Nigeria's Deep Offshore Incentive Regime: Key Tax and Investment Implications

September 2026

On 6 August 2026, President Bola Ahmed Tinubu signed the Deep Offshore Oil and Gas Projects Incentives (Tax Remission) Order, 2026 ("the Order"), which was subsequently published in the Official Gazette on 10 August 2026. The Order was issued pursuant to the powers conferred on the Minister of Petroleum Resources and the President of the Federal Republic of Nigeria by the Petroleum Industry Act and the Nigeria Tax Administration Act.

Building on the Notice of Tax Incentives on Deep Offshore Oil and Gas Production, 2024 ("the 2024 Notice"), the Order introduces a more robust incentive framework for deep offshore oil and gas developments, including new provisions on Supplementary Production Tax Credits, Profit Oil Reset mechanisms, project eligibility requirements and incentive administration.

Key Provisions

1. Standard Production Tax Credits (PTCs)

The Order retains the PTC regime previously introduced in 2024 for qualifying deep offshore developments. The applicable PTCs and specified conditions for oil projects and non-associated gas projects are summarised in the tables below.

Oil Projects

Reserve Category	Tax Credit
Producible reserves not exceeding 400 million barrels	US$3.00 per barrel or 20% of fiscal oil price (whichever is lower), up to a cumulative production of 150 million barrels.
Producible reserves exceeding 400 million barrels	US$4.50 per barrel or 20% of fiscal oil price (whichever is lower), up to a cumulative production of 500 million barrels.

Non-Associated Gas Projects

Hydrocarbon Liquids (HCL) Content	Tax Credit
HCL content not exceeding 30 barrels of liquid per million standard cubic feet (bbl/mmscf)	US$1.00 per thousand standard cubic feet (mscf) of gas sold or 30% of fiscal gas price (whichever is lower), up to a cumulative sales volume of 5 trillion cubic feet (TCF).
HCL content exceeding 30 bbl/mmscf	US$0.50 per mscf of gas sold or 30% of fiscal gas price (whichever is lower), up to a cumulative sales volume of 5 TCF.

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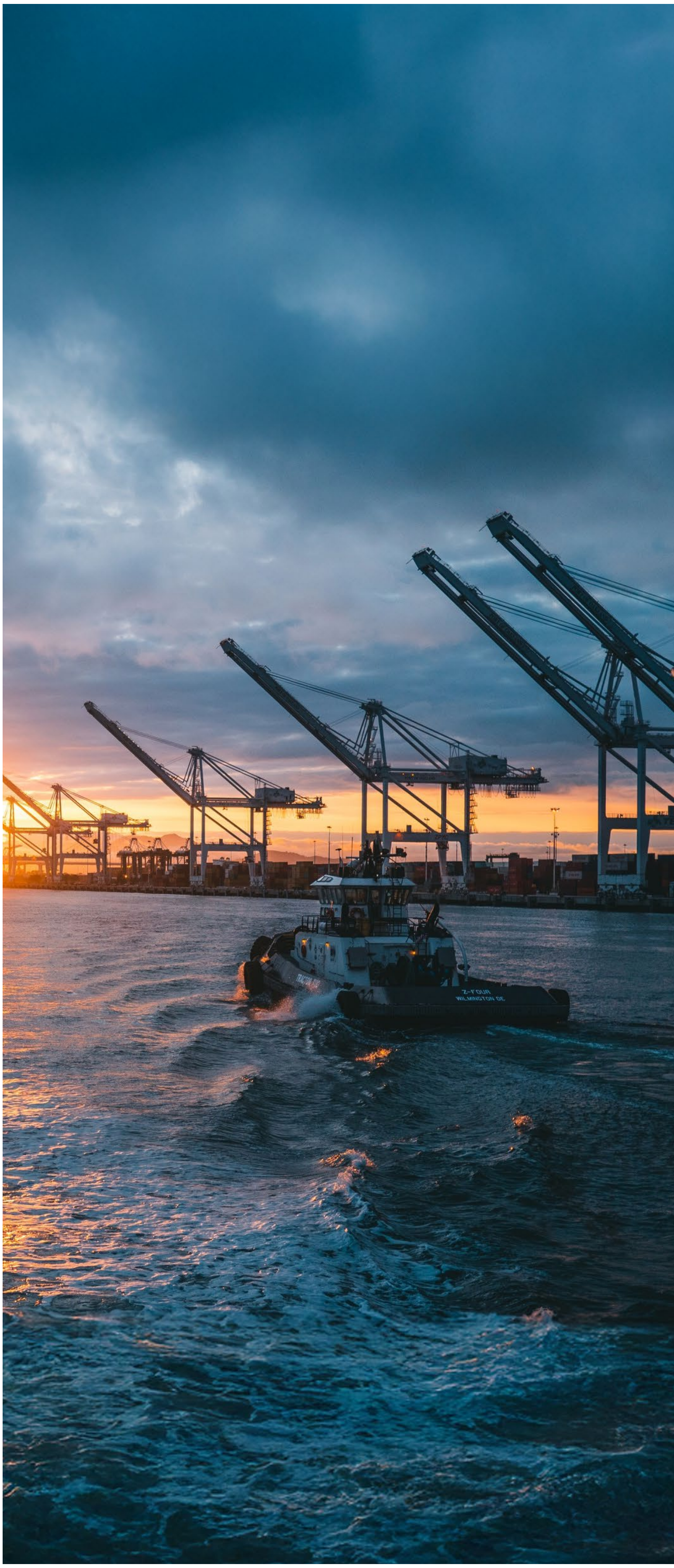
The incentives apply to qualifying projects where Final Investment Decisions (FIDs) are taken on or before 31 December 2029[1], subject to specific eligibility requirements. The December 2029 qualification may encourage operators to prioritise FID decisions before the deadline. However, projects affected by force majeure may apply for extension.

