

# ADVANCED PRODUCTION SHARING CONTRACTS

Instructor: Dr. Pedro Van Meurs

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**LONDON**  
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BUILDING WORLD CLASS OIL & GAS TALENT

## Course overview

### What will this course cover?

This course will analyze in depth the key fiscal and commercial aspects of Production Sharing Contracts around the world. These complex agreements have often a number of fiscal formulas. This means understanding the way they work is crucial to ensure a smooth contract implementation. By utilizing a powerful economic model, participants will be able to carry out in-depth computer analysis of 35 countries around the world and enhance their understanding of Production Sharing Contracts.

### What will you learn?

- Engage in thorough analysis of PSC's; which will aid in your negotiation or evaluation process
- Learn the main PSC fiscal terms and ensure project commercial success
- Benchmark successful PSC agreements from around the world and understand the pitfalls to avoid
- Enhance your ability to manage the implementation of PSC's
- Learn the right PSC risk management strategies to ensure a successful project

### Who will benefit?

- Government officials
- Country managers & external affairs
- Managers
- CEOs & CFOs
- Tax advisers & fiscal issues planners
- Legal counsels
- License administrators
- Negotiators
- Executive strategy & planning managers
- Portfolio managers
- Commercial advisers
- Accountants
- Business development & corporate
- New ventures managers
- Petroleum engineer, geophysicists and geologists
- Lawyers
- Economists & business analysts

Course Participants will receive a perpetual license to the advanced course Excel based software, including the input sheets. The price of this software is included in the course fee. Below is the description of inputs and outputs of the model.

#### Project Inputs

- 6 examples of Deep Water Oil Fields, based on constant costs and scoping analysis
- 6 examples of Deep Water gas Fields, based on scoping analysis
- 6 examples of Shallow Water Oil Fields, based on constant costs and scoping analysis
- 6 examples of Onshore Oil Fields, based on constant costs and scoping analysis
- 4 estimates of the Brazil Pre-Salt Libra field

#### Fiscal System Inputs

Angola, Azerbaijan, Brazil (Pre-Salt), Egypt, Gabon, India, Indonesia, Kenya, Liberia, Libya, Malaysia, Nigeria, Philippines, Russia (Sakhalin), Syria, Trinidad & Tobago and Vietnam.

#### Economic Outputs

Detailed cash flow of corporate results, Results at every selected discount rate, IRR, NPV, NPV/BOE, Profit/Investment Ratio, Risk Investment Ratio, Maximum Sustainable Risk, Payout Time, NPV/Discounted BOE, Expected Monetary Value.

Detailed cash flow of all government payments, Payments at every selected discount rate, Government Revenues, Discounted Government Revenues, Government Take, Discounted Government Take, Risked Government Take, Government Income and Participation, JV State Company cash flow and profitability.

#### Fiscal Analysis Outputs

Price sensitivity analysis for 12 price levels for all corporate and government economic outputs, Cost sensitivity analysis for 16 cost levels for all corporate and government economic outputs, Marginal NPV, Cost Savings Index, Price Incentive Index, Front End Loading Index, Government Risk Sharing Index

### Booking conditions

**Payment should be made within fourteen (14) days from the date of booking. Full payment must be received for entrance to be guaranteed.**

A confirmation letter and invoice will be sent to you on receipt of your booking. Should you be unable to attend, a substitute delegate is welcome at no extra charge. Cancellations must be received in writing not less than fourteen (14) days prior to the event, you will then receive a credit note for 100% of the contract fee paid to be used at another LONDON PETRO ACADEMY training course which must occur within one year from the date of issuance of the credit note. In the event that LONDON PETRO ACADEMY cancels or postpones a course for any reason and the delegate is unable or unwilling to attend the rescheduled date, you will receive a credit for 100% of the contract fee paid. You may use this credit for another LONDON PETRO ACADEMY course, which must occur within one year from the date of cancellation or postponement. Except as specified above, no credits will be issued for cancellations. There are no refunds given under any circumstances. Non-payment or non-attendance does not constitute cancellation. The booking fee does not include accommodation or travel costs; these are the responsibility of the Delegate. It may be necessary for reasons beyond the control of the organisers to alter the content, timings or venue. The Company will not accept liability for any transport disruption or individual transport delays and in such circumstances the normal cancellation restrictions apply.

