



Our Ocean Wealth

1st Annual Conference

18 June 2014

2015 Licensing Round & Fiscal Terms

**Department of Communications,
Energy and Natural Resources**

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Presentation Outline

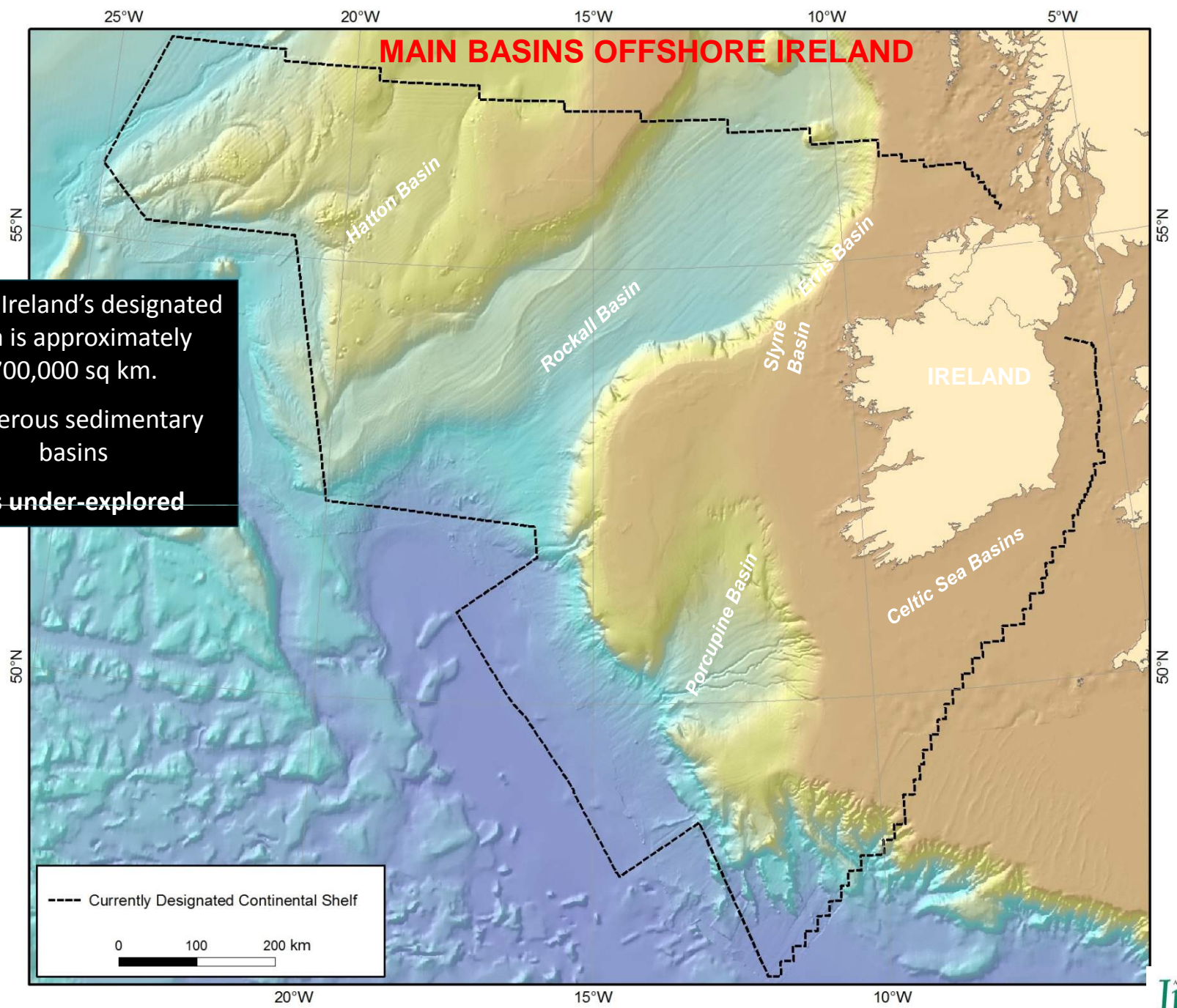
- 1. Exploration Context and Licensing**
- 2. Fiscal Terms**
- 3. 2015 Licensing Round**

A satellite-style map of the United Kingdom, showing the landmass in green and brown tones against the dark blue of the surrounding oceans. The map is centered on the British Isles. Overlaid on the map are three lines of text in a blue, outlined font. The text provides key energy statistics for the country.

