

An offshore oil pumpjack is shown in the foreground, with a worker in a blue uniform and hard hat standing next to it. The pumpjack is a large, complex piece of machinery with a long, curved arm. In the background, a glowing green map of Nigeria is superimposed over a dark, stormy sky with lightning. The overall scene is industrial and dramatic.

NIGERIA'S DEEP OFFSHORE INVESTMENT RESET:

**Key Implications of the Deep Offshore Oil and Gas
Projects Incentives (Tax Remission) Order, 2026**

AUGUST 31ST, 2026

Background

On August 6, 2026, President Bola Ahmed Tinubu signed the Deep Offshore Oil and Gas Projects Incentives (Tax Remission) Order, 2026 (the “Order”).

Following the recommendation of the Minister for Finance and in accordance with the Petroleum Industry Act, 2021 (“PIA”) and the Nigeria Tax Administration Act, 2025 (“NTAA”), the Order was published in the official government gazette on August 10, 2026. It introduces a new fiscal framework aimed at encouraging investment in Nigeria’s deep offshore oil and gas sector and revitalizing capital-heavy projects that have faced commercial difficulties or delays.

The Order introduces a structured incentive framework for qualifying deep offshore project developments, and its key features include:

- a. Standard Production Tax Credits (“PTC”)¹ for qualifying deep offshore oil and non-associated gas developments;
- b. An additional US\$1 per barrel Standard PTC for future leases;
- c. A Supplementary PTC available on a case-by-case basis to qualifying projects;
- d. A Profit Oil Reset² allowing qualifying developments under Production Sharing Contracts (“PSC”)³ to reset the applicable profit oil sliding scale to a 70:30 contractor-government split;
- e. A revised profit gas sharing formula for existing deep offshore non-associated gas PSCs;
- f. Ring-fencing of eligible developments for cost recovery and tax purposes;
- g. Incentives linked to domestic project execution and Nigerian Content;
- h. Clawback and recovery provisions for improperly obtained or utilized incentives; and
- i. A requirement for the Nigeria Revenue Service (“NRS”) to issue detailed implementation guidelines within forty-five (45) days.

The Order is therefore significant not merely for providing tax relief, but for seeking to re-engineer the economic parameters of qualifying deep offshore developments.

For investors, the critical question will be whether the combined effect of the production tax credits, the profit-oil reset and other incentives is sufficient to improve project economics and bring commercially marginal developments to Final Investment Decision (“FID”).

For government, the challenge will be to ensure that the incentive regime attracts genuinely incremental investment while safeguarding revenue, maintaining fiscal discipline and maximizing domestic economic value.

This publication examines the essential provisions of the Order and the implications for operators and other key stakeholders in the Nigerian oil and gas industry.

¹ Standard PTC means the production tax credit granted under paragraphs 2 and 3 of the Order and includes the additional US\$1.00 per barrel available only to future leases under paragraph 2(2) of the Order.

² Profit Oil Reset means the restart of the applicable profit oil sliding scale contained in the relevant Production Sharing Contracts, such that the allocation of profit oil ratios between the Contractor and the Concessionaire shall start from a ratio of 70:30 as between a contractor and government in respect of each new deep offshore project development, intended to be developed in a contract area where existing production elsewhere in the contract area has already graduated the profit oil ratios higher up in the profit oil sliding scale.

³ Production Sharing Contract (PSC) is any agreement awarded by the government to a contractor for the exploration, development, and production of petroleum, on terms under which the contractor, as the financial risk-bearing party, shall recover its costs and receive a share of the profits based on a share of production from the applicable area, as stipulated in the said agreement.

1. Why the Order Matters

Deep offshore projects demand large initial investments, extended development periods, advanced technology, and high operating costs. Their economic viability is greatly affected by factors such as development expenses, production rates, crude oil and gas prices, fiscal arrangements, project risks, FID timing, cost recovery, government revenue shares, and the stability of long-term investments.

In this context, the new Order aims to enhance the investment appeal for deep offshore projects by implementing a rules-based fiscal incentive system.

The policy aligns with Nigeria's broader goal of establishing a more predictable upstream investment climate under the PIA. Similarly, the Nigerian Upstream Petroleum Regulatory Commission ("NUPRC") has highlighted predictability and investor confidence as key priorities of the ongoing upstream reform efforts.