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Online: [www.londonpetroacademy.co.uk](http://www.londonpetroacademy.co.uk)

Email: [info@londonpetroacademy.co.uk](mailto:info@londonpetroacademy.co.uk)

Tel: + 44 (0) 1582516247

Fax: + 44 (0) 1582516247



### DR PEDRO VAN MEURS

During the last 40 years Pedro has worked on fiscal oil and gas issues with more than 80 governments around the world.

Born:

February 14, 1942 in The Netherlands

Education:

1970 PhD (Cum Laude) Economic Geology

State University, Utrecht, The Netherlands

Languages:

English, French, Dutch, Spanish and some German and Russian

Professional Associations:

Royal Geological and Mining Society of the Netherlands

Canadian Institute of Mining and Metallurgy, Petroleum Section

Employment History:

1974 - to date, President of Van Meurs & Associates Limited and subsequently, Van Meurs Corporation

1970 - 1973, Chief, International Petroleum Developments Division, Department of Energy, Mines and Resources, Federal Government of Canada

1967 - 1970, Assistant Professor, State University, Utrecht The Netherlands

Honorary Appointment:

Honorary Lecturer with the University of Dundee Centre for Energy, Petroleum and Mineral Law and Policy

Books:

1971, "Petroleum Economics and Offshore Mining Legislation"

1981, "Modern Petroleum Economics"

Publications:

Most recent publication: "World Fiscal Systems for Oil" - 2002

Training Courses:

Provides yearly a course in London and Singapore for London Petro Academy in World Fiscal Systems for Oil and Gas. Also provides yearly in-house courses for Shell and Statoil.

Conference Organization:

Organized and co-authored publications for several conferences:

"Natural Gas Clauses in Petroleum Arrangements", UNCTC 1985, Bangkok, Thailand

"Fiscal and Administrative Strategies for Petroleum Exploration and Development", UNCTC, 1991, Kuala Lumpur, Malaysia

Major Accomplishments:

- Negotiated terms and conditions of the provincial offshore leases of Newfoundland (1974-80) and is currently assisting in developing new fiscal terms for gas
- Negotiated Inuvialuit Final Agreement (1976 - 84), one of Canada's largest aboriginal land claims settlements
- Was key advisor to the Chinese National Offshore Oil Corporation (CNOOC) (1980 - 84), in preparation of model contract and organization of bidding rounds.
- Was main author of the first comprehensive Canadian energy policy document "An Energy Policy for Canada", 1974
- Was main consultant in Thailand for the redrafting of the Thai petroleum law and fiscal system (1979 - 1987)
- Was chief consultant on the reorganization of the petroleum sector in Guatemala (1975 - 80)
- Was key contributor to the petroleum diagnostic study for Gabon (1991 - 1993)
- Was advisor with respect to the drafting of the Law on Concessions and Production Sharing Contracts in Russia (1992 - 1993)
- Was President of IPC, a small Alberta petroleum company, increasing production from 350 to 4000 barrel of oil per day equivalent between 1987 and 1993, entirely from cashflow.
- Was main advisor with respect to the new petroleum law in Bolivia (1994 - 1996) and the related capitalization of YPFB
- Is currently chief economic advisor to KOC with regard to determining fiscal terms for the North Kuwait oil fields
- Was main economic consultant for PEMEX on the Multiple Services Contracts.
- Was lead economic advisor on the Alaska Pipeline Project and PPT legislation.
- Was senior economic advisor on the implementation of the PRT law in Algeria.

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# Dr. Pedro Van Meurs



## LONDON PETRO ACADEMY

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## Day 1

Morning

### Discussion of Course Advanced Software

- Inputs, outputs, price and cost sensitivity

### PSC - Introduction

- The original Indonesian Model
- Use of PSCs in various countries
- Profit Oil, fixed and sliding scales
- Cost Oil, cost limits and cost calculation
- Production and valuation of production
- Payments in kind and in cash
- Interest recovery

### Use of Bonuses and Rentals in PSCs

- Signature and Production Bonuses
- Rentals
- Recovery of Bonuses and Rentals

### Government Take analysis

- Reference Case
- Analysis of the PSC of the **Philippines**
- Government Take analysis
- Level of Government Take – Introduction

Afternoon

### PSCs and Geological Risk

- Geological Risk Sharing
- Geological Risk Sharing Index
- GRSI and Corporate Income