**Imports 100% of Oil
and 95% of Gas**

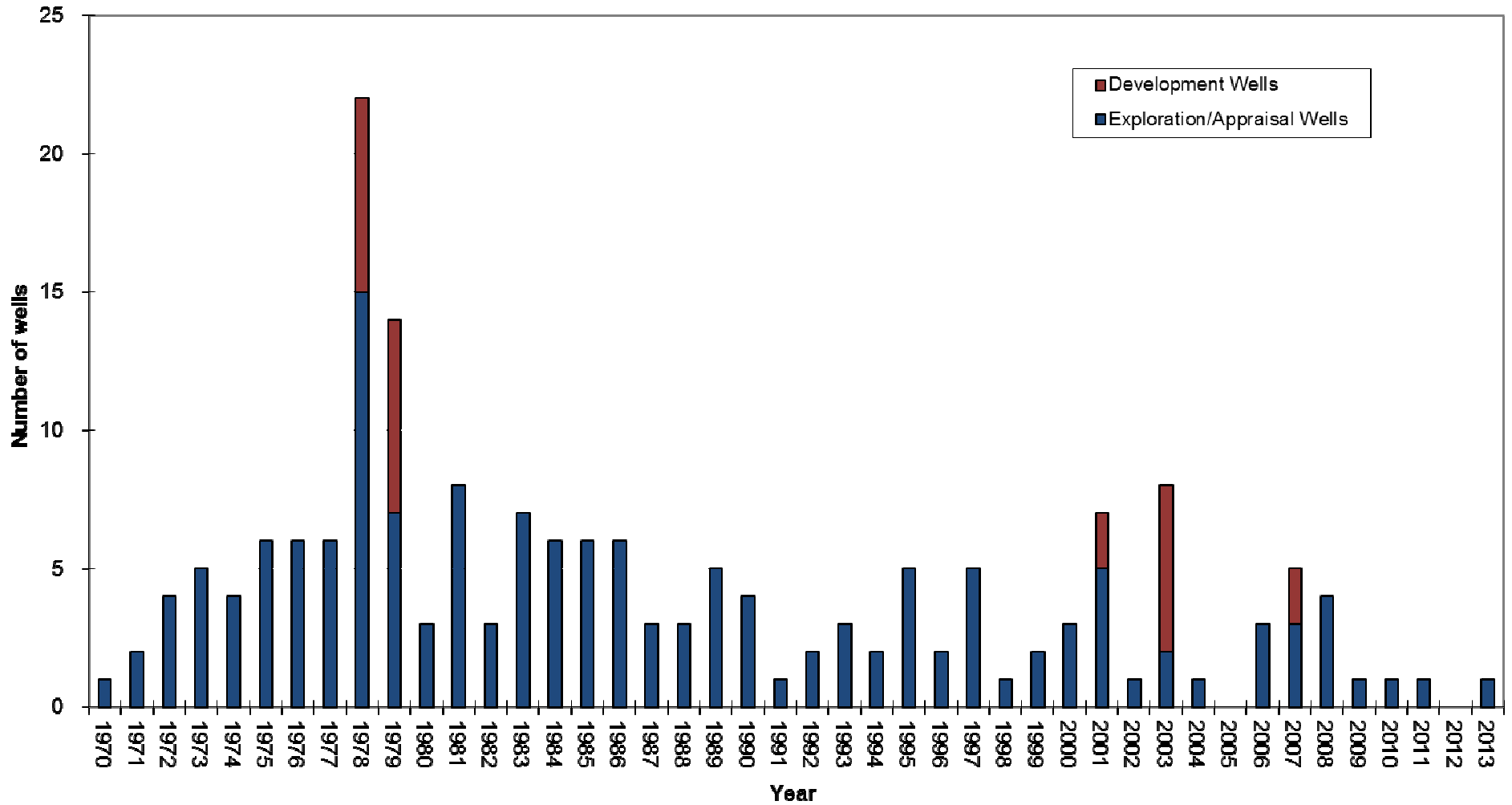
**Oil + Gas = 80% Energy
