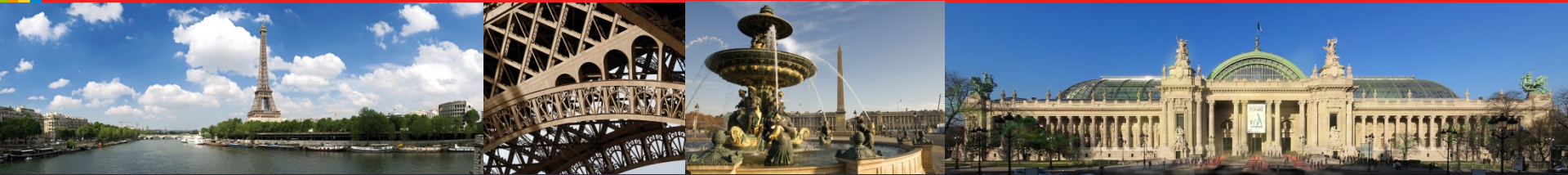




26th World Gas Conference

1 – 5 June 2015, Paris, France



Fiscal Solutions For Gas Exploration & Production

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Sound policy must pave the way as the industry shifts to gas

This paper explores policies & regulations key to successful gas developments:



1

Get the Basics Right

Understand vital building blocks



2

Design Bespoke Incentives

Explore variations tailored for different gas developments
























3

Anticipate Future Challenges

Explore framework for upcoming challenges

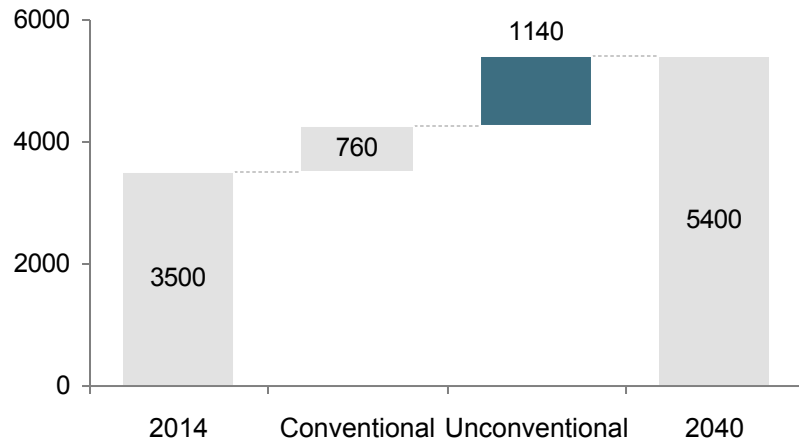
Gas is different from oil, so design principles vary

Challenges	Options & Examples	
Tradability	Contract Features	<ul style="list-style-type: none"> • Gas Holding Period  • Gas Sales Agreements • Longer development period for gas 
Energy Density	Commercial Terms	<ul style="list-style-type: none"> • Lower tax rates        • Higher Cost Recovery/ Profit Share    • Oil bank cross-flow   
	Price	<ul style="list-style-type: none"> • Gas-to-gas Competition    • Oil-indexation   

Policies must keep up with the unconventional revolution

~60% of new production will be unconventional in 2040

Global Gas Production (bcm)



Commercial terms need to be “unconventional”

Fiscal approach must adapt with the changing landscape

Unfamiliar, Risky Plays

- Lower taxes
- Production subsidies

Multi-year Developments

- Longer contract length
- Tax loss carry forward

Environmental Concerns

- Local communities receive payments & share revenues

Large Scale Operations

- Minimal land tax

Territorial dispute issues must be addressed in the future

Disputes over maritime boundaries jeopardize joint development of potential resources



**The Arctic holds
~30% of the world's
undiscovered gas**

**Limited cooperation over potential
export options**

Different perceptions of value



**Gas finds give impetus to claims in
South China Sea & Levantine Basin**

Multi-lateral policies will be increasingly important



Governing Principles

- What are main principles governing joint cooperation area?



Legal Model

- Where is the Jurisdiction Line?
- Which country's civil and criminal laws apply?



Administrative Model

- How will the area be managed?
- Who should be the Resource Manager?
- What are the Terms of Reference for this role?



Commercial Model

- How should the HC be divided?
- How to ensure equal costs & benefits is shared?
- What about other Taxes, Levies and Duties?



Operations Model

- Who operates?
- What will be the evacuation route? Tariff applied?
- Which country's regulations and standards apply?

Conclusion

- As the industry shifts towards gas, sound policies and regulations are imperative to ensure sustainable and efficient gas development
- The first step is to acknowledge that gas differs from oil and to design policies to cater for these differences
- Next, be prepared to design bespoke incentives for different kinds of gas developments e.g. longer contract lengths for unconventional developments or accelerated depreciation for marginal gas fields
- Finally, policies on a national level may need to evolve to an international level as gas finds increasingly span different countries or as gas advocacy issues take a global stage



THANK YOU