commissioning of five mini-LNG plants in Ajaokuta, Kogi State, with a combined capacity of 97 mmscf/d, developed by NNPC Ltd and partners such as NNPC Prime LNG and BUA LNG. These facilities are intended to supply gas to regions outside existing pipeline corridors, reduce reliance on carbon-intensive fuels, and anchor new industrial clusters. This domestic infrastructure build-out is complemented by the ongoing Ajaokuta–Kaduna–Kano (AKK) gas pipeline, currently reported to be 86% complete, which is expected to play a central role in Nigeria's industrialisation and power-stability agenda.

Alongside this domestic push, Nigeria is simultaneously expanding large-scale regional export infrastructure to diversify revenue streams and enhance its strategic position in the global gas markets. The most significant of these is the proposed USD25 billion Nigeria–Morocco Gas Pipeline, a 6,000 km offshore pipeline designed to deliver up to 30 billion cubic meters of gas annually across 13 West African countries and onward into Europe. With feasibility studies concluded and a Final Investment Decision anticipated by the end of 2025, the project is positioned as a strategic vehicle for regional energy integration and a competitive alternative supply route for European markets seeking diversification.

Nigeria's power sector decentralisation

With the passage of the Electricity Act 2023, Nigeria's power sector was ushered into a transformative phase – away from a highly centralised market controlled by the federal government towards a state-driven, fully decentralised market. Apart from triggering structural changes across the system, this shift also creates a lot of transactional momentum for consolidations, divestments, partnerships and business combinations amongst market participants. Prior to 2023, the Nigerian Electricity Regulatory Commission (NERC) was responsible for licensing, tariff setting and market oversight. The Electricity Act 2023 empowers states to establish a state electricity market, issue licences, set tariffs and regulate the market therein. It is noteworthy that 23 states have since passed enabling laws to regulate their state electricity markets, whilst 13 states have established independent state regulatory boards and actively taken over the regulatory oversight previously provided by the NERC.

The decentralisation of the power sector has become a major enabler for transactions. As new market niches open, market participants are repositioning to take advantage of new market opportunities through acquisitions, sell-downs and other forms of business combinations.

M&A activities in the power transmission and distribution subsector

Over the past year, the power transmission and distribution subsector has experienced several notable restructuring and investment transactions, driven by the Electricity Act 2023 and ongoing reforms to strengthen grid reliability and expand private sector participation.

A flagship example is the proposed acquisition of a 60% stake in Eko Electricity Distribution Company (Eko DisCo) by the Transgrid-Enerco consortium, in a deal valued at about USD200 million. The consortium notably includes North-South Power and Axxela Limited, signalling a strategic move to integrate generation, fuel supply and distribution. The deal is projected to nearly triple Eko DisCo's capacity from 513 MW to 1,500 MW, and to integrate renewable energy solutions like solar and hydropower.

Investments in renewable energy infrastructure

Renewable energy infrastructure activities continue to witness remarkable growth, particularly solar power. This is driven by the consistent flow of capital through partnerships between the federal government and Development Finance Institutions (DFIs) such as the African Development Bank (AfDB), international organisations such as the International Solar Alliance (ISA) and strong private sector investment commitments.

This trend of growing international funding and investor confidence in Nigeria's renewable energy sector was bolstered by the recent circa EUR100 million clean energy MoU signed by the federal government through the Energy Commission of Nigeria in October 2025 with London-based UNIDACO Limited. The agreement was, formalised during the Renewed Hope Global Dialogue – UK Edition at the House of Lords, and will finance the deployment of solar, wind and clean technology infrastructure projects across Nigeria.

Other notable investments over the past year include:

- a USD200 million agreement with WeLight, a pan-African Distributed Renewable Energy company, to deploy 400 mini-grids and 50 metro grids to provide electricity to an estimated 1.5–2 million people in Nigeria;
- the establishment of a USD500 million Distributed Renewable Energy Fund in partnership with the ISA under a formal Country Partnership Framework to drive nationwide deployment of solar power;
- a EUR7.5 million financing initiative by British International Investment, in collaboration with Odyssey Energy Solutions, to scale mini-grid development in under-served communities across Nigeria;
- Sun King's USD80 million financing round to expand pay as you go solar products to approximately 4 million additional households;

- a EUR20 million bilateral agreement between the federal government of Nigeria and the government of Germany to support renewable energy project development in the country;
- USD500 million funding from AfDB for Nigeria's Grid Battery Energy Storage System; and
- a USD1.98 billion investment agreement between the Adamawa State Government and the REA to develop a 3,000 MW solar photovoltaic farm – one of the largest proposed solar developments in West Africa.

Notable deals

The M&A landscape has witnessed scale, strategy and significant market shifts. There is a market recalibration for growth amid sweeping regulatory reforms, ambitious drive from local businesses fighting for mainstream market share, and deepening collaboration between the private sector and government for the development of key infrastructure assets that are immediately generating cash. Market-defining transactions recorded within 2025 include the following.