Consumption**

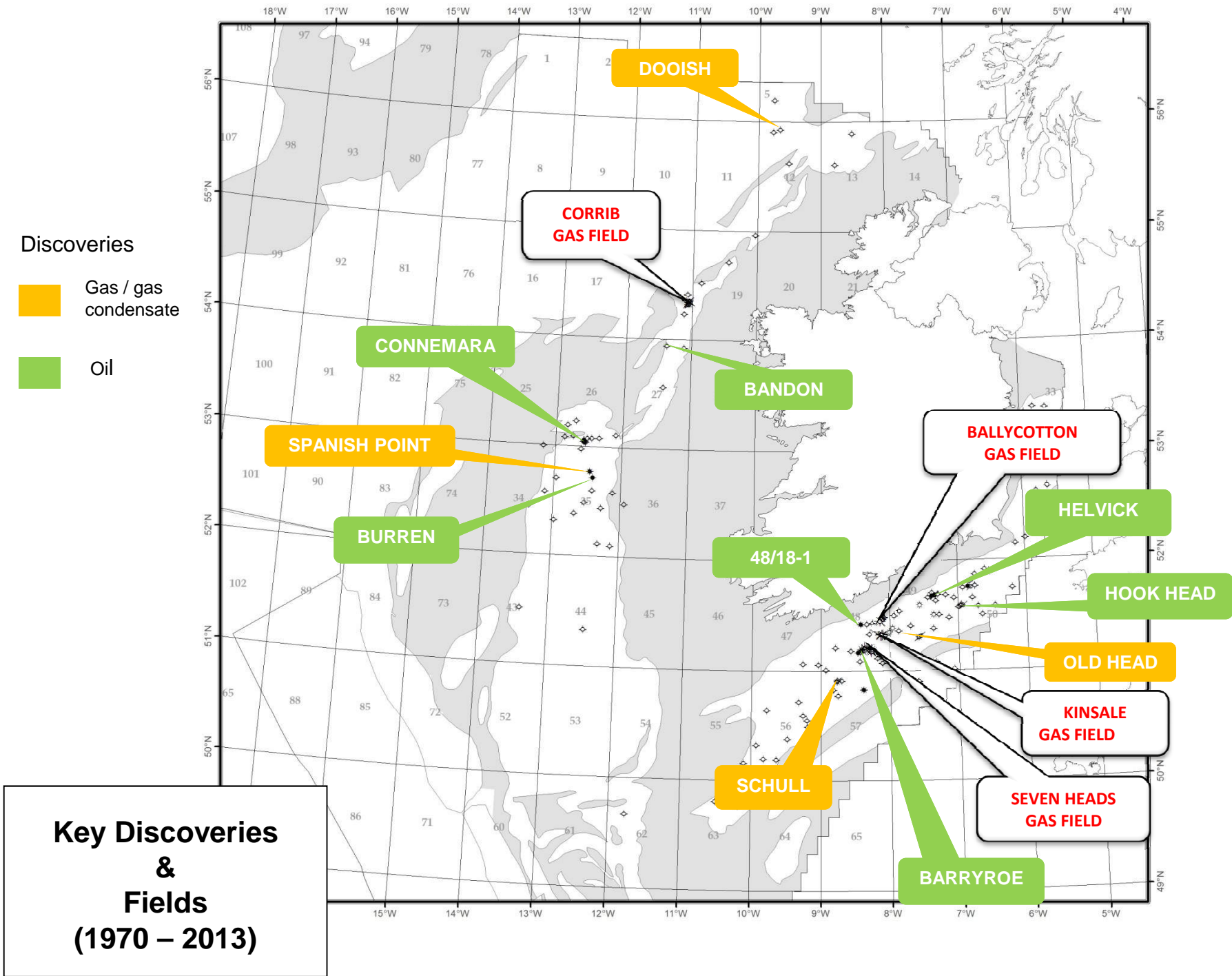
**55% of Electricity
Generation from Gas**