The Order is particularly significant because it moves beyond a single tax concession and combines tax credits with contractual and production-sharing incentives.

2. What Projects Are Covered?

The Order applies to project developments within deep offshore leases. Project development is defined as follows:

"a project comprising activities solely aimed at developing a greenfield crude oil or non-associated gas field (undeveloped field) or group of greenfields within a single or multiple oil mining leases, pursuant to an approved field development plan and does not include infill drilling, workover, recompletion, debottlenecking, routine facilities upgrade, enhanced recovery from an existing producing field, or any other brownfield optimisation activity"

The distinction in the definition is important. The framework is primarily designed to stimulate new field development rather than to provide general tax relief for existing producing assets.

4 See paragraph 19(1) of the Order.



3. Standard Production Tax Credit

The first major incentive is the Standard PTC, which applies to:

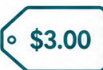
- existing deep offshore leases where FID is taken within the specified period; and
- future leases awarded after the Order’s effective date, including those derived from existing or future licences.

For existing leases, the relevant FID window runs from the Order’s effective date to December 31, 2029. The Order states that the effective date is February 28, 2024. This means the framework operates retrospectively in relation to certain provisions, even though the Order itself was made on August 6, 2026, and published in the Official Gazette on August 10, 2026.

This is an important feature that existing deep offshore operators should carefully consider.

4. Standard PTC for Deep Offshore Oil

The Standard PTC for qualifying crude oil production is calculated starting from the beginning of production. The applicable rates are listed in the table below:

 Qualifying Project	 Standard PTC
 Producible reserves ≤ 400 million barrels.	 US\$3.00/bbl or 20% of fiscal oil price, whichever is lower, up to 150 million barrels. 
 Producible reserves > 400 million barrels.	 US\$4.50/bbl or 20% of fiscal oil price, whichever is lower, up to 500 million barrels. 
 Future leases.	 Additional US\$1.00/bbl , subject to applicable cumulative production threshold. 

For future leases, the additional US\$1.00 per barrel applies from the commencement of production up to the applicable cumulative production threshold.

The Order also provides downside protection for government revenue: when the applicable fiscal oil price falls below US\$50 per barrel, the applicable PTC for that month is reduced to 50% of the applicable rate.

The credit applies solely to the specific project, calculated only on crude oil produced and sold from that project, and cannot be used for production from other fields, leases, projects, assets, or contract areas.

Investor implication: The PTC enhances project economics by lowering the effective tax burden linked to qualifying production. However, since the credit depends on actual production and has cumulative production thresholds, its ultimate value will rely on the project’s production levels and price assumptions.

5. Standard PTC for Deep Offshore Oil

The Order also introduces a separate production tax credit for marketable non-associated gas. The credit is calculated as shown in the table below:

 Hydrocarbon Liquids (HCL) Content	 Standard PTC
 HCL ≤30 barrels/mmscf.	 US\$1.00/mscf or 30% of fiscal gas price, whichever is lower, up to 5 trillion cubic feet (“TCF”).
 HCL >30 and ≤100 barrels/mmscf.	 US\$0.50/mscf or 30% of fiscal gas price, whichever is lower, up to 5 TCF.
 HCL >100 barrels/mmscf.	 No Standard PTC.

The HCL determination applies only to the upstream petroleum sector and follows NUPRC guidelines. This is especially important as Nigeria aims to tap into deep offshore gas resources and broaden its upstream investment focus beyond crude oil.

6. Revised Profit Gas Sharing Formula

A notable aspect of the Order is how it handles profit gas under current deep offshore non-associated gas PSCs, where the Concessionaire acts on behalf of the Federation. The minimum government profit-gas allocation is specified in the Order, as shown in the table below.

 Cumulative Production	 Government Allocation
 Up to 1 TCF	 20%
 > 1 – 3 TCF	 35%
 > 3 – 5 TCF	 45%
 > 5 – 7 TCF	 50%
 > 7 TCF	 60%

This provision should be considered together with the gas-specific PTC. The combined impact aims to enhance the economic viability of deep offshore non-associated gas projects while maintaining a growing government stake as cumulative production rises.