### PSCs and Timing of Government Take

- Front End and Back End Loading
- Front End Loading Index

### Sharing of Resource Wealth

- Progressive, regressive and neutral systems
- Volume, price a cost progressivity
- World overview of resource wealth sharing concepts
- Progressivity concepts in PSCs

### Volume Progressivity

- Volume progressivity per field or contract area
- Styles of volume progressivity
- Analysis of daily production scale of **Liberia**
- Analysis of cumulative production scale of **Nigeria**

## Day 2

Morning

### Price Progressivity

- Windfall profit style features with profit oil, Malaysia
- Price caps, Pakistan
- Analysis of PSC with volume and price progressive scales of **Trinidad and Tobago**
- Daily well production and price progressive scale of Brazil Pre-Salt

### Cost Progressivity

- Uplifts, Angola, deemed interest, China

Excess cost oil, Analysis of the PSC of **Egypt**

### Profit Progressivity

- IRR based concepts, Russia – Sakhalin, Azerbaijan
- Analysis of IRR scale of **Angola, Mexico**
- R-factor scales, Nigeria, Iraq (Kurdistan)
- Analysis of R-factor scale of **Azerbaijan**

### Main types of PSCs considering other fiscal features-Overview

- 12 different types of PSCs

### PSCs with Royalties

- Fixed royalties
- Regional differentiation of royalties, Nigeria
- Sliding scale based on volume, Vietnam

Afternoon

- Other sliding scales, Pakistan, Guatemala
- Inter-action of PSCs and royalties, Malaysia, Gabon, Pakistan, Egypt

Analysis of PSC of **Syria**

### PSCs with Corporate Income Tax

- Consolidation and Ring-fencing
- Gross revenue determination
- Deduction of payments to government and bonuses
- Deduction of operating costs and capital costs
- Deduction of interest and loss carry forward, uplifts

Inter-action of PSCs and Corporate Income Tax, Egypt, Cote d'Ivoire, Indonesia, China, Nigeria

- Analysis of PSC of **China**
- Analysis of PSC of **Nigeria**

### PSCs and JOAs

- JOA discussion, Carried Interest
- Fixed carried interests: Indonesia, Gabon, Malaysia, China
- Participation Options
- PSCs and JOA styles
- Analysis of PSC of **Azerbaijan**
- Analysis of PSC of **Gabon**
- Analysis of PSC of **Libya**

## Day 3

Morning

### PSCs and Windfall Profit Features

- Windfall profit features

### PSCs and Export Duties

- Export Duties
- Analysis of PSC of **Vietnam**
- Analysis of PSC of **Malaysia**

### PSCs and Resource Taxes

Resource Taxes, Tanzania, Timor Leste

### Resource Wealth Sharing (detailed)

- PSC examples of volume progressivity
- PSC examples of price progressivity
- PSC examples of cost progressivity

### World PSC oil production

- Review of world PSC oil production

### Fiscal Health

- Encouraging maximum resource recovery
- Encouraging cost efficiency
- Gold Plating
- Analysis of PSC of **Angola**
- Encouraging market price efficiency

### Comprehensive Fiscal/Economic Analysis

- Detailed analysis of **Pre-Salt PSC of Brazil** with discussion of pre-salt production and cost economics

Afternoon

### Accounting Procedures

- Organization, Chart of Accounts
- Non-recoverable costs
- Revenue credits
- Cost Allocation
- Cost Control Procedures

Abandonment Costs

### New Models

- The gross split contract of **Indonesia**
- The gross revenue contract of **India**

### Fiscal Stability

- Open ended and fixed systems
- Components of fiscal terms
- Methods to enhance fiscal stability

### Level of Government Take

- Mechanism to determine the level of government take
- Factors influencing the level of government take
- Rating of PSCs

### PSCs for Oil and for Gas

- Profit gas and cost gas definitions
- Separate terms for oil and gas
- Trend towards more attractive gas terms
- Gas pricing mechanisms
- Ratings of PSCs for Gas

### World Rating of PSCs for Oil

- Overview of world rating for PSCs for Oil

### Booking of Reserves

- Booking of Reserves



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3 RD FLOOR, 207 REGENT STREET, W1B 3HH, LONDON, UK

TEL: +44 (0) 1582 516247

FAX: +44 (0) 1582 516247

WEB: WWW.LONDONPETROACADEMY.CO.UK

EMAIL: INFO@LONDONPETROACADEMY.CO.UK

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