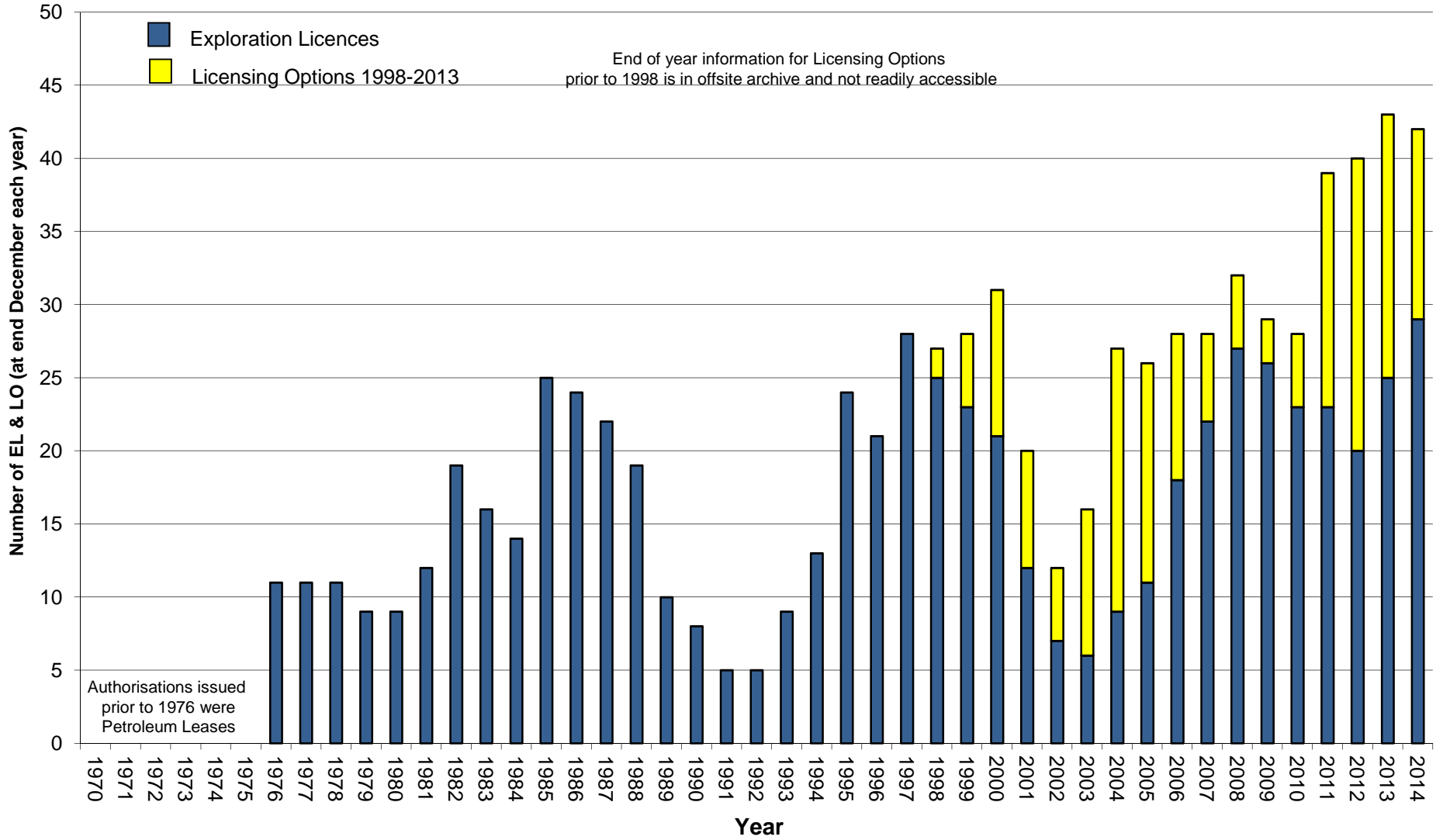
Size of Ireland's designated area is approximately 700,000 sq km.
Numerous sedimentary basins
It is under-explored