In addition to the Standard PTC, the Order introduces a Supplementary Production Tax Credit (“Supplementary PTC”). Unlike the Standard PTC, this is not automatic; instead, the NRS assesses each case individually, considering the economic profile of the qualifying project.

The aggregate of the Standard PTC and the Supplementary PTC is capped at:



US\$11.50 per barrel for oil project developments; and



US\$8.00 per barrel of oil equivalent for non-associated gas project developments.

The Supplementary PTC offers extra financial support for projects whose economics might still be unappealing even after applying the Standard PTC.

This aspect might be one of the most commercially important parts of the Order. It adds a project-specific economic adjustment, avoiding the need for fully bespoke negotiations for each project. The Order mandates the NRS to create and publish guidelines that detail how it will determine the level of Supplementary PTC.

Therefore, the clarity, openness, and consistency of these guidelines will be essential for maintaining investor confidence.

7. Profit Oil Reset – A Potentially Transformative Incentive

One of the most notable non-tax aspects of the Order is the Profit Oil Reset. In current PSC agreements, profit oil is distributed based on a sliding scale, where the government's share grows as cumulative production targets are met.

The Order allows an eligible new project within a contract area to reset the profit oil sliding scale to a 70:30 split, favoring the contractor and government respectively. This applies even if existing production in other parts of the contract area already has a higher government share.

This is significant because a new project within a mature contract area would not necessarily inherit the less-favourable profit-oil position created by historical production elsewhere in that area.

8. Who Qualifies for the Supplementary PTC and Profit Oil Reset?

The Order sets out key eligibility conditions. Accordingly, the project must:

- a. be a crude oil or non-associated gas project within a deep offshore lease;
- b. constitute a greenfield development;
- c. have no FID as at the commencement date of the Order; and
- d. achieve FID on or before 31 December 2029, subject to a possible force majeure extension.

For the Profit Oil Reset specifically, the applicable PSC's profit oil sliding scale must already have progressed beyond the 70:30 contractor-government split. This means the Profit Oil Reset is targeted at projects where existing production in the relevant contract area would otherwise result in a less-favourable profit oil allocation for a new development.

The eligible development must also be designated separately for cost recovery and tax purposes.

Contractual implementation: Once approved;

- a. the Concessionaire and Contractor must execute an addendum to the relevant PSC within 30 days; and
- b. the executed addendum must be submitted to the NRS, NUPRC and the Office of the President within 14 days.

This makes the Profit Oil Reset more than a tax adjustment. It requires a contractual amendment to the applicable PSC.

9. Domestic Execution and Nigerian Content

The Order establishes an important domestic economic-value requirement. Therefore, to qualify for the Supplementary PTC and Profit Oil Reset, all project development activities generally need to be conducted in Nigeria, with only a few limited exceptions.

The exceptions cover (i) activities on the critical path, including long-lead items that significantly affect the project timeline; and (ii) activities that cost 10% more to execute in Nigeria than outside Nigeria, considering the full cost, including logistics, shipping and duties.

Where activities are carried out outside Nigeria under these exceptions, they must comply with a Nigerian Content Plan approved by the Nigerian Content Development and Monitoring Board (NCDMB).

Strategic implications: The Order seeks to achieve two objectives simultaneously: attract international capital and deepen domestic industrial participation.

For qualifying projects, the incentive package could have implications beyond fiscal economics, extending to engineering, fabrication, marine logistics, project management, technical services, local supply chains, and Nigerian employment and capacity development.

10. Application and Approval Process

A formal application to the NRS is required for the Supplementary PTC and Profit Oil Reset. This application must contain a comprehensive open-book economic model that details relevant information:

- a. cost assumptions;
- b. price assumptions;
- c. production assumptions; and
- d. fiscal assumptions.

The NRS must review a complete application within 45 days, after consulting with the Federal Ministry of Finance and relevant institutions. This process is crucial as it provides a structured way to decide if a project needs extra fiscal support.

A key issue for investors: The effectiveness of this mechanism will depend largely on the forthcoming implementation guidelines, particularly the methodology for determining a project's economic profile and the corresponding level of Supplementary PTC.

