Estimates of the Remaining Exchequer Cost of Decommissioning UK Upstream Oil and Gas Infrastructure (October 2026)

The Exchequer costs considered here arise from (a) refunds of previously tax paid (when losses as a result of decommissioning expenditure are "carried back" against past profits) and (b) lower levels of tax on current or future profits (which are reduced by current, carried forward or future decommissioning costs).

With respect to Offshore Corporation Tax (CT) – comprised of Ring Fence Corporation Tax (RFCT) and Supplementary Charge (SC) – the Corporation Tax Act 2010 allows for a company's decommissioning loss to be carried back against its own historical profits dating back to April 2002. This may result in a repayment of tax.

The Oil Taxation Act 1975 allows participators in an oil and gas field liable to Petroleum Revenue Tax (PRT)[1] to carry back losses almost indefinitely against profits it has previously made from the field or which previous participators in the field had made. This may result in the repayment of PRT. Such repayments are themselves liable to Offshore CT.

Decommissioning costs are not deductible against profits subject to the Energy Profits Levy.

Exchequer liabilities from decommissioning

In August 2026, the NSTA's central estimate was that total industry costs from 2026 onwards for decommissioning all upstream UK oil and gas infrastructure would be £43.4 billion in 2025 prices. The Exchequer cost of tax relief from this expenditure currently projected by HMRC is £11.8 billion.[2] This is made up of £6.7 billion from tax repayments and a reduction in Offshore CT of £5.1 billion. Decommissioning expenditure reduces company profits and hence lowers the overall tax take.

The £6.7 billion provision estimate reported above appears in *HMRC's Annual Report and Accounts 2025–26* (9 July 2026).[3] Extracts from that publication follow:

> **Provision for oil and gas field decommissioning**
>
> The provision for tax repayments is an estimate based on the appropriately discounted sum of all forecast decommissioning repayments over the expected lifetime of the North Sea oil and gas fields.
>
> …

1. PRT is a 'field-based' tax charged on the profits arising from individual oil and gas fields that were approved for development before 16 March 1993. The rate of PRT was permanently set at 0% effective from 1 January 2016 but it has not been abolished so that losses (including losses arising from decommissioning PRT-liable fields) can be carried back against past PRT payments resulting in tax repayments.
2. Nominal prices with discounting.
3. Within the total provision of £6.7 billion, repayments of PRT and Offshore CT are £2.1 billion and £4.6 billion, respectively.

The key determinants of the provision estimate are:

- future decommissioning costs from the North Sea Transition Authority's (NSTA) latest UKCS Stewardship Survey
- oil and gas prices, expenditure and production from the Office for Budget Responsibility (OBR), Department for Energy Security and Net Zero (DESNZ) and NSTA
- discount rates from HM Treasury
- the US Dollar/Sterling exchange rate from the OBR.

Uncertainty around the estimate of the provision

There is inherent uncertainty surrounding forecasting oil and gas revenues over 30+ years ahead. Sensitivity analysis has been produced to demonstrate the impact of changes to key assumptions used in the current estimate.

Impact on the provision of varying determinants

Key assumption	Direction of impact	Increase £bn	Decrease £bn
Decommissioning costs (10% move compared to baseline)	Higher costs increase the provision	0.7	(0.7)
Oil and gas prices (10% move compared to baseline)	Higher prices reduce the provision	0.4	(0.4)
Oil & gas production (10% move compared to baseline)	Higher production reduces the provision	0.4	(0.4)
Discount rates (+/- 50 basis points)	Higher discount rates reduce the provision	0.3	(0.3)
US Dollar/Sterling exchange rate (10 cent move)	Higher US$/£ rate increases the provision	0.1	(0.2)

Decommissioning Relief Deeds (DRDs)

Relief for decommissioning costs incurred as a result of default by other parties may be available through DRDs. Information on these Deeds is given in Note 23.1 to HM Treasury's 2025–26 Annual Report and Accounts. There is significant uncertainty regarding the value and timing of future DRD payments.