Wells Spudded and Drilled Offshore Ireland





Number of Offshore Exploration Licences and Licensing Options at end December each year (1970 - May 2014)



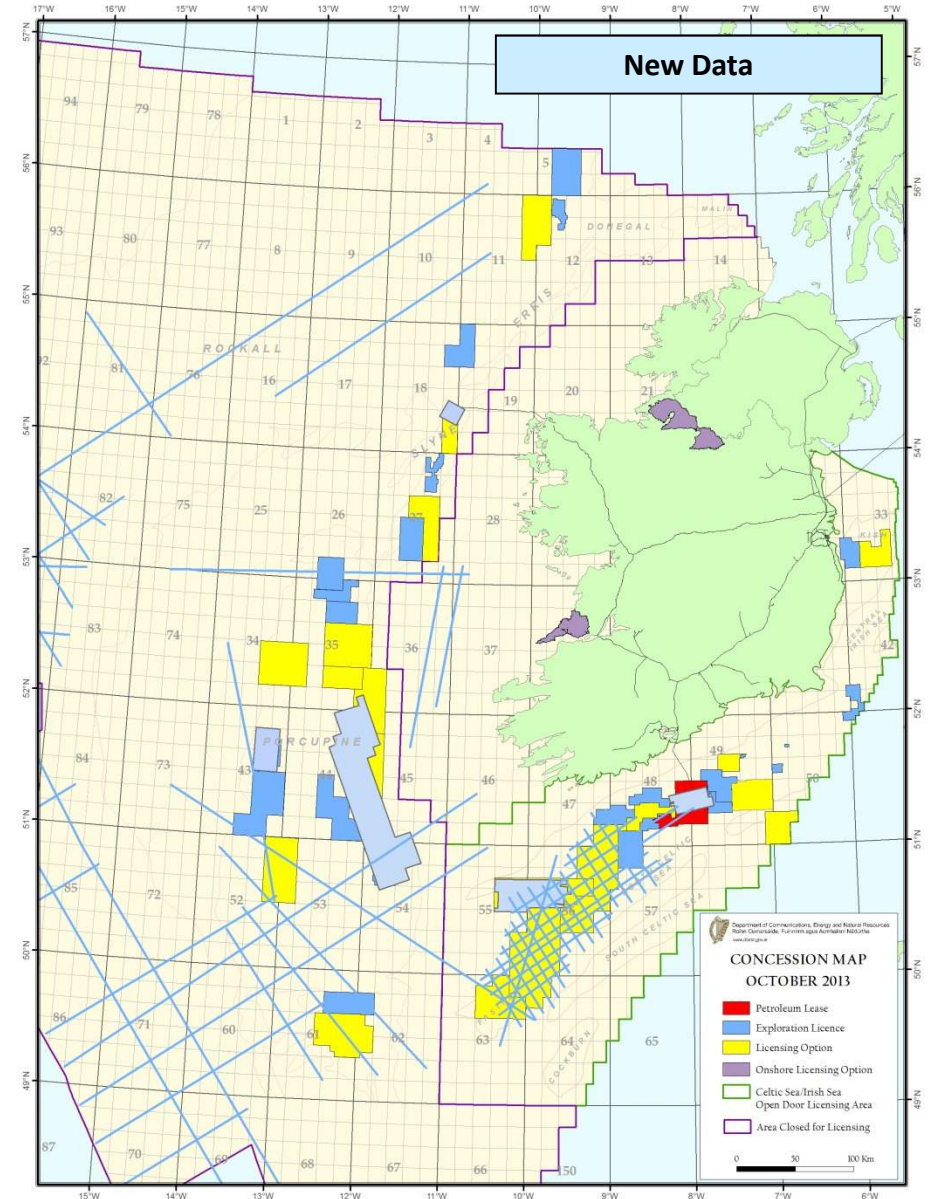
Seismic Surveys 2013

2013 Seismic Acquisition

2013/01: 245km ²	3D	Shell	Corrib
2013/02: 510km ²	3D	Fastnet Oil & Gas	Deep Kinsale
2013/03: 1200km ²	3D	Fastnet Oil & Gas	Mizzen
2013/04: 10175km ²	2D	DCENR/Eni	Regional
2013/05: 5000km ²	3D	Kosmos	Porcupine E
2013/05: 775km ²	3D	Kosmos	Porcupine W
2013/06: 3500km ²	2D	Charge Oil	Celtic Sea

