Review of the Deep Offshore Oil and Gas Projects Incentives Order 2026

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INTRODUCTION

The Federal Government has issued the Deep Offshore Oil and Gas Projects Incentives (Tax Remission) Order, 2026 (the "**Order**"), a project-level regime for Production Tax Credits (PTCs) and other fiscal incentives for qualifying deep offshore developments.

The qualifying projects are greenfield crude oil or non-associated gas (NAG) development projects within one or more oil mining leases under an approved field development plan ("**Project Development**"). Brownfield optimisation activities, including infill drilling, workover, recompletion, debottlenecking, routine facilities upgrades and enhanced recovery from an existing producing field are excluded.

The Order came into effect on 6 August 2026 ("**Commencement Date**")[1] with a deemed effective date of 28 February 2024 ("**Effective Date**"), which applies to certain provisions of the Order.[2]

6 Aug 2026

Commencement Date — when the Order took effect

28 Feb 2024

Effective Date — deemed start date for certain provisions



1.Paragraph 19 of the Order
2.Paragraph 17 of the Order

Key Provisions of the Order

Standard Production Tax Credit (Standard PTC) for Oil

The Order provides a per-barrel Standard PTC for crude oil produced and sold from qualifying deep offshore Project Developments as follows:[3]

SMALLER FIELDS

US$3.00 / bbl

or 20% of the fiscal oil price, whichever is lower

Producible reserves ≤ 400 million bbl
Up to 150 million bbl cumulative production

LARGER FIELDS

US$4.50 / bbl

or 20% of the fiscal oil price, whichever is lower

Producible reserves > 400 million bbl
Up to 500 million bbl cumulative production

+US$1.00/bbl

Additional credit for future leases awarded after the Effective Date, or derived from existing/future licences awarded after the Effective Date, on top of the Standard PTC

50%

Reduction to the Standard PTC for a month where the fiscal oil price falls below US$50 per barrel — a revenue-protection mechanism for government

Where a lessee is unable to make a Final Investment Decision (FID) for Project Development between the Effective Date and 31 December 2029, and no force majeure extension has been granted, the Standard PTC will be 50% of the applicable rate.[4]

3. Paragraph 2 of the Order
4. Paragraph 1(3) of the Order



Standard PTC for NAG

A parallel credit applies to marketable NAG sold from deep offshore Project Developments:[5]

LOW-LIQUID FIELDS

US$1.00 / mscf

or 30% of the fiscal gas price, whichever is lower

HCL content ≤ 30 bbl/mmscf
Up to 5 Tcf cumulative volume

MEDIUM-LIQUID FIELDS

US$0.50 / mscf

or 30% of the fiscal gas price, whichever is lower

HCL content 30–100 bbl/mmscf
Up to 5 Tcf cumulative volume

HIGH-LIQUID FIELDS

Not Entitled

No PTC applies to this tier

HCL content > 100 bbl/mmscf

The PTC is reduced by 10% where the Unit Technical Cost of the development exceeds benchmarked cost levels. The PTC shall not be combined with production allowances under the Sixth Schedule to the Nigeria Tax Act, 2025 or the Associated Gas Framework Agreement,[6] and any surplus may be carried forward for up to four years but is not refundable, transferable or available for set-off outside the approved Project Development.[7]

5.Paragraph 3 of the Order
6.The Associated Gas Framework Agreement (AGFA) was developed in 1991with the aim of providing fiscal incentives for gas projects and reducing or eliminating gas flaring in Nigeria. The AGFA was made between the Federal Government of Nigeria (through the Nigerian National Petroleum Corporation at the time) and international oil companies operating in Nigeria under Joint Venture arrangements with the NNPC.
7.Paragraph 13, 14 and 15 of the Order



Profit Gas Sharing for NAG

The Order sets minimum government profit gas allocations under existing deep offshore NAG Production Sharing Contracts (PSCs), graduating by cumulative production from 20% for up to 1 trillion cubic feet to 60% for production over 7 trillion cubic feet.[8]

20%

Minimum government profit gas share, up to 1 Tcf cumulative production

60%

Minimum government profit gas share, production over 7 Tcf cumulative

Supplementary Production Tax Credit (Supplementary PTC)

The Supplementary PTC is a case-by-case credit granted by the Nigeria Revenue Service (NRS) based on project economics, with the combined Standard PTC and Supplementary PTC capped at US$11.50per barrel for oil and US$8.00 per barrel of oil equivalent for NAG.[9]

US$11.50/bbl

Combined cap — Standard PTC + Supplementary PTC for oil

US$8.00/boe

Combined cap — Standard PTC + Supplementary PTC for NAG (oil equivalent)

8.Paragraph 4 of the Order
9.Paragraph 6(2) of the Order

To qualify for the Supplementary PTC, an application must be made in respect of a deep offshore Project Development which is a greenfield project in respect of which an FID is expected on or before 31 December 2029, subject to force majeure extensions.[10]



Profit Oil Reset

The Profit Oil Reset allows an approved Project Development to restart the profit oil sliding scale at 70:30 where existing production in the contract area has moved beyond that contractor-government split.[11]

> **70 : 30**
>
> Contractor-to-government profit oil split at which an eligible Project Development may reset the sliding scale

Applications for the Supplementary PTC and Profit Oil Reset must be submitted to the NRS with a full open-book economic model and supporting information. The NRS must consider a complete application within 45 days and issue an approval or refusal.[12]

