

WORLD FISCAL SYSTEMS FOR OIL & GAS

Presented by Dr Pedro Van Meurs / Mr Alexey Kovshin (Van Meurs Corporation)

Singapore	16-19 Mar	2020
Port of Spain	27-30 Apr	2020
Amsterdam	15-18 June	2020
Dubai	01-04 Nov	2020

What will this course cover?

Run for over 35 years, this course provides participants with an intimate knowledge of petroleum upstream fiscal systems including royalties, production sharing, concessions, joint venture and service agreements. Furthermore, an in-depth assessment will be conducted on the administration of fiscal systems as well as standalone vs. incremental analysis. By utilising a powerful economic model, you will assess how various economic factors can impact a fiscal system from both a government and investor perspective. The knowledge gained will equip you to negotiate better contracts and concessions, identifying optimal investment opportunities and gaining practical, up-to-date knowledge on “real-life” examples.

What will you learn?




- The nature and details of all the important fiscal features around the world
- The wide variety of fiscal systems based on concessions, production sharing contracts, joint ventures, service contracts and other arrangements in the value chain
- The underlying economic characteristics of various fiscal systems
- How government policies impact on fiscal systems
- Competitive worldwide frameworks for investing in the oil and gas sector
- How to carry out advanced economic analysis on Excel spreadsheets

Who will benefit?

- Government officials
- CEO's and CFO's
- Country managers
- Lawyers
- Economists and economic analysts
- Engineers, geologists and geophysicists
- Tax advisors
- Accountants
- Negotiators
- Regulators
- Contract and License administrators
- Commercial Advisors
- Economic and Fiscal Planners
- Policy makers

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Day 1

Introduction

- Introduction to Excel based spreadsheet for “stand alone” analysis
- Review of profitability indicators, such as NPV, IRR, EMV and profitability ratios
- Price sensitivity and Divisible Income analysis
- Government take and government revenue analysis

Bonuses, Rentals, Royalties , Gross Revenue features

- Signature bonuses through bidding, negotiation and directly determined by government: Brazil.
- Production bonuses: Egypt
- Rentals and acreage management: Alberta and Cambodia
- Fixed and sliding scale royalties, royalties in kind and cash, alternative procedures for determining royalty values. Royalty concepts:

Louisiana, Algeria, Nigeria, Colombia, US Gulf of Mexico, Thailand, Nova Scotia,

- Price sensitive royalties: Alberta, Mexico
- Severance Taxes: USA
- Mineral Extraction Tax: Russia
- Chinese Resource Tax, Indonesian Domestic Market Obligation

Corporate Income Tax

- Consolidation and Ring-fencing: UK and Pakistan
- Gross revenue determination
- Deduction of other payments to government: Canada, Norway, Colombia and China
- Treatment of signature bonuses for tax purposes
- Deduction of operating costs and headquarter costs
- Alternative capital depreciation methods and MACRS system
- Deduction of interest
- Loss carry forward and carry backward: Hungary, Russia, Brazil, USA, Canada.
- Refunds for tax value of exploration (Norway)
- Depletion allowances
- Uplifts: Nigeria and Australia
- Tax rates and globalization of corporate income tax
- Tax credits: USA and Canada
- Worldwide corporate income tax systems, tax credits, tax treaties: USA, the Netherlands, Malaysia
- Tax treaties

Day 2

Production Sharing

- The original Indonesian concept
- Profit Oil and sliding scales: Philippines, Egypt, Vietnam, Nigeria, Malaysia
- Price Sensitive Profit Oil: Trinidad and Tobago, Brazil Pre-Salt.
- Cost Oil, cost oil limits and sliding scales: Vietnam, Syria, Oman, India,
- Indonesia, Nigeria, Egypt, Angola and Yemen
- Uplifts: Indonesia and Angola
- Special features: FTP, price caps, deemed interest, excess cost oil: Egypt, Indonesia, Malaysia, China
- Special terms for gas: Malaysia and Indonesia
- Production sharing and royalties: Malaysia, Pakistan, Gabon and Vietnam
- Production sharing and corporation income tax: Bangladesh, Egypt, Indonesia, Angola, China, Malaysia and Nigeria

