

## **Optimisation of deepwater fiscal systems in the context of geological prospectivity**

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This paper examines the challenge governments' face in setting fiscal terms that are appropriate to the established and perceived geological prospectivity of basin in order to attract the investment required for high cost and potentially high risk exploration.

Worldwide deepwater activity is concentrated in a small group of countries which are characterised by both geological prospectivity and attractive fiscal terms. Most of the deepwater reserves added in the last 10 years have been in countries which actively seek deepwater investment. The primary driver of deepwater drilling activity is a proven commercial reserve base, but appropriate fiscal terms are required to stimulate initial activity. Many countries and basins do not have the activity in deepwater exploration that they might otherwise have received due to inappropriate levels of government take. Governments can encourage investment and raise activity levels by adjusting fiscal terms to a suitable level in the context of the prospectivity of their deepwater areas.

Not only determining the appropriate level of government take is important in the context of the geological potential of the basin but also the structure. The structure of the fiscal regime should relate to a realistic assessment of the field size that could be discovered and should ensure that a potential stand-alone development can be profitability developed.