11. Clawback and Recovery

The Order contains strong protections against misuse. The NRS may withdraw an approval, recalculate the tax payable, and recover a wrongly utilised benefit, together with applicable penalties and interest, where the NRS determines that an applicant obtained or utilised the Supplementary PTC through:

- a. false statements;
- b. misrepresentation;
- c. omission;
- d. concealment;
- e. incorrect data;
- f. artificial arrangements;
- g. prohibited tax avoidance arrangements;
- h. breach of approval-condition; or
- i. failure to satisfy an eligibility requirement.

Such recovery does not preclude further criminal, civil, administrative or regulatory action.⁵

Compliance implication: Operators should expect enhanced documentation, economic-model integrity and project-level reporting requirements.



⁵ Paragraph 11(2) of the Order

12. How Are the Tax Credits Calculated & Used?

The Order links the fiscal price used to calculate the tax credits to the price used to determine petroleum royalty under the Nigeria Tax Act⁶, NTAA, and applicable regulations or guidelines⁷. The tax credit is:

- a. computed monthly based on crude oil production or gas sold after production commences; and
- b. reconciled annually as part of the applicant's tax incentive and annual tax returns.

The framework is also subject to the minimum effective tax rate prescribed under the Nigeria Tax Act. This is important because the PTC should not be construed as an unrestricted reduction in tax liability⁸.

13. Cost Discipline – 10% Reduction for High Technical Costs

The Order includes a clear cost-efficiency feature. If a project's Unit Technical Cost surpasses the benchmarked levels set by NUPRC regulations, the relevant tax credits will be decreased by 10%.⁹

The Unit Technical Cost comprises the cost elements approved by the NUPRC and communicated to the NRS for the relevant project.¹⁰

Commercial significance: The incentive functions partly as a performance mechanism. The investor receives fiscal support, but excessive technical costs may diminish the value of that support. This could create an additional incentive for sponsors and contractors to maintain disciplined project economics.

14. No Double-Dipping

The Order expressly provides that tax credits accruing under the framework in a year cannot be combined with:¹¹

- a. production allowance incentives under the Sixth Schedule to the Nigeria Tax Act, 2025; or
- b. the Associated Gas Framework Agreement (AGFA).

Investors will therefore need to conduct a comparative economic assessment when more than one fiscal incentive regime could apply. The most attractive framework will not necessarily be the one with the highest headline incentive, but the one that delivers the strongest after-tax project economics over the life of the development.

15. Treatment of Surplus Tax Credits

Where a tax credit exceeds the amount that can be utilised in a particular year, the surplus may be carried forward for up to four years. However, the credit is not refundable, transferable, assignable, saleable, convertible to cash, or available for set-off against another person's or project's tax, levy, royalty, penalty or interest.

It may only be applied against the tax liability arising from the qualifying project development. Any unused surplus that remains after the four-year period shall lapse.

Investor implication: The economic value of the PTC will therefore depend partly on the project's ability to generate sufficient tax liabilities against which the credit can be utilized. This makes project-level tax modelling particularly important.

⁶ Nigeria Tax Act, 2025.

⁷ Paragraph 12 of the Order

⁸ Paragraph 12(b) of the Order

⁹ Paragraph 13(1) of the Order

¹⁰ Paragraph 13(2) of the Order

¹¹ See paragraph 14 of the Order

16. Implementation Guidelines – The Next Critical Milestone

The Order mandates that the NRS issue implementation guidelines within 45 days of the Order date. These guidelines should cover application procedures, documentation requirements, valuation methods, calculation templates, rules for utilization, reporting standards, ring-fencing, treatment of surplus credits, monitoring processes, and other administrative issues.

This will be a critical next step. While the Order establishes the framework, the guidelines will determine many of the operational mechanics by which investors will access and utilise the incentives.

17. Effective Date and Commencement

The Order creates an unusual but important distinction between its effective date and its commencement date. The effective date is stated as February 28, 2024, while the commencement date is the date the Order was signed – August 6, 2026.

