Fiscal Regimes Competitiveness Comparison of Selected OPEC Countries

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Fiscal regime is an important factor to be considered for investment decisions in oil and gas industry. It includes all forms of payments to governments in cash or in kind, such as bonuses, royalties, corporate income taxes, profit oil shares, windfall profits taxes, property taxes, export duties and carried interest provisions. It also includes under RSC's the fees paid by government to the contractors.

This paper evaluates and compares the fiscal regimes in Nigeria, Angola, Algeria, and Qatar using the evaluation criteria namely; government-take, stability, cost recovery, and re-investment incentives and then an economic analysis of the attractiveness of individual fiscal regime was carried out.
In order to do this, the regimes of these countries were consecutively subjected to the following economic tests such as cash-flow, sensitivity and correlation analyses using the data from hypothetical fields. These tests were used to obtain some economic indicators such as net present value (NPV), profit-to-investment ratio (P/I ratio), payout time, internal rate of return (IRR). The fiscal regime models from the countries were run using data from a hypothetical field in Nigeria. Sensitivity and correlation analyses were carried out to examine the influence of production rate, royalties and tax on investors' profit.

Conclusions were made on the effects of these different fiscal regimes on cash flow and profitability and their effect on investment decisions of oil companies and government policy.