The Oil and Gas Revenue Levy: Windfall Taxation Set to Become a Fixture of the UK Upstream Regime

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The UK is set to make windfall taxation of oil and gas permanent. The Finance Bill 2026-27, published on 4 November 2026, introduces the Oil and Gas Revenue Levy (OGRL) to succeed the temporary Energy Profits Levy (EPL). The OGRL is switched off at normal prices and bites only when prices spike. For anyone producing, buying, financing or contracting around UK oil and gas assets, onshore or offshore and wherever they are based, it is worth building the implications of the OGRL into long-term planning now.

The government's objective is clear: to secure a fair share of windfall revenues during price spikes while establishing a more stable fiscal framework. Some industry participants, however, may argue that a permanent tax on revenues, regardless of profitability and without reliefs, could deter investment in an already mature basin.

When

The OGRL starts the day the EPL ends: 1 April 2030, or earlier if the Energy Security Investment Mechanism (ESIM) is triggered. There is no overlap. The ESIM is, in essence, an early exit route for the EPL: If oil and gas prices fall below threshold levels for a sustained period, the EPL can end before 2030 and the OGRL would take over from that point.

How it works

The levy taxes revenue, not profit. Companies in the UK's ring-fenced upstream tax regime will pay 35 per cent on sales revenue above $90 per barrel for oil and 90p per therm for gas, with both thresholds rising each year with UK inflation. That comes on top of the existing 30 per cent ring-fence corporation tax and 10 per cent supplementary charge.

The key features:

- Prices are averaged and tested monthly, so a short spike can trigger a charge for that month even if the annual average stays below the threshold.
- Only oil and gas sales count; other ring-fence income is outside the levy.
- It is a standalone charge: no group relief, no loss carry-back or carry-forward.
- It is not deductible in calculating profits for other taxes.
- It is collected through the corporation tax system, including instalment payments for large companies.

How does it differ from the EPL?

The EPL is a 38 per cent levy on ring-fence profits, bringing the headline rate on upstream profits to 78 per cent. It applies whatever the price, although profits can be reduced by the decarbonisation investment allowance (the main investment allowance was abolished for expenditure from 1

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November 2024). The OGRL applies only in months when realised prices exceed the thresholds, and no costs, losses or investment can be set against it.

Key rules in the Finance Bill

The OGRL sits in Part 4 of the Finance Bill (clauses 116 to 130). Among the points to note:

- **Attribution:** Companies must allocate their sales receipts to the month in which the oil or gas was sold, on a fair and reasonable basis. The same method must be used every period, and can change only if circumstances mean it no longer gives a fair and reasonable result.
- **Market value:** Disposals that are not arm's-length sales, and appropriations of oil or gas, are brought in at market value.
- **Revenue sharing:** Arrangements giving someone else a share of the company's receipts are ignored.
- **Hedging:** Revenue is adjusted up or down for gains and losses under arrangements whose main purpose is to hedge oil or gas price exposure.
- **Currency:** Exceptional oil revenues are worked out in US dollars and converted to sterling at the month's average exchange rate; gas is calculated in sterling.
- **Units:** Volumes sold in other units must be converted into barrels or therms on a fair and reasonable basis.
- **Anti-avoidance:** A targeted rule counteracts any levy advantage from arrangements with a main purpose of securing it, through just and reasonable adjustments.

What to do now

- Build systems to track realised prices and sales month by month.
- Review offtake, marketing and intra-group arrangements against the new attribution and anti-avoidance rules. Structures that shift revenue between months or entities are likely to attract scrutiny.
- Revisit hedging policies, since hedging adjustments feed into the revenue calculation.
- In M&A and financing, model high-price scenarios: with no cost or loss relief, the levy could apply even to a field that is not profitable overall.
- Overseas groups should check how the levy interacts with tax credits and reporting at home.
- Consider factoring the levy into long-term investment decisions on new UK projects, as it may affect upstream investment levels.

Bottom line

The OGRL trades ad hoc windfall taxes for a formula, which should bring welcome certainty. But a revenue-based charge with no reliefs may prove a blunter tool than its 35 per cent headline suggests because it can apply on fields that make no profit. The Finance Bill still needs to pass Parliament and receive Royal Assent, and further refinements are possible along the way. We will aim to keep our clients updated as it progresses. The Haynes Boone UK Tax Team advises across the full range of upstream and energy tax matters and can help you navigate the OGRL, including assessing ring-fence status, identifying which receipts fall within the levy, reflecting it in M&A, financing and investment decisions, and, for overseas groups, its interaction with foreign tax credits at home. Please contact the Haynes Boone UK Tax Team at to discuss what it means for you.

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