2. Introduction of Supplementary PTCs

A notable provision of the Order is the introduction of Supplementary PTCs. The Nigeria Revenue Service (NRS) may grant additional tax credits on a case-by-case basis after reviewing the economic profile of a qualifying project.

The aggregate of Standard PTCs and Supplementary PTCs is capped at US$11.50 per barrel for crude oil developments and US$8.00 per barrel of oil equivalent for non-associated gas developments.



3. Introduction of Profit Oil Reset (POR)

The Order also introduces a POR mechanism for qualifying deep offshore production sharing contract (PSC) developments. Under this incentive, eligible project developments may restart profit oil allocation at a 70:30 contractor-government ratio. This is notwithstanding that existing production elsewhere in the same contract area has already graduated the profit oil ratios to a higher step in the profit oil sliding scale.

This represents a material change from the 2024 Notice and is expected to improve the commercial viability of new developments within mature PSC areas.

4. Nigerian Content Requirement

Access to the Supplementary PTC and the POR incentives is subject to fulfilling local content conditions. Generally, activities relating to the project development must be performed in Nigeria, except where such activities are on the project’s critical path or can be performed outside Nigeria at a cost advantage exceeding 10%, subject to compliance with approved Nigerian Content Plans.

5. Enhanced Administration and Compliance Framework

Unlike the 2024 Notice, the Order provides detailed provisions regarding eligibility requirements, application procedures, approval timelines, annual reporting obligations, ring-fencing of qualifying developments, and claw back mechanisms for improperly obtained incentives.

The Order also extends the carry-forward period for unutilised tax credit from three years (under the 2024 Notice) to four years.

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[1] The qualification period has been extended from 1 January 2029, which was stated in the 2024 Order.

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Commentaries

The publication of the Order represents a major development in Nigeria's deep offshore fiscal framework and appropriately anchors the incentives to development of projects. While the Standard PTC largely preserves the incentives introduced in 2024, the introduction of Supplementary PTC and the POR mechanisms significantly expand the available fiscal support for deepwater projects. These measures may enhance project economics and could improve Nigeria's competitiveness as a destination for offshore oil and gas investments.

The alignment of the effective date of the Order with the issuance date of the 2024 Notice on some provisions, especially with respect to the standard production tax credit, appears to extend the comprehensive framework enshrined in the Order to qualifying projects that commenced pursuant to the 2024 Notice. In addition, the definition of "deep offshore leases" confirms the applicability of the incentives to both converted and unconverted leases.

The Order does not allow operators to combine the specified tax incentives with production allowances under the Nigeria Tax Act (NTA) and the Associated Gas Framework Agreement (AGFA) incentives. Oil operators will need to prepare multiple scenarios and simulations to determine which incentive provides superior benefits.

However, some aspects of the Order may generate industry discussion. In particular, the discretionary powers granted to the NRS in determining the level of Supplementary PTCs, the practical implementation of the POR mechanism, and the interaction of the new incentives with existing PSC arrangements may require further clarification in the implementation guidelines to be issued by the NRS (expected within 45 days from the commencement date of the Order).

According to the Order, potential tax credits will be reduced by 10% where project technical costs exceed regulatory benchmarks. One can understand this if the overrun results from the inefficiency of the operators. However, further guidance may be helpful on the treatment of cost overruns arising from contracting delays or market conditions beyond operators' control. Government may also want to explore the implementation of a sliding scale for cost overrun and related reduction incentive to ensure fairness and equity.

Overall, the incentives contained in the Order are expected to support FID, improve project economics and position Nigeria for more investments in the deep offshore. However, its ultimate success may depend on its implementation and effective coordination among all the stakeholders.

- Please **click here** to download a copy of the Order.

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