

Frequently Asked Questions (FAQ)

MEEI Statement of Royalty Forms

1. With respect to the following columns:

- a) “TOTAL CRUDE OIL WON & SAVED”; and
- b) “TOTAL MONTHLY REVENUE”.

Do these apply to the entire field, or are these columns with respect to the portion that applies to the respective Operator completing the form?

Reporting is to be done by each Exploration and Production Licensee or Production Sharing Contractor. So the field that requires quantities to be stated would be for individual portions only.

For FIELD totals, we would consolidate the individual reports of each partner accordingly, and reconcile with our PROD reports.

2. Please define “Petroleum Won and Saved”.

“Petroleum Won and Saved” constitutes all petroleum that is produced, with the exception of petroleum that is proved to the satisfaction of the Minister to have been used by the licensee within the licensed area for the carrying out of petroleum operations including gas injection and other approved field operations.

3. Are Royalties calculated based on actual cargo sales or production?

Royalties are to be calculated based on production for the reported month and quarter.

4. In determining FMV, is the use of information available from actual Third Party sales acceptable?

The Petroleum (Amendment) Regulations, 2017 states that “fair market value” means the price at the point of sale for crude oil or natural gas at which independent third parties under no compulsion to buy or sell are trading on an arms-length basis;”

With respect to the determination of the fair market value, the following instructive clauses from the Second Schedule of the Petroleum Taxes Act should be noted:

Section 6 (1) of the Second Schedule of the PTA provides for the determination of the fair market value for *crude*, as follows:

6. The Minister shall in consultation with the member of the Cabinet responsible for petroleum determine fair market value as follows:

(1) In the case of crude oil—

(a) widely traded reference crudes similar in quality to the crude to be valued shall be selected and the international market prices of the crudes selected shall be used as the base value for the crude to be valued;

(b) an appropriate price-setting market where substantial quantities of the reference crudes are traded at arms-length and on an ongoing basis shall be chosen;

(c) transportation differential shall be taken into account that is to say, the difference between the cost of transporting to the pricesetting market the reference crudes and the crude to be valued;

(d) interest charges on the value of the inventory in transit may be considered in determining transportation costs;

(e) other relevant considerations.

Section 6 (2A) of the Second Schedule of the PTA provides for the determination of the fair market value for *natural gas*, as follows:

6. (2A) In the case of the sale, exchange, transfer or other disposition, for export purposes, of natural gas, whether or not in the gaseous or liquefied state, between a person carrying on production business and—

(a) a person carrying on liquefaction of natural gas;

(b) a person who purchases the gas for export purposes; or

(c) an affiliated or related person,

there shall be taken into consideration in determining the fair market value of the gas following:

- (i) the market destination of the gas;
- (ii) the price of the gas at the final destination;
- (iii) regasification costs;
- (iv) shipping costs;
- (v) liquefaction costs;
- (vi) pipeline transport costs;
- (vii) publicly available values outside Trinidad and Tobago;
- (viii) other relevant considerations.

Please note that the methodology provided for the determination of the FMV should be presented in a clear and logical manner.

5. Would receipts for the payment of royalties be provided by the MEEI and what would be the expected time frames for receipt of same?

Receipts will be issued for confirmed payments of royalties, consistent with existing procedures and timelines.

6. Is there a “true-up” mechanism in place for the payment of royalties?

A “true-up” is used to match “What was anticipated” to “What actually happened” i.e. to reconcile “Estimates” with “Actuals”. Therefore, a True-up is not a correction but a reconciliation.

The Petroleum (Amendment) Regulations, 2017 defines “*fair market value*” as the price at the point of sale for crude oil or natural gas at which independent third parties under no compulsion to buy or sell are trading on an arms-length basis.

Please note that prior to the amendments made to the Petroleum Regulations effective 01 Jan 2018, Regulation 71 of the Petroleum Regulations stated that:

- (1) Within ninety days following the end of each year the licensee shall calculate for each licence, the total amount of royalty in respect of that year after deducting the value of any petroleum taken in kind and submit to the Minister a statement thereof together with any balance of royalties shown thereby to be due, or a claim for refund of any royalties shown thereby to have been overpaid.*

- (2) *The Minister shall assess the royalties payable, and any adjustment found necessary in respect of the aggregate royalty payments already made for the year in question, on the basis of quarterly calculations, shall be made forthwith.*
- (3) *In this regulation and in regulation 68, “year” means the period of twelve months commencing on the 1st January in each year.*

In the Petroleum (Amendment) Regulations 2017, this regulation was kept, with minor variations to now include instances of a contractor and production sharing contracts.

7. What is the Minimum Payment to be paid?

The Petroleum Regulations, (Sections 56 - 58) set out the procedure for the calculation of the Minimum Payment and time for payments and its link to royalty payments as follows:

56. Subject to regulation 58, every Exploration and Production (Public Petroleum Rights) Licensee shall pay in respect of each acre of State Land and Submarine Area held by him from time to time throughout the period of the licence, such minimum payment at such rates as are fixed by the Minister and specified in the licence.

57. (1) Minimum payments shall be payable quarterly in advance within the first ten days of January, April, July and October.

(2) No refund shall become due if before the end of a quarterly period a part of the area has been surrendered.

58. In respect of any quarterly period for which royalties become payable on a licence, where the sum of such royalties is equal to or exceeds the amount already paid as minimum payment for the same period, then the amount of minimum payment so paid shall be deducted from the royalties payable in respect of such quarterly period.

These Minimum Payments are based on the size of the acreage (in hectares) times the applicable rates that are specified in each E&P Licence or PSC.

This FAQ is periodically updated when new questions are received or, if there is any material change to the information previously made available.

Downstream Petroleum Management Division

Ministry of Energy and Energy Industries

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