Upstream oil and gas

The USD510 million divestment by TotalEnergies EP Nigeria of its 12.5% non-operating interest in OML 118 (Bonga) to Shell (SNEPCo) and Nigeria Agip Exploration was the largest IOC divestment post-PIA and reinforces the shift of ownership in the core upstream assets to indigenous operators.

Private infrastructure finance

The USD700 million equity investment into Arise Integrated Industrial Platforms by a new shareholder, Vision Invest, represents Africa's largest private infrastructure equity inflow and signals foreign investor confidence in private infrastructure assets.

Renewable energy/power infrastructure

A USD200 million partnership between WeLight Africa and Nigeria's REA for mini-grid projectsdemonstrates growing investor appetite for distributed power and off-grid electrification.

Private infrastructure finance (transport)

A USD65 million investment by BUA Group, in partnership with the Nigeria Ports Authority, to reconstruct Rivers Port Terminal B signals growing interest from major local players in unlocking value from transport and other cash-generating infrastructure.

Market risks and sectoral challenges

Despite sustained investor interest, M&A activity in Nigeria's energy and infrastructure sectors continues to be shaped by a number of structural and market risks. These sectors are characterised by high capital intensity, long asset life cycles and significant regulatory oversight, making transaction execution and post-acquisition operations sensitive to policy inconsistency, tariff regimes and macroeconomic conditions. While recent reforms – notably the PIA and the Electricity Act, 2023 – have improved governance clarity and opened new entry pathways for private capital, legacy challenges such as regulatory co-ordination gaps, political intervention in tariff setting, foreign exchange constraints and infrastructure deficits continue to influence pricing, valuation and risk allocation in transactions.

Against this backdrop, the key sectoral risks that typically influence energy and infrastructure M&A in Nigeria include the following.

Insecurity and cost of deal execution

Security remains one of the biggest challenges plaguing the energy and infrastructure sector in Nigeria. Reforms have improved regulatory clarity, but security concerns remain acute, as crude oil theft, pipeline vandalism and sabotage continue to disrupt production costs and reliability, predominantly onshore. These security pressures directly influence the commercial viability of assets and the predictability of cash flow, which are key considerations in M&A valuation and due diligence. As a result, transaction structuring in the sector has increasingly factored in risk allocation mechanisms, including consortium-led bids, security-related cost buffers within financial models, strong warranties and indemnity negotiations, force majeure carve-outs and government or sponsor-backed guarantees.

Macroeconomic volatility (FX, inflation and interest rates)

Nigeria continues to record notable macroeconomic volatility, with currency fluctuations persisting despite some moderation. The inflation rate remains high and monetary policy rate is at an all-time high, resulting in a ballooning domestic cost of debt. Consequently, investors are increasingly favouring equity capital and blended financing against conventional debt for core energy and infrastructure projects. Foreign exchange (FX) and macroeconomic volatility continue to shape deal pricing and deal structure, with counterparties demanding stronger currency protection and more robust revenue and cost hedges.

Liquidity and funding constraints

Liquidity tightness continues to pervade energy and infrastructure projects, especially for longer tenured projects with heavy capex and embedded FX risk. Cost of capital has risen globally; DFIs have tightened underwriting standards, demanding clearer hedging strategies and off-take guarantee. Domestic debts are incurring the highest ever interest rates, with shorter, mismatched tenors. As a result, sourcing long-term patient capital therefore positions DFIs and export credit agencies as critical funding counterparties. However, in view of growing demand, these funding sources have become increasingly competitive, with funding constrained by size, capital cycles and policy alignment.

Infrastructure supply chain gaps

Infrastructure supply chain in Nigeria remains fragmented, with miniscule and fragmented local manufacturing capacity resulting in high import dependency for critical plant, equipment, spare parts and other components, exposing projects to FX volatility. Slow and unpredictable custom clearance processes also impair supply chain efficiency and sometimes result in time and cost overruns. To moderate the impact of these gaps, it is hoped there will be more government intervention with respect to Value Added Tax (VAT) and import duty exemption for critical inputs whilst unlocking capacity for domestic equipment manufacture and assembly.

Political risk and regulatory uncertainty

Recent reforms have brought relative stability to energy and infrastructure M&A. The PIA introduced clearer fiscal frameworks, enhanced governance standards and incentives for gas development and local content. Similarly, the Electricity Act 2023 decentralised the power market by empowering states to license generation and distribution activities, creating clearer entry routes for mini-grid, embedded generation and renewable projects.

However, regulatory gaps and practical uncertainties persist. Delays in implementing host community trust obligations and licence conversion processes under the PIA continue to affect asset valuations and deal timing. In the power sector, the shift to sub-national regulation has introduced overlapping oversight between the NERC and state regulators, creating risks of dual approvals. In addition, power tariff-setting remains politically sensitive, certainly affecting revenue for power assets.

Antitrust and competition considerations

With heightened interest in platform acquisitions, it is imperative to ensure compliance with applicable competition laws. Interconnected SPVs or companies will need to pay specific attention to transfer pricing, cross subsidies, taxation, shared governance and other competition-related risks. In addition, platforms acquisitions often face more rigorous merger clearance processes, which may delay transaction timelines.

