



THE GOVERNMENT OF  
THE REPUBLIC OF  
TRINIDAD AND TOBAGO

# Petroleum Fiscal Regime for the Onshore-based Operations

*April - May 2013*



THE GOVERNMENT OF  
THE REPUBLIC OF  
TRINIDAD AND TOBAGO


# Objectives

- Ensure competitiveness
- Encourage multi-block approach and consortia for investment
- Stimulate exploration and development activities
- Reduce risks to investors
- Build revenue streams for future generations
- Facilitate easy administration
- Provide for transparency & equity



THE GOVERNMENT OF  
THE REPUBLIC OF  
TRINIDAD AND TOBAGO

# Legislative Framework



MINISTRY OF  
**ENERGY**  
AND ENERGY AFFAIRS  
*POWER. PROSPERITY. PROGRESS.*



# Legislative Framework

## ❖ **Petroleum Act and Regulations Chap. 62:01**

- Regulations effective from 1969 and Act enacted in 1970 to monitor and regulate the oil industry

## ❖ **Petroleum Production Levy and Subsidy Act Chap. 62:02**

- Payment made by oil producers to offset subsidy of petroleum products in T&T
- Applicable to companies producing more than 3,500 b/d

## ❖ **Environmental Management Act (EMA) 2000**

- Responsible for the management of the environment
- Certificate of Environmental Clearance

## ❖ **Occupational, Safety and Health Act (OSHA)**

- Monitor and regulate health and safety standards within organizations



THE GOVERNMENT OF  
THE REPUBLIC OF  
TRINIDAD AND TOBAGO

# Legislative Framework

- ❖ **Petroleum Taxes Act Chap. 75:04**
  - Petroleum Profits Tax
  - Supplemental Petroleum Tax
- ❖ **Income Tax Act Chap 75:01**
  - Withholding Tax [Tax on profits remitted abroad]
- ❖ **Income Tax (In Aid of Industry) Act Chap. 85:04**
  - Capital Allowances
- ❖ **Unemployment Levy Act Chap 75:03**
  - (Applied to Chargeable Profits before loss offset)
- ❖ **Green Fund Levy** (Applied to gross sales or receipts)



# Preferred Contractual Framework

## Tax/Royalty Arrangement –

### ➤ Exploration and Production Licence



# Features of the Tax/Royalty Regime



THE GOVERNMENT OF  
THE REPUBLIC OF  
TRINIDAD AND TOBAGO

# Features of Tax/Royalty Regime - Land

- ✓ **Consolidation**
- ✓ **Losses carried forward**
- ✓ **State Carried Participation of 20%**
- ✓ **Fixed Financial Obligations**
- ✓ **Faster depreciation**
- ✓ **Relinquishment Provision**
- ✓ **Earlier provisions for abandonment/decommissioning**
- ✓ **Incentives and Allowances**





# Features of Tax/Royalty Regime - Land

	Crude Income	Gas Income	Rate
Supplemental Petroleum Tax	✓	N.A.	Formula Based (18% -40%)
Petroleum Profits Tax	✓	✓	50%
Unemployment Levy	✓	✓	5%
Green Fund Levy	✓	✓	0.10%
Withholding Tax	✓	✓	0 -10%



# Features of Tax/Royalty Regime - Land

	Crude Income	Gas Income	Rate
<b>Petroleum Impost</b>	✓	✓	<b>Stated in Order</b>
<b>Petroleum Levy</b>	✓		<b>4.0%</b>
<b>Royalty - Crude</b>	✓		<b>12.5%</b>
<b>Royalty - Natural Gas</b>		✓	<b>12.5%</b>
<b>Financial Obligations</b>	✓	✓	<b>Stated in Licence</b>



THE GOVERNMENT OF  
THE REPUBLIC OF  
TRINIDAD AND TOBAGO

# Recent Incentives

## ➤ Uplift for Exploration Wells Drilled in Deep Horizons on Land

➤ *Capital allowance is based upon 140% of the capital expenditure in respect to the drilling of exploration wells in deep horizons. For land, deep horizon is defined as True Vertical Depth of 8,000 feet and more.*

## ➤ Investment Tax Credit

### ➤ Enhanced Oil Recovery Projects

➤ *Offset against SPT payable, it is equivalent to 20% of capital expenditure on Enhanced Oil Recovery Projects e.g. Steam, CO<sub>2</sub> or water-flood injection*



THE GOVERNMENT OF  
THE REPUBLIC OF  
TRINIDAD AND TOBAGO

# Special Allowances

## Capital Allowances

- Accelerated depreciation granted : Part I - Industrial Bldgs; Part II – Plant and Machinery (Tangibles) and Part III - Intangibles
- Heavy Oil Allowance based on 150% of Capital Expenditure)

## Dry Holes (100% of total costs expensed)

## Work-overs/ Qualifying Sidetracks

## Signature Bonuses

## Production Bonuses

## Decommissioning / Abandonment



# Basic Structure of Tax/Royalty Regime

*Gross Revenues: Total Revenues*

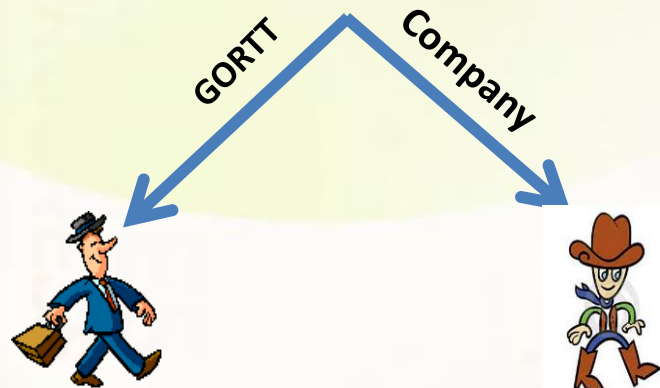
*Less*

*Costs: (As defined under the PTA and Income Tax(In Aid of Industry)*

(Operating, SPT, Royalties, Petroleum Levy, Capital Allowances, Abandonment, Oil Impost, Administrative costs, Unrecovered costs (C/F), Special Allowances – Dry Holes, Work overs, etc )

=

*Net Taxable Profits*





THE GOVERNMENT OF  
THE REPUBLIC OF  
TRINIDAD AND TOBAGO

# Summary

- ❑ The Current Fiscal Regime for land is designed to:
  - ❑ Reduce upfront risks,
  - ❑ Provide a more competitive environment to potential investors, and
  - ❑ Give a fair distribution of the economic rents between Contractors and GORTT.



THE GOVERNMENT OF  
THE REPUBLIC OF  
TRINIDAD AND TOBAGO

**Thank You**





THE GOVERNMENT OF  
THE REPUBLIC OF  
TRINIDAD AND TOBAGO

# SPT Schedule for Crude Oil (applicable from 1/1/2013)

Prices (US\$/bbl)	Marine Licences		Land Licences & Deep Water
	Marine	New Field**	
$P < \$50.00$	0.0%	0.0%	0.0%
$\$50.00 \leq P \leq \$90.00$	33.0%	25.0%	18.0%
$\$90.00 < P \leq \$200.00$	SPT Rate = Base SPT Rate + 0.2% (P - \$90.00)		
$P > \$200.00$	55.0%	47.0%	40.0%

\*\* Total recoverable reserves of up to 50 mmboc

<b>Example</b>	
Land Licence	
Base SPT Rate	18%
Price US\$/bbl	\$120.00
SPT Rate	= 18% + 0.2% (\$120.00 - \$90.00)
	24.0%