Total 2013:

2013 2D: ~13650km²
2013 3D: ~ 7750km²





Fiscal Terms

- **Minister instigated debate to discuss 2012 Report of Joint Oireachtas Committee**
- **Wide ranging report – Most attention on recommendation to increase maximum tax rate**
- **Report recommended against retrospective change**
- **Minister sought expert advice on “fitness for purpose” of Ireland’s fiscal terms**
- **Wood Mackenzie Report**



Wood Mackenzie - Key Principles

- **Early phase of the industry – focus fiscal terms on the profitability of individual field developments**
- **A share of revenue for State in every year of production**
- **Fiscal terms should not deter investment**
- **Fiscal terms should be progressive**
- **Marginal Government share of profits should not be so high that it is likely to deter investment in later field life**
- **Fiscal system should be transparent and easy to administer**



Wood Mackenzie - Findings

The central conclusion of the report is that there is scope for strengthening the current fiscal system for future licences in terms of:

- **Providing for an increase in the overall State take**
- **Ensuring an earlier share of revenue for the State**
- **Addressing what Wood MacKenzie consider to be inconsistencies in the current fiscal system**



Wood Mackenzie - Recommendations

- **For now, Ireland should maintain a concession system, with industry rather than the State bearing exploration risk**
- **There should be no change to the fiscal regime as applying to existing exploration authorisations**
- **For discoveries made under future licences a revised form of production tax should apply**
- **Charged on a field-by-field basis with the rate varying according to the profitability of the field**
- **Include a minimum payment at a rate of 5% to ensure a share of revenue in every year of production**



