WHITE PAPER

POWERPLAN

NAVIGATING OBBBA:

Tax-Smart Growth for Oil & Gas in a Changing Regulatory Landscape

How Tax Teams Can Lead with Confidence Amid New Opportunities and Complexity

INTRODUCTION

A New Era of Tax Opportunity and Complexity

The **One Big Beautiful Bill Act (OBBBA)** is reshaping the economic landscape for oil and gas companies. While headlines focus on energy independence and environmental initiatives, the ripple effects for corporate tax departments are both urgent and far-reaching. Tax leaders now sit at the intersection of capital strategy, regulatory risk, and investor confidence—and the stakes have never been higher.

Key Provisions of OBBBA That Impact Oil & Gas Tax Strategy

100% Bonus Depreciation: OBBBA permanently restored 100% bonus depreciation under Section 168(k) for qualified property acquired and placed in service after January 19, 2025. This allows oil and gas companies to immediately deduct the full cost of such qualified property in the year it is placed in service, rather than depreciating such property's cost over time.

Lease Sales and Royalties: Offshore lease sales are mandated and royalty rates reinstated to pre-IRA levels, impacting expected cash flows and future investment returns.

Intangible Drilling Costs (IDC): IDCs typically 60–80% of well costs—remain fully deductible and are excluded from Adjusted Financial Statement Income (AFSI) under the Corporate AMT, offering a significant tax shield.

Faster NEPA Reviews: Project reviews under NEPA can now be accelerated (for a fee), speeding up development timelines—and increasing the need for dynamic tax forecasting tied to capital spend.

Methane Fee Deferral: The methane emissions fee is delayed until 2035, giving companies a window to reinvest in production without immediate cost increases.

Expanded Carbon Capture Credits: Enhanced incentives for CO2-based enhanced oil recovery (EOR) reward innovation but add complexity to tax credit tracking and basis management.

Immediate R&D Expensing: Immediate expensing has been restored for U.S.-based R&D expenses effective for tax years beginning after December 31, 2024. The definition of eligible R&D expenses is also expanded to include a broader range of activities such as software development and certain types of engineering and design work.

Tax and Accounting Implications

TIME TO RETHINK THE BACK OFFICE

OBBBA provisions fuel capital expansion and innovation—but they also introduce new complexity into accounting and tax operations:

- **More Capex, More Complexity:** With increased investment comes a larger and more varied asset base to manage—requiring precise book-to-tax tracking, depreciation, and asset lifecycle visibility.
- **M&A Acceleration:** Strategic acquisitions or divestitures require rapid onboarding/offboarding of assets, seamless integration into tax systems, and advanced tools to model opportunities more quickly and thoroughly.
- **New Asset Classes:** Tax teams must be able to define, model, and manage new types of properties like carbon capture infrastructure or AI-enabled drilling platforms.

One of the largest U.S. midstream companies recently reported in its Q2 earnings call: "We were very pleased with the restoration of a 100% bonus depreciation in the One Big Beautiful Bill. As we've discussed, this creates significant cash tax deferrals that are tied to the in-service date of non-regulated capital investments like our power innovation projects, but also covering our other gathering and processing investments." The legislation provided tax benefits through bonus depreciation restoration of ***$100 million current income taxes.***

This example serves to demonstrate the gravity of the impact that current tax benefits will present to oil and gas companies which will stimulate significant investment opportunities. This environment demands **advanced scenario planning, cross-functional capital alignment, and increased visibility into tax impacts** of every investment decision.

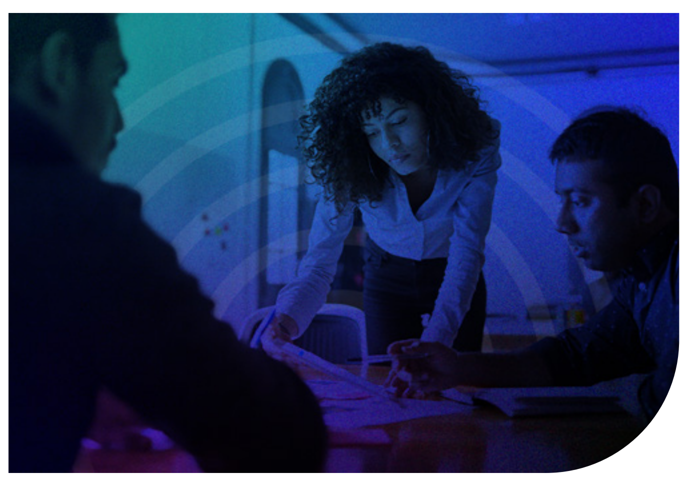
Scaling Challenges

WHEN OFFLINE PROCESSES BREAK DOWN

As investment and operations scale, manual and offline tax processes can become a liability:

- **Basis Difference Management:** Without automation, reconciling book-to-tax differences across diversified assets becomes error-prone.
- **Keeping Track of Tax Books and Scenarios:** As companies grow their asset investment, offline tracking of separate tax books (such as state non-conforming, earnings and profits, and scenario forecasting) can disproportionately hinder the tax organization's ability to scale with growth.
- **Joint Venture Complexity:** Growing JV structures introduce burdensome partnership allocations and tracking requirements.
- **Depletion Calculations:** Accurately accounting for depletion across assets in flux can be manually cumbersome and difficult to scale.

These inefficiencies not only slow decisions—they risk compliance, undercut strategic agility, and erode trust with the C-suite and investors.



How PowerPlan Enables Strategic Tax Leadership

PowerPlan is purpose-built to help tax leaders in asset-intensive industries like oil and gas manage this transformation. With a unified tax and accounting platform that supports strategic capital planning, tax compliance, and fixed asset lifecycle, PowerPlan empowers organizations to act with speed and precision.

PowerPlan enables oil and gas tax teams to meet the demands of OBBBA head-on, with solutions such as PowerPlan Tax Provision and Tax Fixed Assets designed for capital-intensive, regulation-heavy industries. Below are some of the common ways that many energy companies in North America benefit from their partnership with PowerPlan:

- **Purpose-Built Tax Modeling:** Simulate investment scenarios, forecast impacts on AFSI, and model EPS with accuracy—powering smarter decisions at the boardroom level.
- **ERP Simplification:** Reduce ERP complexity and eliminate customization by automating industry-specific tax and accounting rules in PowerPlan's out-of-the-box configuration—ultimately lowering total cost of ownership.
- **Audit-Ready Compliance:** Maintain a defensible audit trail across the asset lifecycle, even as assets shift due to M&A, tax reform, or regulatory triggers.
- **Sustainable Scalability:** As your business grows, PowerPlan scales with you—supporting everything from short tax years due to M&A to tracking tax credits associated with new asset classes. PowerPlan enables energy companies to meet these growth needs without having to grow the back office.

Lead the Transition with Confidence

OBBBA marks a turning point for oil and gas. Tax leaders have a unique opportunity to shape investment outcomes, drive operational efficiency, and elevate their influence on strategic planning.

The PowerPlan NXT platform helps you rise to the challenge—turning tax complexity into strategic clarity.

Let's talk about how we can help you lead confidently through the next chapter of energy transformation.
Email us at **taxreform@powerplan.com**.

Scan or visit PowerPlan.com
to learn more.

PowerPlan began with a simple realization: The more fixed assets an organization has, the more challenging it is to manage them financially and to strategically understand how compliance requirements impact the treatment of each asset. Our founders saw ERPs and EAMs alone didn't capture enough data to optimize decisions, so they built the first software platform that combined granular financial and operational asset data from every corner of the organization; filling the gaps ERPs and EAMs could not provide. For more information, please visit powerplan.com.

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