

Global Trends in Deepwater Offshore Explorations: How Competitive is the Fiscal Regime of West African Offshore Frontiers to Attract Investments?

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Deepwater explorations have gained momentum in recent times because of the current supply constraints from most of the maturing onshore and shallow water oil provinces. Worldwide expenditure within this sector will total \$167 billion between 2010 and 2014 and the majority of the explorations are concentrated around the golden triangle of Gulf of Mexico, Brazilian and African regions.

The deepwater offshore West Africa is recognized as a strategic hydrocarbon source in an era of Oil supply crunch and increasing global demand, predicted by the International Energy Agency (IEA) in its 2008 World Energy Outlook report to be growing at an annual rate of 1.6%. The estimated total commercial reserve in deepwater West African region is in excess of 25 Billion BOE of accessible reserves and recent discoveries like the Ghana's Jubilee Fields, Sierra Leone-Liberian basin and the prospect of new finds in the West African Transform Margin accentuates the prospectivity of this deep offshore frontier region.

However, a pertinent question is whether the fiscal regimes applicable in the West African deepwater region are competitive enough to attract a major share of investments expected in offshore operations. Are the fiscal terms attractive enough in a competitive offshore market where the majority of the 'golden triangle' investments are forecasted to take place in Latin America and the emerging Asian deepwater market? This paper will take a comparative analysis of the fiscal systems applicable in these regions, bearing emphasis on the legislative, tax and contractual aspects and the operator and government take in the context of deepwater project economics in addressing this question.