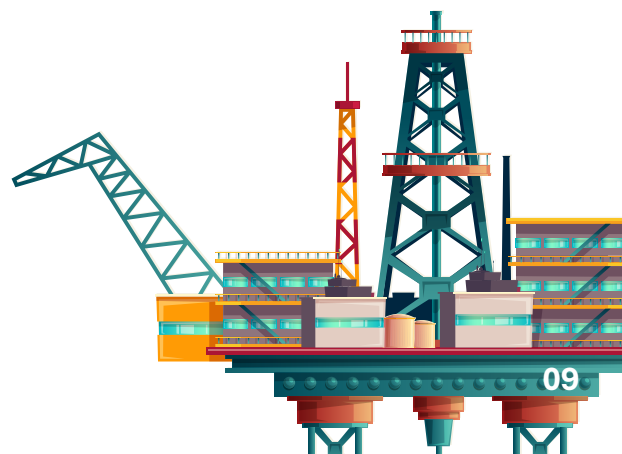
Provisions relating to the application of PTC, Standard PTCs applicable to deep offshore oil development, deep offshore non-associated gas development, the profit gas sharing formula, and the objects of Standard PTC, as well as provisions relating to the technical cost of development, double incentives, and PTC surplus, are deemed effective from February 28, 2024; while provisions relating to Supplementary PTC and Profit Oil Reset, together with eligibility requirements, accessibility conditions and application process, claw-back and recovery of incentives, and implementation guidelines, take effect from the commencement date.

This distinction may have significant implications for projects and transactions occurring between February 2024 and August 2026. It should therefore be carefully examined by operators assessing historical FID decisions, project economics and eligibility.

18. What Does the Order Mean for Investors?

The new framework has the potential to significantly enhance the economics of qualifying deep offshore developments.

- **For existing leaseholders:** The Order creates an incentive to move qualifying greenfield projects towards FID before the 31 December 2029 deadline, subject to applicable conditions and force majeure extensions.
- **For future leaseholders:** Future leases will benefit from an additional Standard PTC of US\$1 per barrel, subject to the production thresholds and other requirements under the Order.
- **For PSC contractors:** The Profit Oil Reset could materially improve project economics where existing production in the contract area has already pushed the PSC's profit-oil split beyond 70:30.
- **For gas developers:** The combination of the gas PTC and revised profit-gas allocation could enhance the commercial attractiveness of deep offshore non-associated gas developments.
- **For financiers:** A clearer, rules-based incentive regime could improve the predictability of project cash flows and therefore support financing discussions, subject to detailed modelling and the satisfaction of the applicable conditions.



19. Conclusion

Nigeria's deep offshore petroleum reserves present a major long-term opportunity. However, transforming this geological potential into commercial output demands a fiscal and contractual setting that can support high-capital projects, lengthy development periods, and intricate technical demands. The Order aims to tackle this challenge by offering a specific set of fiscal and contractual incentives.

For qualifying projects, the framework provides substantial economic assistance through Standard PTC, Supplementary PTC, Profit Oil Reset, and updated profit-gas sharing mechanics. At the same time, the Order protects government interests by establishing production thresholds, price floors, cost benchmarks, ring-fencing measures, restrictions on credit transfer, clawback clauses, and minimum effective tax rules.

For investors, the immediate priority should be to revisit the economics of qualifying projects, assess eligibility, review existing PSC arrangements, and prepare for the implementation framework.

For government, the opportunity is to demonstrate that Nigeria can provide what long-term capital requires: clear rules, predictable administration and durable certainty of investment.

If implemented effectively, the Order could mark an important step towards restarting Nigeria's deep offshore investment cycle, increasing production, expanding domestic industrial participation, and strengthening the country's position as a competitive destination for global upstream capital.

The implications for international oil companies, indigenous operators, financiers, contractors and other stakeholders in deep offshore developments are significant.

For existing and prospective investors, the next phase will be to translate the framework into project-specific commercial, fiscal and contractual outcomes. This will require careful analysis of eligibility, project economics, PSC terms, tax implications, Nigerian Content obligations, regulatory approvals and implementation requirements.

Brooks Partners remains committed to supporting investors and industry participants as Nigeria's upstream investment landscape continues to evolve.





www.brookspartners.ng



brookspartners@brookspartners.ng



+234 (0) 703 125 7222



2nd Floor, 168 Awolowo Road, Ikoyi,
Lagos State



[linkedin.com/company/brookspartners](https://www.linkedin.com/company/brookspartners)