

ECONOMIC ANALYSIS, DESIGN & MODELLING OF PETROLEUM FISCAL SYSTEMS

Instructor: Mr. Alexey Kovshin, Van Meurs Corporation
19-21 February, London, UK



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Course Outlines

What will this course cover?

Fiscal terms for oil and gas exploration and production projects define the outcome of investors' behaviour on one hand, and governments' resource management on the other. Badly designed fiscal regimes fail to attract investments, provide value to the resource owners and manage valuable hydrocarbon reserves in an optimal way.

This course is designed to provide professionals with an overview of the fiscal concepts and approaches applied in the world, explain properties and impact of fiscal regimes on governments and investors, and provide practical skills how to analyse and evaluate fiscal regimes for further policy choices and actions.

The course is structured in three parts as follows to maximise the learning outcome:

- Part 1: Introduction to upstream petroleum economics in order to appreciate how fiscal terms impact oil and gas projects
- Part 2: Overview of all international petroleum fiscal concepts and demonstration of economic properties of individual fiscal features. This is required to further appreciate how the individual features put together in a fiscal regime will be impacting companies and governments.
- Part 3: Explain the framework through which any oil and gas project and fiscal regime should be analysed to evaluate the fiscal terms and their impact on investor and government at any stage of the project's lifecycle. The policy issues comprising the framework will be explained through economic analysis of 12 selected fiscal regimes actually existing in the world. Such examples have been selected to include different fiscal approaches and combinations.

What will you learn?

By attending this course, participants will obtain practical knowledge allowing understand petroleum fiscal regimes from government's and investor's perspectives, perform economic analysis of fiscal terms to make better investment and policy decisions, design and improve fiscal systems for exploration and production projects, in particular:

- Understand or refresh your knowledge of the economics of an exploration and production petroleum project
- Learn about all petroleum fiscal concepts applied in the world and their main attributes
- Perform economic analysis of individual fiscal features, understand their economic properties and how they impact project's economics, companies' and governments' decisions
- Understand the competitive and resource management fiscal policy framework
- Learn what are the investors' objectives and how they need to be addressed through fiscal systems
- Learn what are the governments' budgetary and resource management objectives and how they need to be addressed through fiscal systems
- Learn by analysing actual countries' fiscal systems and assessing them through the fiscal policy framework
- Learn how to perform your own comparative assessment and benchmarking of petroleum fiscal systems
- Learn how to model, design and improve fiscal systems for oil and gas
- Evaluate and identify areas for improvement in the fiscal regimes and government's fiscal policy in your home country or where your exploration and production assets are located

Who will benefit

This comprehensive and practical course will be most beneficial for:

- Government officials
- Petroleum licencing administrators
- Fiscal issues planners and Tax advisors
- Economists and business analysts
- Commercial advisers
- Country managers and external affairs
- Negotiators
- Executive strategy and planning managers
- Portfolio managers
- Finance managers
- Legal counsels
- Lawyers
- Business development and corporate
- Engineers & geophysicists
- New ventures managers

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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Meet the Trainer



Instructor: Alexey Kovshin, Van Meurs Corporation

Alexey Kovshin is Vice President of the Van Meurs Corporation, one of the leading international oil and gas consulting firms focused on oil and gas fiscal policy matters. Van Meurs Corporation has provided these services to more than 80 governments over the last 43 years.

Alexey is an oil and gas fiscal expert advising governments and national oil companies on a wide range of fiscal policy issues, such as the review and design of fiscal regimes, fiscal modelling, advising on administrative issues, benchmarking of fiscal terms from international perspective. Alexey also leads multi-client fiscal policy and economic studies and provides in-house trainings.

Alexey's background is oil and gas taxation and upstream economics and holds university degree in management. Alexey is a Russian national based in Panama City, Panama and speaks Russian and English.