Wood Mackenzie - Recommendations

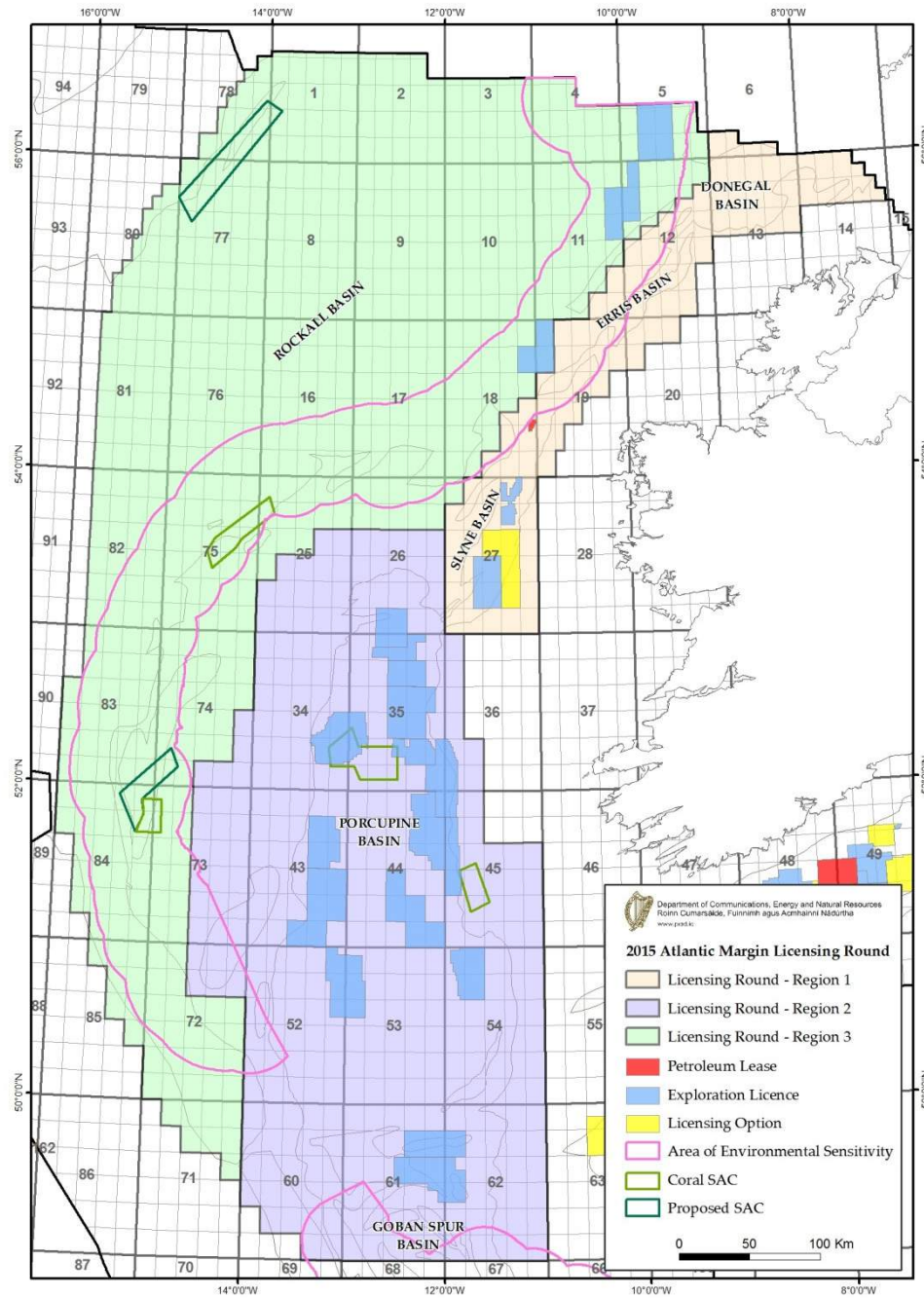
- **That the revised tax rates should be higher than the Profit Resource Rent Tax currently in place**
- **Marginal rate of 55% to apply in the case of new licences (marginal rate is 40% under the current fiscal regime)**
- **That the corporation tax rate applying to petroleum production should remain at 25%**
- **Provisions relating to capital allowances and carry forward of exploration costs should continue**
- **Options considered but not recommended at this time - National Oil Company and Production Sharing Contracts**



2015 Atlantic Margin Licensing Round

- Round to include all of Ireland's major Atlantic basins
- Three regions - different maximum size of applications
 - 4 Blocks - Donegal, Erris and Slyne
 - 6 Blocks - Porcupine and Goban Spur
 - 10 Blocks - Rockall
- Two year Licensing Options – Up to three years for applications primarily focussed within area of recognised environmental sensitivity

2015 ATLANTIC MARGIN LICENSING ROUND





2015 Atlantic Margin Licensing Round

- **Licensing Options subject to agreed work programme**
- **Not prescriptive in terms of content of work programmes, but 40% of marks for quality of work programme**
- **Work programmes will not include drilling**
- **Purchase by applicants of unreleased speculative\multi client geophysical data will be treated as new data acquisition**
- **Follow on authorisations will be 15 year Frontier Exploration Licences with first phase of 3 years**
- **Licensing Round will close on 16 September 2015**



2015 Atlantic Margin - Initiatives

- **Data from DCENR\Eni 2D regional seismic survey to be made available in a manner to encourage effective timely exploration**
- **Confidentiality period to be extended to 10 years for all new speculative and multi-client seismic surveys in the entire Irish offshore area**
- **Extensive environmental baseline data acquisition programme being developed by DCENR in conjunction with NPWS**
- **Strategic Environmental Assessment (IOSEA5) to be carried out to inform applications under the Licensing Round**



Conclusions

- **Licensing Round objective is to build on existing exploration momentum**
- **Decision on Fiscal Terms brings certainty and stability**
- **Applications will be informed by new data and steps taken to incentivise further data acquisition**
- **Programme being developed to acquire additional environmental baseline data**
- **2015 will be an important year for the Irish offshore**



**Atlantic Ireland Conference,
Dublin, 20 October 2014**