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Nigeria's Deep Offshore Oil and Gas Projects Incentives (Tax Remission) Order 2026:

What it means for Investment and Project Development

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INTRODUCTION

On 6th August 2026, President Bola Ahmed Tinubu signed the Deep Offshore Oil and Gas Projects Incentive (Tax Remission) Order 2026 ("**the Order**"), made pursuant to section 3(1)(e) of the Petroleum Industry Act 2021 and section 77(1) of the Nigeria Tax Administration Act 2025. For current and future holders of petroleum mining leases and oil mining leases in the deep offshore segment of the upstream petroleum sector. The Order could potentially unlock new investment by improving project economics and giving sponsors additional incentives to move qualifying deep offshore developments from discovery to Final Investment Decision ("FID").

Our article examines how the Order could change the economics of deep offshore investment and project development, and what it means for sponsors, investors and Production Sharing Contract ("PSC") Parties and other stakeholders.

THE APPLICABLE INCENTIVE STRUCTURE

1. Standard Production Tax Credit ("Standard PTC")

The Standard PTC is a fixed dollar-per-barrel (or per-mscf, for gas) tax credit given to petroleum produced from qualifying deep offshore projects. The Order splits the eligibility and categories of lessees for Standard PTC into two: existing leases, where the lessee takes an FID between the 28th February 2024("the Effective Date") and 31st December 2029 and future leases, including those awarded after the Effective Date or derived from existing licences.

For operators managing FID timelines, two things matter in practice. First, if a force majeure event threatens the 2029 deadline, the lessee must apply to the Nigerian Upstream Petroleum Regulatory Commission ("the Commission") for an extension, and the Commission must notify the Nigeria Revenue Service ("NRS") within 14 days of granting it.[1] Second, missing the deadline without an approved extension does not disqualify the project outright; it simply halves the credit rate, provided the project still meets every other eligibility condition[2].

For existing leases, the lessee can make an FID within the prescribed period. However, where the lessee is unable to make the FID within the prescribed timeframe due to a force majeure event, it may apply to the Commission for an extension within which to make an application.[3]

The rate is calculated by reserve size and hydrocarbon type:

[1] See Paragraph 1(i) the Deep Offshore Oil and Gas Project (Tax Remission) Order 2026

[2] See Paragraph 3 the Deep Offshore Oil and Gas Project (Tax Remission) Order 2026

[3] Ibid

1.1. Computation Framework

S/N	Product Category	Reserve	Applicable Tax Credit Rate	Cumulative Cap
1.	Crude Oil	Producible reserves ≤ 400 million barrels of oil equivalent (boe)	US$3.00/barrel or 20% of fiscal oil price (whichever is lower)	150 million bbl
2.	Crude Oil	Producible reserves > 400 million boe	US$4.50/barrel or 20% of fiscal oil price (whichever is lower)	500 million bbl
3.	Non-Associated Gas	Hydrocarbon Liquids (HCL) content ≤ 30 bbl/mmscf	US$1.00/mscf or 30% of fiscal gas price (whichever is lower)	5 TCF
4.	Non-Associated Gas	HCL content > 30 and ≤ 100 bbl/mmscf	US$0.50/mscf or 30% of fiscal gas price (whichever is lower)	5 TCF

The Order anticipates a scenario where the oil price falls to US$50 per barrel. In such circumstances, the incentives provided in product category 1 and 2 above shall apply at 50% of the applicable rate.[4] For the avoidance of doubt, the Order limits the application of these incentives to crude oil produced from the relevant project development and expressly excludes production from any other field, lease or contract area. The tax credit is applied by increasing the contractor's share of profit oil under the PSC.

Paragraph 4 of the Order further set a rule for profit gas sharing formular between the government and a contractor by establishing an ascending profit sharing formular for existing non-associated gas deep offshore PSCs, as follows:

- Up to and including 1 TCF — 20%
- Over 1 TCF, up to and including 3 TCF — 35%
- Over 3 TCF, up to and including 5 TCF — 45%
- Over 5 TCF, up to and including 7 TCF — 50%
- Over 7 TCF — 60%

It therefore follows that the objectives of the Standard PTC are twofold: to stimulate deep offshore investment, and to ensure exclusive benefits to PSC parties who are financing the development of production-oriented projects.

2. Supplementary Production Tax Credits ("Supplementary PTC")

The Order creates an additional tax incentive called Supplementary PTC, under paragraph 6, and grants the Nigerian Revenue Services the power to approve an application for the same on a case-by-case

[4] See Paragraph 2 the Deep Offshore Oil and Gas Project (Tax Remission) Order 2026

basis. However, the Standard PTC and the Supplementary PTC shall not exceed $11.5 per barrel for oil projects and $8.00 for non-associated gas projects. The incentive shall apply to both the contractor and the concessionaire according to their profit oil or gas sharing formula. For lenders and investors, the practical implication is that the true ceiling on tax-credit-enhanced cash flow is fixed and known.