Law, policies and regulatory developments

The energy infrastructure and M&A regulatory landscape has witnessed consistent regulatory reforms aimed at improving market efficiency, enhancing governance across the sector and creating a more structured, transparent and investor-friendly environment. The understanding of these laws and policies by investors, project sponsors, acquirers or targets is critical to shaping project planning, transaction structuring, regulatory approvals and long-term operational sustainability.

The key laws, policies and regulation reforms shaping energy infrastructure and M&A activities in Nigeria include the following.

Upstream Petroleum Operations (Cost Efficiency Incentives) Order 2025

This executive order introduces a performance-based tax incentive to address the high cost of operations in the upstream sector. Under this framework, operators who reduce their Unit Operating Costs below annual targets set by the regulator can claim a tax credit equal to 50% of the cost savings, capped at 20% of annual tax liability.

Nigerian Upstream Petroleum (Commercial) Regulations 2025

These regulations introduce strict regulatory control on commercial activities in the upstream sector by imposing strict financial and project planning requirements on operators for approval of oil field development. Under this regulation, companies are mandated to present detailed budgets and development plans, and to demonstrate that they have the financial discipline and technical capacity necessary to execute their field development programmes.

These requirements have implications for energy infrastructure and M&A activities. Investors and acquirers must undertake in-depth commercial and regulatory due diligence to confirm that targets have compliant development plans, credible budgets and financial capacity to execute projects. For energy infrastructure projects like pipelines, plants and processing facilities, the regulation promotes disciplined capital deployment and transparency around project viability. Although this increases compliance obligations, it ultimately boosts investors' confidence and supports long-term infrastructure development across the upstream value chain.

National Integrated Electricity Policy (NIEP)

Approved in May 2025, the NIEP is a response to Nigeria's growing population and evolving energy needs. It provides a co-ordinated, well-structured policy framework designed to transform Nigeria's electricity sector and the required interventions needed to implement the objectives of the Electricity Act 2023. The policy addresses key areas such as electricity supply, infrastructure development and improving energy access across the country. This creates a predictable and supportive environment for private sector involvement and the exploration of new investment opportunities.

The Nigeria Tax Act 2025

Enacted on 26 June 2025 but set to take effect on 1 January 2026, this legislation introduces several fiscal measures relevant to energy infrastructure sector and M&A activity. These key provisions include the following.

- Exports of oil and gas, as well as crude petroleum oil and feed gas used in processed gas, are exempted from Value Added Tax.
- VAT charges on petroleum products and renewable energy equipment, including solar panels, inverters, batteries, compressed natural gas, liquified petroleum gas and other gaseous fuels, is suspended.
- Economic Development Tax credit will be granted to companies investing in priority areas of the extractive industry, such as renewable energy, electricity and gas supply, refined petroleum products and mining.
- A 5% surcharge is introduced for chargeable fossil fuel products produced or supplied in Nigeria, except clean or renewable energy products, household kerosene, cooking gas and compressed natural gas.

The Exposure Draft of NERC Net Billing Regulations 2025

Exercising its powers under the Electricity Act 2023, the NERC has published the Exposure Draft of the Net Billing Regulations 2025 for stakeholder consultation. The draft regulation establishes a standardised framework for integrating renewable energy installations into the national electricity distribution network, enabling customers to export surplus power to the grid under a credit-based billing system. It is expected to enhance the commercial viability of distributed renewable energy projects, including rooftop solar, mini-grids and hybrid energy systems.

By providing predictable revenue streams through net-billing credits, the regulations create attractive investment opportunities and supports private sector participation in energy infrastructure. From an M&A perspective, the framework may stimulate transaction activity in the renewable and distributed energy sector through partnerships, acquisitions and joint ventures with solar developers, battery storage providers and smart-metering technology companies.

Outlook

Looking beyond 2025, it is expected that Nigeria's energy and infrastructure M&A landscape will converge around bankable multi-asset acquisitions over the next 12 months, boasting a tighter, higher quality deal pipeline. Most transactions are likely to involve scalable, commercially viable projects supported by blended finance structures aligned with secure, bankable offtake plans.

As FX stabilises and inflationary pressure eases, investors are expected to shift away from the current defensive restructuring posture to a more growth-oriented direction, specifically in gas-to-power, renewables, midstream logistics and transport infrastructure. Diversified asset portfolios will become increasingly desirable to investors and financiers, driving a likely surge in platform deals across these sectors. Lenders will likely intensify demands for credit enhancements and currency risk hedges, with robust risk-sharing protocols amongst contracting parties. Financing will favour cash-generating assets in the near term, whereas longer tenured, currency-hedging structures will underpin strategic investments.

On the policy side, investors will be relying on the government to provide predictable rules around currency repatriation and access to FX for debt service, and local content rules will define procurement and supply. Further clarity on the implementation of the Electricity Act and the PIA, coupled with the stabilisation of the sub-national electricity regulators, is expected to unlock new acquisition/project finance windows, supporting domestic capital mobilisation.

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