

Fiscal Policy and Regimes on Oil and Gas Project Economics

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The Oil and Gas Industry has grown in investments size and importance in the Global Economy, with the unprecedented increase in oil price. This growth has led governments through the National Oil Companies to compete locally and internationally for capital, technology and revenue.

As the two parties come together (Government and Oil and Gas Companies) with the common objective of generating the maximum level of revenue, their mission is not entirely aligned. Oil and Gas Companies and investors seek maximum return for their investments based on the level of their risk exposure; the Government seeks maximum return using Signature Bonus, Government Participation, Royalty, and Taxes based on social development needs of the country, taking into consideration the impact on investors.

This paper will look at the different Fiscal Systems in the Oil and Gas Industry as an arrangement for bringing both parties together, and the impact of the fiscal instruments used at different stages of Licensing Round, Exploration, Appraisal, Development, Production and Abandonment.