Joint Ventures and Carried Interest

- Joint stock companies and joint operating agreements
- Joint stock companies: Venezuela, Saudi Arabia
- Participation from Day 1: Petro - Norway
- Payments upon participation
- Fixed rate carried interest: Colombia, Malaysia and China
- Special state company financing features: PNG and Gabon
- Carried interest and corporate income tax
- Carried interest and production sharing: China

Progressive and Special Taxes and Profit Shares

- Special Taxes based on Gross Revenues: USA, Pakistan, Colombia and Trinidad and Tobago
- Surtaxes, Hydrocarbon Tax: Norway, Denmark, UK
- Special Taxes based on Net Revenues: UK, Brazil, the Netherlands and Algeria

Day 3

Progressive and Special Taxes and Profit Shares (continued)

- IRR based taxes: PNG, Ghana and Australia
- IRR based profit oil and royalties: Russia-Sakhalin, Azerbaijan, Angola, Mexico
- R-factors: Peru, Azerbaijan, India and Thailand
- Price Sensitive R-factors: Thailand, Mexico
- Combination of R-factors and production based profit oil: Libya
- One and Two way adjustments of price progressive features
- Special Taxes and corporate income tax
- Value Added Taxes, Import Duties
- Value added taxes, credits, refunds: Mexico and Bolivia
- Value added tax problems: Russia, China, Brazil and Vietnam
- Import duties, Temporary importation, Exemptions: Pakistan

Export duties

- Export duties: Russia, Argentina

Property Taxes

- Property Taxes: USA and Canada

Carbon taxes

- British Columbia

Service contracts

- Iraq 1996 single fee model
- Iraq Technical Services Contract
- Iran Buy Back Agreements

Profit Sharing Contracts

- Bolivia

Flexible Gross Revenue Splits

- Special sessions on Indonesian Gross Split Contract

Abandonment, Booking of Reserves

- Abandonment issues
- Booking of Reserves

Incremental analysis

- Introduction to Excel based spreadsheet for “incremental” analysis
- Incremental analysis: corporate income tax, royalties
- Incremental analysis: production sharing and carried interest
- Incremental analysis: IRR and R-factor based features
- Analysis of goldplating: PNG and India

Day 4

Classification of fiscal systems

- Legal and Economic classification
- Concessions, Production Sharing Contracts, Joint ventures and Hybrid Systems. **Country review of fiscal systems**
- Alberta, USA, Norway, Egypt, China, Indonesia and Columbia
- **Structure of government take**
- Sharing of divisible income: progressive, neutral, regressive and hybrid systems
- Front end and back end loading
- Geological risk and government take

Level of Government Take

- Fiscal Stability: Canada and Egypt
- Determination of level of government take
- Competition among governments for investment

Risk Sharing

- Sharing of risk between government and companies:
- Price risk, cost overrun risk, reserve risk, economic risk and gas marketing risk

Government Policies

- Resource policies
- Economic policies
- Administrative policies
- Internal distribution of government take

Special Session on the Nigerian Fiscal Bill.

Worldwide Future Trends

- Anticipated world and petroleum industry developments
- Government take development
- Large resource access
- Unconventional resources
- Long term fiscal trends
- Impact of globalization and increased attention to the people

Low Oil Prices and Climate Change

- Oil demand scenarios
- Gas demand scenarios
- Oil Price Framework, Pivot Point Oil Price

Low Oil Prices and Government Take

- Detailed discussion of price progressivity, neutrality and regressivity.
- Price progressivity under low oil prices

Climate Change Policies

- Carbon taxes
- Eliminate subsidies
- Promote gas development
- Reduce fiscal stability

Low Price Policies

- Price progressivity over wide price range
- Minimum Government Take
- Discourage excessive investment under high prices
- Improve alignment between governments and petroleum industry
- Modify State Participation

Final Comments

Meet the trainer

Dr Pedro Van Meurs



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Biography

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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