



G L O B A L F O R U M

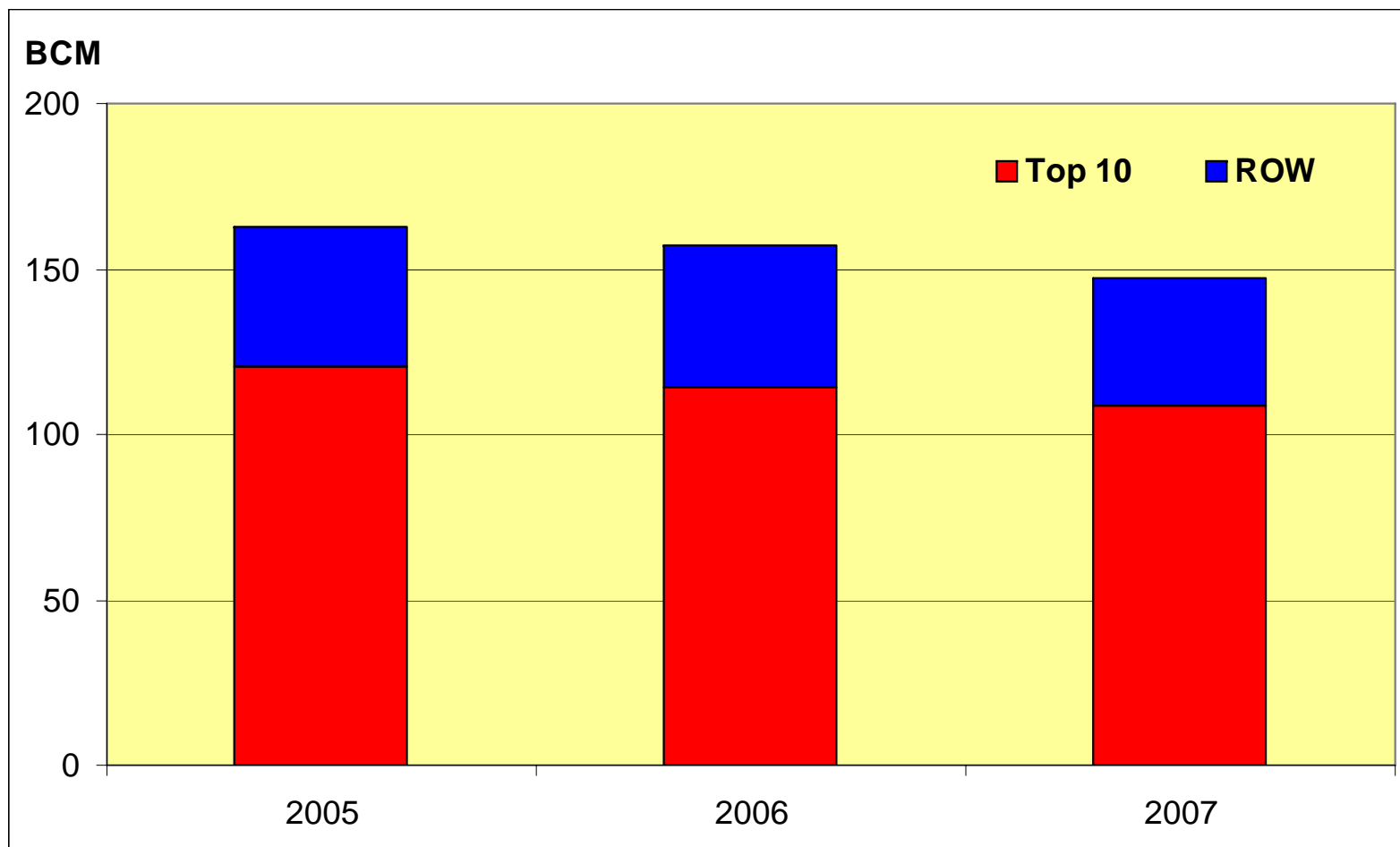
On Flaring and Venting Reduction
and Natural Gas Utilisation