3. Profit Oil Reset

For Production Sharing Contracts("PSC"), the Order introduces the Profit Oil Reset, a distinct fiscal incentive available to deep offshore leases which shall apply to approved eligible project development.[5]

This incentive allows an eligible development to restart the applicable profit oil scale at a 70:30 Contractor to Government ratio irrespective of the profit-sharing scale already applicable to existing production within the same contract area. Where the incentive is approved, the concessionaire and the contractor are required to execute an addendum to the relevant PSC within 30 days and submit a copy to the NRS, the Nigerian Upstream Regulatory Commission, and the Office of the President within 14 days of execution.[6]

ELIGIBILITY REQUIREMENTS FOR SUPPLEMENTARY PTC AND PROFIT OIL RESET

A project shall qualify for the Supplementary PTC and the Profit Oil Reset where:

1. the application relates to the development of a crude oil or a non-associated gas project development within a deep offshore lease; and
2. the proposed project development is a greenfield project in respect of which an FID has not been taken as at the commencement date of this Order, provided that the FID is taken on or before 31st December, 2029.

For Profit Oil Reset, the applicant, in addition to meeting the criteria for Standard PTC, must ensure that the applicable profit oil sliding scale under the relevant PSC has progressed beyond the 70:30 ratio for contractor-government profit oil split.[7]

In addition to these requirements, an applicant must ensure that all project activities are executed in Nigeria except for projects that are:

a. on the project's critical path and may affect project delivery timeline if not performed outside Nigeria, or
b. 10% more expensive to perform within Nigeria, provided that where such activity is performed outside Nigeria it shall be in compliance with a Nigerian Content Plan duly approved by the Nigerian Content Development and Monitoring Board ("NCDMB")

[5] See Paragraph 7 the Deep Offshore Oil and Gas Project (Tax Remission) Order 2026
[6] See Paragraph 7 the Deep Offshore Oil and Gas Project (Tax Remission) Order 2026
[7] See Paragraph 8 the Deep Offshore Oil and Gas Project (Tax Remission) Order 2026

Procedure and Timelines for Application[8]

1. Application for Supplementary PTC and Profit Oil Reset are submitted to the NRS and must be accompanied by the relevant information regarding the financial and technical information about the project.
2. The NRS shall consider (either accept or refuse) an application within 45 days of receiving a complete application in consultation with the Federal Ministry of Finance.

To aid this process, the Order mandates that the NRS issue a guideline within 45 days of the commencement of this Order, which shall set out the documentation requirements, valuation methodology, computation framework, disclosure, reporting rules and any other matter that would ensure effective administration of the Order.

Safeguard and Claw-Back Provisions

The incentives under the framework are not absolute**.** Paragraph 11 of the Order contains a clawback provision that states that NRS may withdraw, revoke, recompute tax payable, recover tax credit and even impose penalties where it has determined that a beneficiary obtained or has utilised the Supplementary PTC through false statements, misrepresentation, omission, concealment, incorrect data, artificial arrangements, prohibited tax avoidance or breach of an approval condition.

Most Importantly, the clawback provision is not limited to fraudulent conduct; a genuine failure to satisfy an eligibility requirement may also trigger recovery. The NRS's actions under Paragraph 11 are without prejudice to any separate criminal, civil, administrative or regulatory proceedings against the applicant or any responsible person.

Effective and Commencement Dates

For Standard PTC, the order backdates commencement to 28 February 2024, while for Supplementary PTC and Profit Oil Reset takes effect from the date of the Order being 6th August 2026.

What to Do Now

- **a. Existing lessees:** map current and near-term projects against the FID window to 31 December 2029, and identify any that already qualify retrospectively from 28 February 2024.
- **b. Force majeure exposure:** if a project's FID timeline is at risk, prepare the Commission extension application including the nature of the event, period affected and revised timeline well ahead of any deadline.
- **c. Procurement planning:** assess which project activities can realistically be performed in Nigeria, and where a Nigerian Content Plan will be needed for the rest.
- **d. Financing documentation:** build claw-back risk and the credit's non-transferability into representations, covenants and cash flow modelling rather than treating them as standard-form boilerplate.

[8] See Paragraph 10 the Deep Offshore Oil and Gas Project (Tax Remission) Order 2026

e. **Engagement with NNPC on the PSC Addendum:** Operators seeking incentive approval should start aligning with NNPC to execute a PSC addendum within the 30 days time-frame ahead of the NRS's implementations guidelines.

CONCLUSION

The Order marks a significant step towards attracting global capital to Nigeria's deep offshore oil and gas sector and the retrospective effective date means real value may already have accrued to qualifying projects.

However, the Order is far from an automatic windfall. The incentives, specifically the Supplementary PTC and Profit Oil Reset, are discretionary, time-sensitive, and dependent on evidentiary support. Furthermore, the claw-back exposure extends beyond intentional fraud to penalize routine operational and procedural non-compliance.

Ultimately, capitalizing on these incentives requires operators and investors to treat the Order as an ongoing compliance and financial modeling process from FID through to first oil.

CONTACTS

OLA ALOKOLARO
ola.alokolaro@advocaat-law.com

HASSAN SHERIF
hassan.sherif@advocaat-law.com

VICTORIA OBI
victoria.obi@advocaat-law.com

MIRACLE IKANI
miracle.ikani@advocaat-law.com

ONYEKA CHIKA
onyeka.chika@advocaat-law.com

LAGOS OFFICE
13 Norman Williams Street
Off Keffi Street, Ikoyi
Lagos Nigeria

ABUJA OFFICE
Nigerian National Merit Award House Enspire
1st Floor Room 3
Plot 22 Aguiyi Ironsi Way Maitama Abuja
Nigeria

CALABAR
Akom Building
15 Murtala Mohammed Highway Calabar
Cross River
Nigeria

TELEPHONE: (LOS)+234 02014547932   (ABJ)+234 8105340496

EMAIL: info@advocaat-law.com   **WEBSITE:** www.advocaat-law.com