Alexey has more than 10 years of experience in oil and gas taxation and prior to joining Van Meurs Corporation Alexey was with Ernst & Young as oil and gas fiscal expert working in Moscow and Dubai. While being with Ernst & Young Alexey was also appointed as Global Oil and Gas Tax Resident and in that role was responsible for a number of firm-wide tax technical and strategic business development activities. In that role Alexey continued to serve EY clients.

From 2015 to 2017 Alexey contributed quarterly analytical articles on international upstream fiscal matters for the Analytical Center for the Government of Russia.

Alexey made major contributions to the multi-client study World Rating of Oil and Gas Terms (2011-2013) produced by Van Meurs Corporation. This is still the most comprehensive study of oil and gas fiscal systems available in the world, comparing 580 fiscal systems in 156 countries.

Course Package

The course fee includes the in-class training and the courseware. Participants will receive an individual perpetual licence to the courseware, which includes the following materials and software:

- Course PowerPoint slides
- Advanced macro-enabled Excel-based student model for enhanced economic analysis
- Explanatory notes and manual for the Advanced model
- Trial access to the global database of fiscal regimes, containing all oil and gas fiscal regimes in the world
- Database of 65 input fiscal files (see countries list below) for the use with the Advanced model for economic analysis. The input fiscal files are actual selected fiscal systems applied by countries in a ready-to-model format. The pre-populated fiscal terms are also in editable format allowing the users adjusting the fiscal terms, as required.
- Database of 65 detailed descriptions of the fiscal terms for each input fiscal file.

The database of the input fiscal files and fiscal descriptions covers the following countries and fiscal systems:

North America: Canada (North West Territories), Canada (Nova Scotia), USA (Texas), USA (Gulf of Mexico), USA (Bakken)

Central and South America: Argentina, Bahamas, Chile (concession), Ecuador (service contract), French Guiana, Guatemala, Guyana, Mexico (onshore), Mexico (deepwater), Paraguay, Peru (R-factor)

Europe and FSU: Azerbaijan (R-factor PSC), France, Georgia, Germany, Italy, Norway, Poland, Russia (West Siberia), Turkey, United Kingdom

Middle East and North Africa: Jordan, Lebanon, Morocco, Oman, Saudi Arabia (Neutral Zone), Syria, Yemen

Africa: Chad (concession), Democratic Republic of Congo, Egypt (West Desert), Equatorial Guinea, Ethiopia, Gabon, Ghana, Guinea, Kenya, Liberia, Madagascar, Mauritania, Namibia, Nigeria (PSC), Nigeria (concession), Sierra Leone, South Sudan, Sudan, Uganda

Asia-Pacific: Australia (Western Australia), Australia (commonwealth offshore), Bangladesh, Cambodia, India (R-factor PSC), Indonesia, Japan, Laos, Mongolia, Myanmar, Papua New Guinea, Philippines, Thailand-Malaysia Joint Development Zone

The training is set up in a paper-free format. Participants require to have individual personal computers in order to review the course slides on-desk and to perform economic simulations. The courseware requires PCs with Microsoft Office 2010 or higher versions. If you intend to use Apple computers or laptops, please note that currently we do not provide support for those.

The course and all courseware are provided in English. Any audio or video recording of the course, including any part of it, is not permitted.

- **Introduction to petroleum project economics and economic modelling**
 - Upstream project lifecycle
 - Project risks: geology, costs, prices
 - Properties of oil and gas affecting project's economics
 - Project economic inputs and assumptions: exploration risk, production data, Capex, Opex, well data, netback costs, quality differentials, abandonment
 - Nominal cash flow concept
 - Real cash flow concept
 - Discussion of profitability indicators: NPV, rate of return, profitability ratios
 - Petroleum fiscal framework
 - Government take calculation
 - Simulations on an economic model

