

AFRICA OIL+GAS REPORT · DRILLING

# Nigeria's Contractor Payment Crisis Threatens Production Targets and Service Investment

Saga deep read · 02 May 2026 · Score 50

---

Every barrel Nigeria produces carries an invisible cost that too often goes unrecovered. Behind each production figure lies a chain of contractors — drilling crews, rig operators, logistics providers, well service companies — who mobilised equipment, deployed personnel, and delivered results before receiving payment. Across Nigeria's upstream sector, this payment gap has become structural, not incidental, and it is quietly undermining the country's stated ambition to grow production toward the 2 million barrel-per-day target.

The pattern is well established. Operators — including international majors and increasingly the indigenous companies that acquired their shallow-water and onshore assets — routinely delay contractor payments by six months, twelve months, or longer. In some documented cases, arrears have stretched beyond two years. Contractors absorb the cost of financing, maintain staff on standby, and service debt on equipment that is either idle or working without revenue flowing back. For smaller Nigerian service companies, this dynamic is existential. For international service firms, it recalibrates risk appetite and determines whether Nigeria remains a market worth bidding into.

The consequences are compounding. When contractors are not paid, they cannot reinvest in equipment, cannot retain skilled personnel, and cannot bid credibly on the next contract cycle. Rig availability tightens. Maintenance backlogs grow. The technical capability that Nigeria needs to sustain, let alone grow, production erodes

from the bottom of the supply chain upward. Production ambition articulated at policy level becomes hollow when the operational infrastructure that executes it is financially distressed.

The Petroleum Industry Act introduced frameworks intended to improve governance and commercial discipline in the upstream sector. The transition of NNPC to NNPC Limited was in part designed to bring corporate accountability to state participation. Yet contractor payment terms remain poorly enforced, dispute resolution mechanisms are slow, and the asymmetry of power between operators and their service supply chains has not materially shifted. Indigenous operators who took on assets with ambitious production restoration plans have in several cases replicated, or worsened, the payment behaviour of their predecessors.

For international service companies evaluating Nigeria exposure, the contractor payment environment is now a primary due diligence variable — not a secondary operational footnote. Companies that price risk correctly, structure contracts with milestone payment protections, and maintain relationships with financially stable counterparties can still operate profitably in Nigeria. However, the market increasingly separates those with the leverage to enforce payment discipline from those who cannot. Nigeria's regulators and the Nigerian Upstream Petroleum Regulatory Commission have the tools and the mandate to address this. The question is whether contractor protection will be treated as a production enablement issue — which it is — or left as a private commercial grievance to be resolved bilaterally between unequal parties.

## **Why this matters to partners and clients of Saga**

Norwegian service companies assessing Nigeria entry or expansion should treat contractor payment terms as a core contract negotiation priority, not a post-award operational risk. Companies with strong balance sheets and established legal teams can structure milestone-based payment protections that smaller competitors cannot, creating a differentiation opportunity in tender evaluations. Monitoring regulatory developments at NUPRC and the enforcement track record of specific operators — particularly indigenous acquirers of legacy IOC assets — will be essential before committing new equipment or personnel to the market.

## PARTNER ANGLES

- **Drilling:** Rig contractors should require escrow arrangements or irrevocable payment instruments before mobilising to Nigerian offshore or onshore operations, given documented payment delays of twelve months or more.
- **Subsea/FPSO:** FPSO operators and subsea contractors with long-cycle asset commitments face amplified exposure to payment arrears and should price Nigeria country risk accordingly in lease and service contract structures.
- **Service:** Well services and oilfield logistics companies should conduct operator-specific payment track record due diligence before bidding, distinguishing between IOC-operated blocks and indigenous operator-held assets where arrears risk is higher.
- **Pipeline:** Pipeline and infrastructure contractors should build contractual protections — including retention of title and suspension-of-service clauses — into Nigeria project agreements to manage the structural payment gap.
- **LNG:** LNG-linked service providers working within the Nigeria LNG supply chain should assess whether payment delays at upstream contractor level are creating knock-on capacity constraints that affect project execution timelines.

[Original source: Africa Oil+Gas Report →](#)

---

### Saga Advisory

General: [info@saga-advisory.com](mailto:info@saga-advisory.com) · [saga-advisory.com](https://saga-advisory.com)

*STAVANGER · CAPE TOWN*