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Economic analysis, design and modelling of petroleum fiscal systems

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Day 1	
Morning	Afternoon
<ul style="list-style-type: none"> - <i>Introduction to petroleum project economics and economic modelling</i> - 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, payout time - Government take calculation - Economic simulations on an explanatory (simplified) economic model - Petroleum fiscal framework - Legal and economic classification of fiscal systems <ul style="list-style-type: none"> - Concessions - Production sharing contracts - Service contracts - Joint ventures - Hybrid systems 	<ul style="list-style-type: none"> - <i>Overview of all existing fiscal concepts (with county examples)</i> - Rentals - Rentals, other annual payments (<i>Alberta, Mexico, Iraq-Kurdistan</i>) - Bonuses <ul style="list-style-type: none"> - Signature bonuses (<i>Russia, Brazil, USA</i>) - Production bonuses (<i>Cote d'Ivoire, Indonesia, Kyrgyzstan</i>) - Special bonuses (<i>Brazil, Iraq-Kurdistan, Egypt</i>) - Royalties and similar payments <ul style="list-style-type: none"> - Fixed royalties (<i>USA, Australia</i>) - Variable royalties (<i>Mexico, Algeria, Colombia, Alberta, Guatemala, DRC</i>) - Corporate income tax <ul style="list-style-type: none"> - General and special taxes (<i>Nigeria, Angola, Thailand, Egypt, UK</i>) - Consolidation and ring-fencing (<i>Ireland, Russia, Australia</i>) - Deductions, Depreciation, Losses (<i>Brazil, US, UK, Norway, Australia, Mozambique</i>) - Minimum income tax (<i>US, Tanzania, Equatorial Guinea, Venezuela</i>) - Production sharing <ul style="list-style-type: none"> - Cost petroleum: cost limit, uplifts, recoverable items, depreciation, special rules, ring-fencing (<i>Indonesia, Congo, Nigeria, Gabon</i>) - Profit petroleum: fixed and variable sharing basis (<i>Congo, China, Trinidad and Tobago, Brazil</i>) - Interaction with other taxes (<i>China, Egypt</i>) - Joint ventures, carried interest, fiscal issues relating to farm-ins and farm-outs (<i>Venezuela, Russia, Norway, Egypt, Equatorial Guinea</i>)

Day 2	
Morning	Afternoon
<ul style="list-style-type: none"> - <i>Overview of all existing fiscal concepts (continued)</i> - Special taxes based on gross revenues (<i>Venezuela, Colombia, Malaysia, China, Trinidad and Tobago</i>) - Other forms of gross revenue based levies (<i>USA, Yemen, Nigeria, Trinidad and Tobago, France, Australia, Kazakhstan, Vietnam</i>) - Special taxes based on net revenues (<i>UK, Norway, Australia, Denmark, the Netherlands, Brazil</i>) - R-factor based features (<i>Peru, Lebanon, Sri-Lanka, Mexico</i>) - IRR based features (<i>Australia, Russia-PSCs, Papua New Guinea, Ghana, Mexico</i>) - Other taxes <ul style="list-style-type: none"> - Taxes on service companies (<i>Saudi Arabia, Ghana, Tanzania</i>) - Customs payments (<i>Kazakhstan, Vietnam, Brazil</i>) - VAT (<i>Brazil, Kazakhstan, Peru</i>) - Property taxes (<i>USA, Canada</i>) - Carbon taxes (<i>Norway, British Colombia</i>) - Domestic market obligations (<i>Indonesia, Egypt</i>) - Service contracts (<i>Ecuador, Iraq, Iran, Cuba</i>) 	<ul style="list-style-type: none"> - <i>Introduction to the advanced student economic model and the 12 selected fiscal regimes for analysis</i> - Fiscal policy issues and economic analysis of selected actual countries' fiscal regimes <ul style="list-style-type: none"> - Level of government take - Promotion of exploration: sharing of geological risk (<i>UK and Equatorial Guinea</i>) - Sharing of oil and gas price risks (<i>Mexico and Indonesia</i>) - Sharing of cost overrun risk (<i>Azerbaijan and Egypt</i>) - Resource revenue sharing: progressivity, neutrality, regressivity - Volume progressivity (<i>Equatorial Guinea and USA</i>) - Price progressivity (<i>Mexico and USA</i>) - Cost progressivity (<i>Nigeria and USA</i>) - Profit progressivity (<i>Australia and USA</i>)

Day 3	
Morning and Afternoon	
<ul style="list-style-type: none"> - Fiscal policy issues and economic analysis of selected actual countries' fiscal regimes (continued) - Timing of government take: front-end and back-end loading (<i>UK and Egypt</i>) - Cost-efficient operations: cost-saving and gold-plating (<i>USA and Namibia</i>) - Incremental analysis: promotion of incremental investments (<i>Australia and Egypt</i>) - Incremental analysis: impact on government's revenues - Promotion of marginal field development (<i>Nova Scotia and Texas</i>) - Maximising economic value and recovery of reserves (<i>UK and USA</i>) 	<ul style="list-style-type: none"> - Conventional and unconventional resources - Revenue and cost verification, cost of administration - Local content development - Licencing policies for pre-set and biddable fiscal items - Low oil price strategies - Overall comparative assessment and benchmarking of petroleum opportunities in the analysed fiscal regimes - Rating of seven fiscal systems in terms of PIR10, NPV10/bbl, Government take - Global online ranking and description of 600 fiscal systems - Global online database of fiscal regimes for offline benchmarking, fiscal and economic analysis - Examples and economic analysis of complex fiscal systems (<i>Alberta, Brazil, Russia, Trinidad and Tobago, Malaysia</i>)

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
- Explanatory Excel-based student model
- 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.

Course overview

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.

Who should attend

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

What you will 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

Tutor's CV



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 he holds university degree in management. Alexey is a Russian national and speaks English and Russian. Alexey is based in Panama City, Panama.

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.