

EXECUTIVE COUNCIL

RESTRICTED

Title of Report: Offshore Petroleum (Licensing)(Amendment) Regulations 2009
Paper No: 15/09
Date: 29 January 2009
Report of: Principal Crown Counsel

1.0 Purpose

The purpose of this paper is to seek the approval of Members for the submission to the making of the Offshore Petroleum (Licensing)(Amendment) Regulations 2009 (attached).

2.0 Recommendations

Honourable Members are recommended to approve the making of the Offshore Petroleum (Licensing)(Amendment) Regulations 2009.

3.0 Summary of Financial Implications

None.

4.0 Background

Amendment to the Offshore Petroleum (Licensing) Regulations 2000 requires the approval of the Secretary of State, which has been obtained as set out below.

5.0 Proposed amendments

Acreage rentals

5.1 ExCo paper 188/01 proposed an amendment to the acreage fees paid under licenses issued under both the competitive and open door licensing regimes, the first fees regulated for under the Offshore Petroleum (Licensing) Regulations 1995, and the latter regulated for under the Offshore Petroleum (Licensing) Regulations 2000. Whilst the amended fees were agreed by Executive Council and implemented in practice, the matter of amending the relevant regulations was overlooked. Consideration is being given as to whether amendment to the 1995 Regulations is necessary.

5.2 The approval of the Secretary of State was subsequently sought to implement the changes in the 2000 regulations, and confirmation of approval was communicated by the First Secretary of Government House on 7 April 2008.

Extension of initial term and second exploration term

5.3 ExCo papers 202/07 and 130/07 proposed the extension of the initial term and the second exploration term respectively of production licences issued under the 2000 Regulations.

5.4 It was proposed to extend the initial term from a maximum of five years to a maximum of eight years. In practice a longer initial term will only be approved, in accordance with the guidelines set out in 202/07, provided that there is a well commitment in the licence area. Executive Council approved the proposal, and Secretary of State approval was communicated on 28 September 2007.

5.5 It was proposed to extend the second exploration term from three to five years. Executive Council approved the proposal, and Secretary of State approval was communicated on 28 September 2007.

Licensing of part blocks

5.6 ExCo paper 269/07 sought approval for removal of the prohibition on the licensing of part blocks. When licensees relinquish acreage, they may do so in part blocks, and a number of part blocks had been relinquished over time. It was recommended that the prohibition on licensing of part blocks therefore be removed to facilitate the further licensing of the relinquished areas. Executive Council approved the proposal, and Secretary of State approval was communicated by the First Secretary of Government House on 8 April 2008.

6. Financial Implications

None.

7. Legal Implications

Whilst retrospectivity in effect is never desirable in regulation, it is permitted. The amendments all reflect concessions which provide for more generous terms of licensing under the regulations, so there is no inequity in the retrospective application of the proposed amendments. The licensees affected by the proposed amendments are already aware of and benefiting from the relevant concessions.

5.0 Human Resources Implications

None.

SUBSIDIARY LEGISLATION

MINERALS

Offshore Petroleum (Licensing)(Amendment) Regulations 2009

S.R & O. No. of 2009

Made: 2009

Published: 2009

Coming into force:in accordance with Regulation 3

IN EXERCISE of my powers under section 7(1) of the Offshore Minerals Ordinance (No 16 of 1994), I make the following regulations —

1. Title

These regulations are the Offshore Petroleum (Licensing)(Amendment) Regulations 2009.

2. Amendment of the Offshore Petroleum (Licensing) Regulations 2000

These regulations amend the Offshore Petroleum (Licensing) Regulations 2000 (No 20 of 2000).

3. Commencement

(1) Subject to this regulation, these regulations come into force on publication in the Gazette.

(2) Regulations 4, 5 and 6(a) are deemed to have come into force on 18 April 2008.

(3) Regulation 6(b) is deemed to have come into force on 28 September 2007.

4. Invited applications

Regulation 6(1)(b) is amended by omitting paragraph (i).

5. Schedule 1

Schedule 1 (form of application for a production licence) is amended by omitting paragraph 4 and substituting —

“4. Number(s) of the block(s) and details of part block(s) in respect of which the application is made.”

6. Schedule 2

Schedule 2 (model clauses for production licences in controlled waters) is amended —

(a) in Clause 2 by omitting “comprising block(s) No.” and substituting “making up the block(s) or a part or parts of block(s) numbered”;

(b) in Clause 3 —

(i) by omitting “*insert here either “three” or “five”*” and substituting “*insert here a figure from three to eight*”;

(ii) by omitting “three years” and substituting “five years”; and

(c) by revoking Schedule 2 and substituting Schedule 2 set out in the schedule to these regulations.

7. Transitional

Regulation 6(b)(ii) has effect in relation to relevant current licences.

Schedule

“Schedule 2

(clause 10(1))

ACREAGE RENTS

1. The Licensee will pay to the Governor, without any deduction, annual rents —

(a) in respect of the first licence held by the Licensee, of \$30,000 during the initial term and second exploration term;

(b) in respect of the second and each further licence held by the Licensee, of \$10,000 during the initial term and the second exploration term;

(c) of \$375,000 in relation to a discovery area; and

(d) of \$375,000 for every square kilometre of a production field (but no rent is payable in respect of a production field in relation to which royalty is payable).

2. The annual rents must be paid —

(a) in advance, the first payment being due on the grant of this Licence and subsequent payments being due on each anniversary of the Licence; and

(b) be paid to the Falkland Islands Government bank account in the Falkland Islands or in London as notified by the Falkland Islands Government Director of Finance.”

A. E. Huckle,
Governor.

EXPLANATORY NOTE
(not forming part of the above regulations)

These regulations amend the Offshore Petroleum (Licensing) Regulations 2000 by —

1. removing the prohibition on licensing of part blocks; and
2. amending the model clauses to —
 - (i) provide for the initial term of a licence to be granted for a maximum period of eight years (increased from a period of five years);
 - (ii) provide for the second exploration term of a licence to be increased from three to five years;
 - (iii) reflect a reduction in licensing fees which have, as a matter of practice, been charged for a number of years.