For a Profit Oil Reset, the eligible Project Development must be ring-fenced for cost recovery and tax purposes;[13] NNPC Limited, as Concessionaire, and the Contractor must execute the required PSC addendum within 30 days of NRS approval and submit same to the relevant authorities within 14 days.[14]

10. Paragraph 8(1) of the Order
11. Paragraph 7 of the Order
12. Paragraph 10 of the Order
13. Paragraph 7(3) of the Order
14. Paragraph 7(4) of the Order

45d

NRS reviews a complete application and issues an approval or refusal

30d

NNPC Limited and the Contractor execute the PSC addendum after NRS approval

14d

Executed addendum submitted to the relevant authorities

To access the Supplementary PTC or Profit Oil Reset, Project Development activities must be performed in Nigeria, except critical-path activities and activities that would cost 10% more to execute in Nigeria. Any activity performed outside Nigeria must comply with a Nigerian Content Plan approved by the Nigerian Content Development and Monitoring Board (NCDMB).[15]



Anti-Abuse and Clawback

The NRS may withdraw the Supplementary PTC, recover wrongly utilised credits, and impose penalties and interest where the incentive was obtained or used through misrepresentation, incorrect data, artificial arrangements, prohibited tax avoidance arrangements, breach of approval conditions or failure to satisfy eligibility requirements.[16]

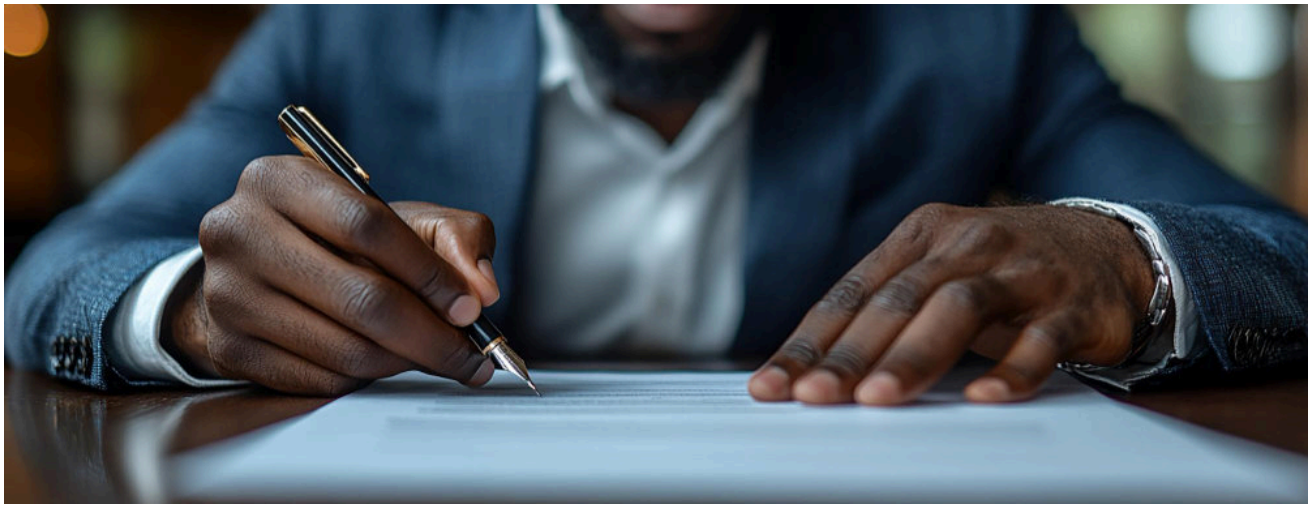
Implementation

The NRS must publish implementation guidelines within 45 days from the date of the Order, covering application procedures, documentation, valuation methodology, computation, utilisation, reporting, ring-fencing, surplus credits and monitoring and any other matter necessary for the effective administration of the Order.[17]

15. Paragraph 9 of the Order
16. Paragraph 11of the Order
17. Paragraph 16 of the Order

45 Days

From the date of the Order for the NRS to publish implementation guidelines covering application procedures, documentation, valuation methodology, computation, utilisation, reporting, ring-fencing, surplus credits and monitoring



Recommended Next Steps for Upstream Oil and Gas Operators

1. Map eligible assets: Investors and operators should identify deep offshore Project Developments that may qualify for the Standard PTC, Supplementary PTC or Profit Oil Reset.

2. Track the FID deadline: Lessees or operators must reach FID by 31 December 2029 to access the full Standard PTC rate, unless a force majeure extension applies. Lessees must notify the Nigerian Upstream Petroleum Regulatory Commission within 30 days after FID.

3. Monitor implementation guidelines: Investors should track the NRS guidelines expected by approximately 20 September 2026 and prepare the economic, technical and Nigerian content documentation which will be required to support applications for Supplementary PTC and Profit Oil Reset.

4 Review PSC economics: Confirm whether the relevant PSC has moved beyond the 70:30 Contractor-government split and whether a greenfield development would benefit from a Profit Oil Reset.

5 Prepare Nigerian content evidence: Identify activities to be performed in and out of Nigeria, and highlight local content complements.

> The NRS guidelines — expected by approximately 20 September 2026 — will determine the practical mechanics of applying for the Supplementary PTC and Profit Oil Reset. Operators with qualifying assets should begin assembling supporting documentation now.



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