Improving Economics of Flare and Vent Reduction Projects

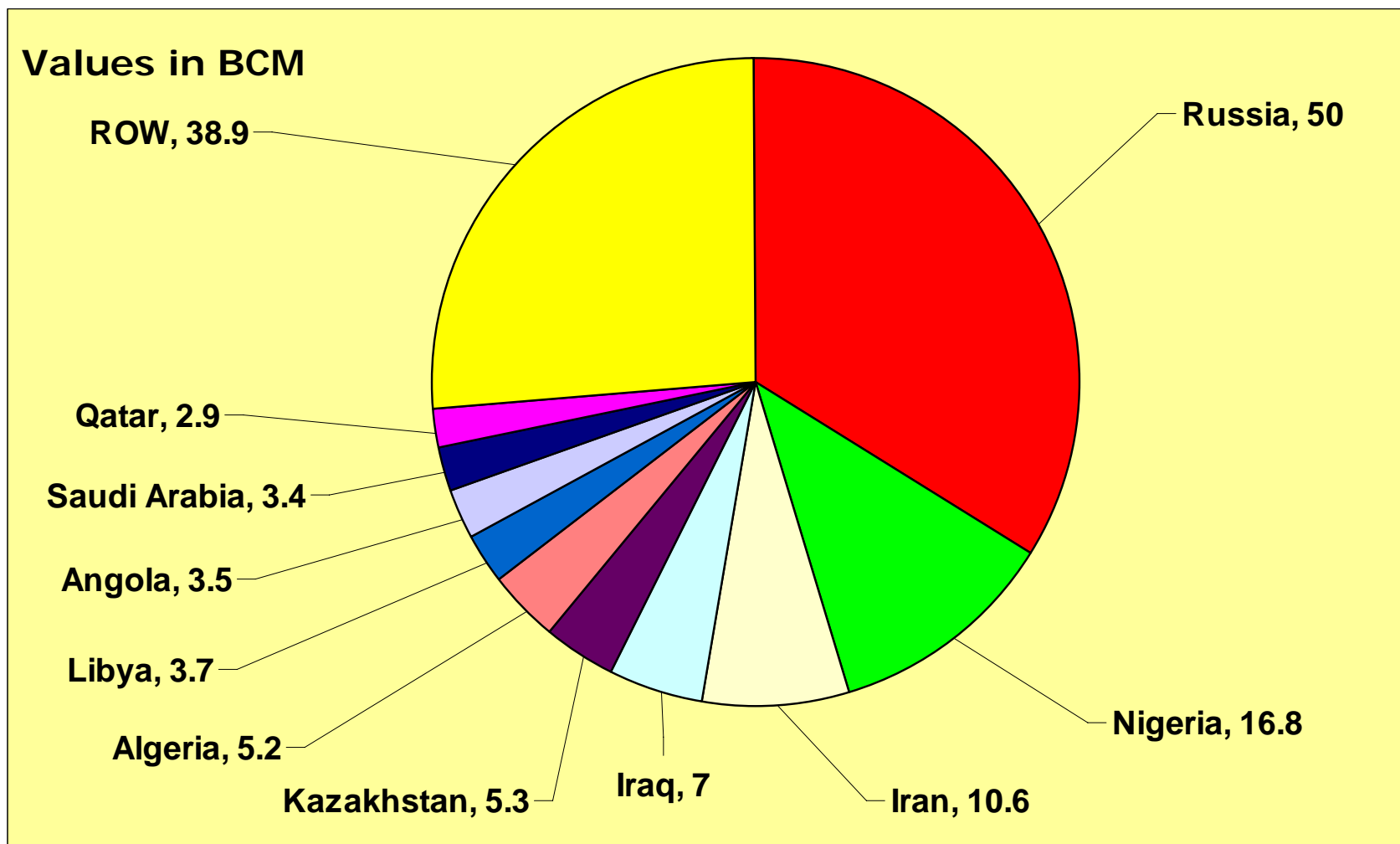
Fiscal Frameworks

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Top 10 Countries Account for 75% of Flaring



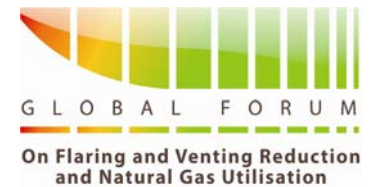
Russia is largest flaring contributor followed by Nigeria and Iran



How Fiscal Frameworks Provide Incentives for Associated Gas Recovery

- Royalty
 - Royalty payable on flaring above permitted levels (*Penalty*)
 - Royalty waiver on gas utilised for on-site power generation
- Tax
 - Tax on Fuel/Flare (*Penalty*)
 - Separate ring fence (lower taxation) for associated gas projects
 - Associated gas capital expenditure allowed vs higher tax rates for oil
- PSC
 - Capital cost recovery offsets high marginal tax rate
 - Uplifts on eligible costs provide a return on investment
 - Higher profit share to contractor on gas development projects

Fiscal Terms Review: Brazil



- Under most fiscal regimes flared gas is not subject to royalty.
- In Brazil unauthorised flaring is subject to royalty.
 - ANP sets flaring targets for fields on annual basis
 - Flared gas volumes above approved limit are subject to royalty
- Royalty on flaring is in effect a tax on flaring

- Otherwise Flared Solution Gas Royalty Waiver Program
 - Uneconomic gas exempt from royalty
 - Gas used for on-site power generation is exempt from royalty

Fiscal Terms Review: Norway

- CO₂ tax on fuel (gas, oil and diesel) used in oil and gas operations
 - Currently US\$0.11/litre for oil and US\$0.11/SCM of gas burned
 - Deductible against Special and Income Taxes

Fiscal Terms Review: Algeria

- New Hydrocarbon Law (2006)
 - Flaring is prohibited. Flaring permitted only in exceptional circumstances
 - Non-deductible tax of US\$1.15/SCM payable on any flared volumes

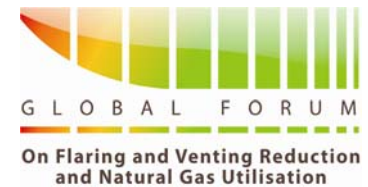
Fiscal Terms Review: Nigeria

- Associated Gas Framework Agreement
 - Separate ring fences for oil and associated gas developments
 - Capital expenditure for delivery of associated gas allowed against (85%) oil tax (PPT)
 - Associated gas profit (revenue – opex) taxed at 30% Income Tax
 - Lower gas royalty rate (5% vs 18.5%)

Fiscal Terms Review: Angola

- PSC terms
 - All gas owned by the State
 - All capital expenditure recoverable with (30% - 50%) uplift
- No-Flare Policy
 - Capital expenditure incurred by Contractors in storing and delivering associated gas to Sonangol is borne mainly by the host government

Enabling Fiscal Frameworks for Recovery and Utilisation of Associated Gas



- Royalty
 - Royalty payable on flaring above permitted levels (*Penalty*)
- Tax
 - Non-deductible Tax on Fuel/Flare (*Penalty*)
 - Separate ring fence (lower taxation) for associated gas projects
 - Associated gas capital expenditure allowed vs higher tax rates for oil, where applicable
 - Accelerated depreciation
- PSC
 - Uplifts on eligible costs
 - Higher profit share to contractor on gas development projects



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