



TOPE ADEBAYO LP

DEEP OFFSHORE OIL AND GAS PROJECTS **AND** **INCENTIVES (TAX** **REMISSION) ORDER, 2026:**

NIGERIA EXPANDS FISCAL SUPPORT FOR
DEEP OFFSHORE DEVELOPMENTS.



1.0 Introduction

On 6 August 2026, the President of the Federal Republic of Nigeria signed the DEEP OFFSHORE OIL AND GAS PROJECTS INCENTIVES (TAX REMISSION) ORDER, 2026 (the "2026 Order"). The 2026 Order establishes a framework of tax remission incentives intended to encourage investment in qualifying deep offshore oil and gas developments and enhance the commercial viability of projects that have yet to reach Final Investment Decision ("FID").

The 2026 Order introduces three principal incentives: the Standard Production Tax Credit ("Standard PTC"), the Supplementary Production Tax Credit ("Supplementary PTC") and the Profit Oil Reset. While the Standard PTC retains the core production tax credit structure introduced under the NOTICE OF TAX INCENTIVES ON DEEP OFFSHORE OIL AND GAS PRODUCTION, 2024 (the "2024 Notice"), the Supplementary PTC and Profit Oil Reset represent additional incentives under the 2026 framework.



2.0 Scope and Applicability

The Standard PTC applies to project developments within existing deep offshore leases where the lessee takes FID between the Effective Date (being 28 February 2024) and 31 December 2029. It also applies to future leases awarded after the Effective Date, including leases derived from existing or future licences. The Standard PTC is determined separately for each approved project development. Where an existing lease does not meet the applicable FID requirement and no force majeure extension is granted, the Standard PTC is reduced to 50% of the applicable rate, provided the project otherwise satisfies the eligibility conditions under the 2026 Order¹.

The Supplementary PTC and Profit Oil Reset are subject to narrower eligibility requirements. The project must relate to a crude oil or non-associated gas development within a deep offshore lease and must be a greenfield project in respect of which FID had not been taken as at the Commencement Date (being 6 August 2026) of the 2026 Order. FID must be taken on or before 31 December 2029, subject to an extension where the lessee is unable to meet the deadline due to force majeure. In addition, access to the Profit Oil Reset is subject to the applicable profit oil sliding scale under the relevant PSC having progressed beyond the 70:30 Contractor-Government split².

¹ Deep Offshore Oil and Gas Projects Incentives (Tax Remission) Order, 2026, para. 1

² Ibid., paras. 8(1) & (2)

3.0 Key Provisions of the 2026 Order

3.1 Standard Production Tax Credit

The Standard PTC is the starting point of the incentive framework. It provides a production-linked tax benefit, with the applicable rate depending largely on the size of the project's reserves. The Standard PTC applies to qualifying crude oil production at US\$3.00 per barrel or 20% of the fiscal oil price, whichever is lower, up to cumulative production of 150 million barrels, where the project's producible reserves do not exceed 400 million barrels of crude oil equivalent. For projects with reserves exceeding 400 million barrels, the applicable rate is US\$4.50 per barrel or 20% of the fiscal oil price, whichever is lower, up to cumulative production of 500 million barrels. Future leases also qualify for an additional US\$1.00 per barrel. Where the fiscal oil price applicable to a qualifying project falls below US\$50 per barrel in a month, the applicable credit is reduced by 50% for that month³.

The Standard PTC also applies to qualifying non-associated gas developments. The applicable credit is US\$1.00 per thousand standard cubic feet ("mscf") of gas sold or 30% of the fiscal gas price, whichever is lower, where the Hydrocarbon Liquids ("HCL") content does not exceed 30 barrels per million standard cubic feet. Where the HCL content exceeds 30 barrels per million standard cubic feet but does not exceed 100 barrels per million standard cubic feet, the rate is US\$0.50 per mscf or 30% of the fiscal gas price, whichever is lower. No Standard PTC applies where the HCL content exceeds 100 barrels per million standard cubic feet⁴.

3.2 Supplementary Production Tax Credit

The Supplementary PTC is determined by the Nigeria Revenue Service ("Service") on a case-by-case basis, having regard to the economic profile of the relevant project and the eligibility criteria under the Order. The aggregate of the Standard PTC and Supplementary PTC cannot exceed US\$11.50 per barrel of crude oil for oil projects and US\$8.00 per barrel of oil equivalent for non-associated gas projects⁵.

Accordingly, the foregoing amounts represent the maximum combined Standard and Supplementary PTC in respect of qualifying oil and gas projects. The actual Supplementary PTC will therefore depend on the Service's assessment of the qualifying project's economic profile and its satisfaction of the applicable eligibility criteria.

This distinction is commercially relevant, particularly for qualifying greenfield projects that have not yet reached FID. The case-by-case assessment allows the level of additional fiscal support to be determined with reference to the economics of the project.

3.3 Profit Oil Reset

The Profit Oil Reset is a further incentive for qualifying deep offshore leases operating under Production Sharing Contracts ("PSCs"). Where approved, the applicable profit oil sliding scale

³ Ibid., para. 2

⁴ Ibid., para. 3

⁵ Ibid., para. 6

will restart for the eligible project development at a 70:30 ratio between the Contractor and the Concessionaire, even where existing production elsewhere in the same contract area has already moved the applicable profit oil ratio to a higher level. The eligible development must also be ring-fenced for cost recovery and tax purposes, meaning that its costs and tax position are treated separately from other developments in the contract area⁶.

The rationale for this is straightforward. A new field may sit within a contract area where existing production has already pushed the PSC's profit oil sliding scale to a point at which the Government receives a higher share. The Profit Oil Reset allows an eligible new development to start again at 70:30, rather than being affected by the higher level reached through production from other developments in the contract area.

