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ABSTRACT

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RISKS AND REWARDS IN ASIA - WHO HAS GOT THE BALANCE RIGHT?.

Upstream fiscal terms seek to strike a balance between risk and reward, attracting new country investment whilst ensuring the efficient exploitation of hydrocarbons for the benefit of the host country. This paper reviews the success of Asian countries in achieving an appropriate balance in a global, dynamic oil and gas market.

The paper reviews the relative attractiveness of Asian fiscal terms for future E&P investment based upon analysis of risked exploration values (EMV) and remaining value in upstream developments. It provides a correlation of this analysis with recent trends in country exploration activity and capital reinvestment.

The paper also considers the effect of the changing external market on striking an appropriate country risk/reward balance in Asia - the creation of the Super Majors, the perception of risk post 911 and the internationalisation programmes of NOCs that are changing the Asian upstream dynamic. Using an analysis of recent Asian corporate exploration activity, capital reinvestment and asset transactions, the impact on the Asian upstream industry is evaluated.

In considering appropriate host country responses to recent country and corporate trends, the need for a repositioning of the Asian risk/reward balance in the global upstream market is considered and case studies are provided of recent fiscal changes in mature hydrocarbon provinces - successful and unsuccessful.