### Study Group 1.3 – Mineral property rights, regulations and taxes

*L´art de l´imposition consiste à plumer l´oie pour obtenir le plus possible de plumes avant d´obtenir le moins possible de cris.*

This quote of Jean Baptiste Colbert, Chancellor of Louis XIV, synthesises the primary objective of the many taxation policies available in the world on the exploration and development of oil and gas resources.

The literature is rich in the description of models designed to maximise the intake of governments, under varied degrees of incertitude, and much of the art involved is related to the creation of an attractive atmosphere, which will actually develop a win-win situation for governments and serious investors.

There are basically two fiscal regimes of relevance. In the *concession regime*, the investor sells the production for a price, deducts costs, pays taxes and keeps what is left to himself. In the *sharing regime*, the operator receives part of the oil produced as a compensation for his costs, and another part of the production is passed on to him as a payment for his services, after taxes. Hybrid models are also possible.

As to the fiscal instruments, a large arsenal is available, and usually a mixture of them is used, including signature bonuses, royalties and taxes on profits of varied nature, such as the resource rent taxes of Australia. Even the obligation of acquiring goods and services in the local market can be used as a form of taxation.

The exploration, development and production of gas reserves require nevertheless a differentiated treatment from fiscal policymakers, which must ensure a proper balance of risks and rewards to promote investment in domestic projects. And the conditions may vary dramatically from associated to non-associated gas, or if an NOC is included in the game.

This study group will analyse these instruments, comparing the solutions adopted by a number of countries, and the results obtained by them. Identification of regulatory tendencies, critical analysis of current exploratory models, and analyses of relevant case studies will be explored.

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