The reset applies only to the approved project development. It does not reset the economics of the entire contract area. The relevant Contractor and NNPC Limited, as Concessionaire, must also execute an addendum to the applicable PSC within 30 days of approval to give contractual effect to the reset⁷.

3.4 Conditions for Accessing the Incentives

Eligibility alone does not give an applicant an unconditional right to the Supplementary PTC or Profit Oil Reset. The 2026 Order requires that all activities relating to the project development be performed in Nigeria, subject to limited exceptions for activities on the critical path, such as long-lead items, or activities that would be at least 10% more expensive to execute in Nigeria after taking into account logistics, shipment, duties and other relevant costs. Activities performed outside Nigeria must comply with an approved Nigerian Content Plan⁸.

The application process is information-intensive, as applicants are required to submit an open-book economic model setting out the project's cost, pricing, production and fiscal assumptions, together with such other information as may be required by the Service. The Service is required to assess a complete application and communicate its decision to the applicant within 45 days, including by verifying the applicant's eligibility and determining the applicable level of Supplementary PTC⁹.

The Service is also required to develop and publish, within 45 days of the Commencement Date of the 2026 Order, guidelines setting out the criteria and methodology it will apply in determining the level of Supplementary PTC to be granted¹⁰.

3.5 Administration and Recovery of Incentives

The additional fiscal benefit comes with corresponding compliance obligations. Where an applicant obtains or utilises the Supplementary PTC through false statements, misrepresentation, concealment, incorrect data, artificial arrangements, prohibited tax avoidance arrangements, breach of an approval condition or failure to satisfy an eligibility requirement, the Service may withdraw the approval, recompute the tax payable and recover the amount of tax credit or benefit wrongly obtained, together with applicable penalties and

⁶ Ibid., paras. 7(1) - (3)

⁷ Ibid., para. 7(4)

⁸ Ibid., para. 9

⁹ Ibid., paras. 10(1) - (3)

¹⁰ Ibid., para. 10(4)

interest, without prejudice to any criminal, civil, administrative or regulatory action that may be taken against the applicant¹¹.

The tax credits are calculated monthly based on crude oil production or gas sold from the approved project after production commences and reconciled annually as part of the applicant's tax incentive and annual tax returns. The credits remain subject to the minimum effective tax rate prescribed under the Nigeria Tax Act, 2025 ("NTA")¹².

The 2026 Order also provides for a 10% reduction in tax credits where the project's Unit Technical Cost exceeds the benchmarked cost levels determined by the Commission¹³. The Order also prevents overlapping benefits. The credit cannot be combined with production allowance incentives under the Sixth Schedule to the NTA or the Associated Gas Framework Agreement ("AGFA")¹⁴.

Unused tax credit surplus may be carried forward for up to four years, after which any remaining unutilised surplus will lapse. The tax credit or surplus is not refundable, transferable, assignable or convertible to cash and cannot be used to offset liabilities unrelated to the qualifying project development¹⁵.



4.0 2026 Order and the 2024 Notice

The 2026 Order builds on the NOTICE OF TAX INCENTIVES ON DEEP OFFSHORE OIL AND GAS PRODUCTION, 2024, which was issued on 28 February 2024. The 2024 Notice introduced production tax credits for qualifying deep offshore oil and gas developments, with the same applicable rates of production tax credit for oil and gas developments as those provided under the 2026 Order¹⁶.

The 2026 Order retains the production tax credits introduced under the 2024 Notice but expands the incentive framework by introducing the Supplementary PTC and Profit Oil Reset.

¹¹ Ibid., para. 11

¹² Ibid., para. 12

¹³ Ibid., para. 13

¹⁴ Ibid., para. 14

¹⁵ Ibid., para. 15

¹⁶ Notice of Tax Incentives on Deep Offshore Oil and Gas Production, 2024, paras. 2(1) - (3)

It also extends the period for carrying forward unused production tax credit surplus from three years under the 2024 Notice to a maximum of four years under the 2026 Order. This gives qualifying investors a longer period within which to utilise unused credits before they lapse.

This difference is important for investors. The 2024 Notice primarily offered a production-linked tax incentive, while the 2026 Order introduces additional mechanisms aimed at improving the economics of qualifying projects, including the possibility of an additional tax credit and a reset of the profit oil sharing scale for eligible PSC developments.

5.0 Implications for Investors and Industry Stakeholders

For investors considering deep offshore developments, the question is no longer simply whether a project qualifies for a production tax credit. The 2026 Order introduces additional questions around whether the project can access the Supplementary PTC, whether its economics can support that application and, for qualifying PSC projects, whether the Profit Oil Reset can improve its profit oil position.

At the same time, access to the incentives is not automatic. Investors will need to assess the eligibility of proposed projects, the applicable FID deadline, Nigerian content requirements and the economic assumptions that will be subject to review by the Service. The forthcoming implementation guidelines will also be important, particularly in clarifying the applicable procedure, documentation requirements, methodology and other practical requirements for accessing the incentives¹⁷.

For existing PSC contractors, the contractual implications of the Profit Oil Reset also warrant attention. Where an application is approved, the relevant PSC will need to be amended to give effect to the reset for the qualifying development. The contractual implementation of the incentive will therefore be an important consideration alongside its tax consequences.

6.0 Conclusion

The 2026 Order expands Nigeria's fiscal framework for deep offshore oil and gas developments by retaining the existing Standard PTC introduced under the 2024 Notice, while introducing additional incentives through the Supplementary PTC and Profit Oil Reset. No doubt the incentives could improve the economics of eligible projects, but investors will need to consider the applicable eligibility requirements, project economics and compliance obligations.

¹⁷ Deep Offshore Oil and Gas Projects Incentives (Tax Remission) Order, 2026, para. 16

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