



THE GOVERNMENT OF
THE REPUBLIC OF
TRINIDAD AND TOBAGO

Petroleum Fiscal Regime For The 2012 Deep Water Bid Round

April 2012





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Governing Legislation

- Petroleum Act and Regulations Chap. 62:01**
 - Contractual Arrangements – Production Sharing Contract or Licences

- Petroleum Production Levy and Subsidy Act Chap. 62:02**
 - Payment made by oil producers to offset subsidy of petroleum products in T&T

- Environmental Management Act (EMA) 2000**
 - Responsible for the management of the environment
 - Certificate of Environmental Clearance

- Occupational, Safety and Health Act (OSHA)**
 - Monitor and regulate health and safety standards within organizations



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Fiscal Legislation

❖ **Petroleum Taxes Act Chap. 75:04**

- *Petroleum Profits Tax (35% for Deep)*
- *Uplift of 40% given on capital expenditure for drilling of exploration wells in deep water*
- *Supplemental Petroleum Tax*

❖ **Income Tax in Aid of Industry Act Chap. 85:04**

- *Capital Allowances*

❖ **Unemployment Levy Act (5%)**

❖ **Income Tax Act Chap 75:01**

- *Withholding Tax (Paid Directly by Contractor)*

❖ **Green Fund Levy (0.1% on gross sales or receipts)**

❖ **Petroleum Act**

- *Oil Impost, Royalties*

❖ **Petroleum Production Levy & Subsidy Act**

- *Levy Payments*



Production Sharing Contracts



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Objectives of the Fiscal Regime

- ❖ Encourage greater exploration activities
- ❖ Provide for flexibility in exploration programmes
- ❖ Reduce risk to potential investors
 - ❖ Offer greater economic stability
 - ❖ Fixed financial obligations
- ❖ Build knowledge based society
- ❖ Encourage greater local content
- ❖ Enhance decommissioning provisions (Escrow accounts)



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Basic Features of PSCs

- Conventional styled PSCs for Deep water areas
- Ring-fenced
- Contractor's liabilities for PPT, UL, SPT, Petroleum Levy, Oil Impost, Royalty, Green Fund Levy to be made from GORTT's Share of Profit Petroleum, with exception of the payment of Withholding Taxes and Stamp Duty
- GORTT to make payments on behalf of Contractor
- Gross up mechanism will apply



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Basic Features of PSCs

- Profit Share matrices opened
- Price and Production Bands widened
- Windfall profit feature
- Profit Shares and work programmes are biddable
- Abandonment Provision
 - Escrow Account from time of development
- Financial Obligations fixed in PSC
- Cost Recovery Limit increased from 60% to **80%**
- GORTT will have options for marketing its share of petroleum



Deep Water: Profit Share Matrices

Crude Oil

Price MBOPD	A	B	C	D
	< \$50.00	\$50.00 - \$75.00	\$75.00 - \$100.00	> \$100.00
	%			
< 75	X	X	X	X
75 - 100	X	X	X	X
100 - 150	X	X	X	X
150 - 200	X	X	X	X
> 200	X	X	X	X

Natural Gas

Price MMCFD	A	B	C	D
	< \$4.00	\$4.00 - \$6.50	\$6.50 - \$9.00	> \$9.00
	%			
< 200	X	X	X	X
200 - 350	X	X	X	X
350 - 500	X	X	X	X
500 - 750	X	X	X	X
750 - 1,000	X	X	X	X
> 1,000	X	X	X	X

Windfall Feature:

$$BR + 70\% * [(P - US\$100.00) / P] * (1 - BR)$$

Where:

BR is the base rate at Column D

P is the market price

Windfall Feature:

$$BR + 70\% * [(P - US\$9.00) / P] * (1 - BR)$$

Where:

BR is the base rate at Column D

P is the market price



Financial Obligations

Financial Obligations	Deep
Minimum Payment	US\$5.50/hectare, increasing by 50c/year of exploration and by 6% thereafter
Administration Charge	US\$300,000 incr. by 4% /yr thereafter
Training Contribution	Pre Commerciality: US\$120,000 incr by 4%/yr Post Commerciality: US\$150,000 incr by 4%/yr First Prod: 0.25% of Contractor's Share of Profit

Petroleum



Financial Obligations (Cont'd)

Financial Obligations	Deep
Research & Development	a. Pre Commerciality: US\$120,000 incr by 4%/yr b. Post Commerciality: US\$150,000 incr by 4%/yr c. First Prod: 0.25% of Contractor's Share of Profit Petroleum
Scholarships	US\$100,000 incr. by 4% /yr thereafter
Technical Equipment	US\$300,000
Signature Bonuses	Not required (Unless a tie)
Production Bonuses	Fixed



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Production Bonuses

Petroleum production in
Barrels per day (BOPD)

25,000

50,000

75,000

100,000

Thereafter for every 50,000 BOPD
exceeding 100,000 BOPD

Production bonus
payments in US\$

\$1,500,000.00

\$2,000,000.00

\$3,000,000.00

\$4,000,000.00

\$1,000,000.0



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Contractor's Obligations

➤ GORTT's Share of Profit Petroleum should cover:

(Paid by GORTT on behalf of Contractor)

- Petroleum Profits Tax (35% allowed for Deep)
- Supplemental Petroleum Tax (On oil only. For Deep, land rates apply)
- Unemployment Levy (5%)
- Petroleum Production Levy (Up to 4% of Crude Income)
- Royalties
- Oil Impost (BOE rate stated in Order)
- Green Fund Levy (0.1% not deductible for tax purposes)

(Paid directly by Contractor)

- Other (Research & Development, Scholarships, Training etc)
- Withholding Taxes



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Summary

- ❑ The 2012 Deep water Fiscal Regime:
 - ❑ Reduces risks, and
 - ❑ Offers a more competitive environment to potential investors.



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THANK YOU



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ENERGY
AND ENERGY AFFAIRS
POWER. PROSPERITY. PROGRESS.