- **Overview of all existing fiscal concepts (with country examples)**
 - **Bonuses**
 - Signature bonuses (Russia, Brazil, USA, Croatia)
 - Production bonuses (Egypt, Nigeria, Kyrgyzstan)
 - Special bonuses (Iraq-Kurdistan, Egypt)
 - **Rentals**
 - Rentals, other annual payments (Alberta, Mexico, Iraq-Cameroon)
 - **Royalties**
 - Fixed royalties (USA, Australia)
 - Variable royalties (Mexico, Ethiopia, Guatemala, DRC)
 - **Corporate income tax**
 - General and special taxes (Nigeria, Angola, Thailand, Egypt, UK)
 - Consolidation and ring-fencing (Ireland, Russia, Australia)
 - Deductions, Depreciation, Losses (Brazil, US, UK, Norway, Australia, Mozambique)
 - Minimum income tax (US, Tanzania, Equatorial Guinea, Venezuela, India)
 - **Production sharing**
 - Cost petroleum: cost limit, uplifts, recoverable items, depreciation, special rules, ring-fencing (Indonesia, Angola, Kenya, Nigeria)
 - Profit petroleum: fixed and variable sharing basis (Trinidad and Tobago, Brazil)
 - Interaction with other taxes (China, Egypt, Malaysia)
 - **Joint ventures, carried interest, fiscal issues relating to farm-ins and farm-outs** (Venezuela, Norway, Mozambique, Tanzania, Kenya)

- **Overview of all existing fiscal concepts (continued)**
 - **Special taxes based on gross revenues** (Colombia, Malaysia, China)
 - Other forms of gross revenue based levies (USA, Yemen, Nigeria, Trinidad and Tobago, France, Australia, Kazakhstan, Vietnam, Colombia)
 - **Special taxes based on net revenues** (The Netherlands, Brazil)
 - **R-factor based features** (Peru, Lebanon, Sri-Lanka, Mexico)
 - **IRR based features** (Australia, Russia-PSCs, Papua New Guinea, Angola, Mexico)
 - **R-factor based features** (Peru, Lebanon, Mexico)
 - **Other taxes**
 - Taxes on service companies (Tanzania, Uganda, Mozambique)
 - Customs payments (Kazakhstan, Vietnam)
 - VAT (Brazil, Kazakhstan)
 - Property taxes (USA, Russia)
 - Carbon taxes (Norway, British Colombia)
 - **Domestic market obligations** (Indonesia, Egypt)
 - **Service contracts** (Ecuador, Iraq, Iran, Russia)
 - **Legal and economic classification of fiscal systems**
 - Concessions
 - Production sharing contracts
 - Service contracts
 - Joint ventures
 - Hybrid systems

- **Fiscal policy issues and analysis of selected fiscal regimes**
- **Fiscal policy issues and economic analysis of selected actual countries' fiscal regimes**
 - Introduction to policy issues
 - Resource revenue sharing: progressivity, neutrality, regressivity
 - Volume progressivity (Equatorial Guinea and USA)
 - Cost progressivity (Nigeria and USA)
 - Price progressivity (Mexico and USA)
 - Low oil price strategies
 - Profit progressivity (Australia and USA)
 - Promotion of exploration: sharing of geological risk (UK and Equatorial Guinea)

- **Fiscal policy issues and economic analysis of selected actual countries' fiscal regimes (continued)**
 - Timing of government take: front-end and back-end loading (UK and Egypt)
 - Incremental analysis: promotion of incremental investments (Australia and Egypt)
 - Incremental analysis: impact on government's revenues
 - Cost-efficient operations: cost-saving and gold-plating (USA and Namibia)
 - Price incentive
 - Marginal Government take
 - Maximising economic value and recovery of reserves (UK and USA)
 - Promotion of marginal field development (Australia and Texas)
 - Conventional and unconventional resources
 - Revenue and cost verification, cost of administration
 - Fiscal assessment framework
 - Licencing policies for pre-set and biddable fiscal items
 - Local content development
- **Comparative assessment of petroleum opportunities in selected fiscal regimes**
- **Examples and economic analysis of complex fiscal systems (Alberta, Brazil, Russia, Trinidad and Tobago, Malaysia)**



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