EVALUATING THE EFFECT OF DIFFERENT DECOMMISSIONING FISCAL SCHEMES ON DECOMMISSIONING COST: A CASE STUDY OF GHANA

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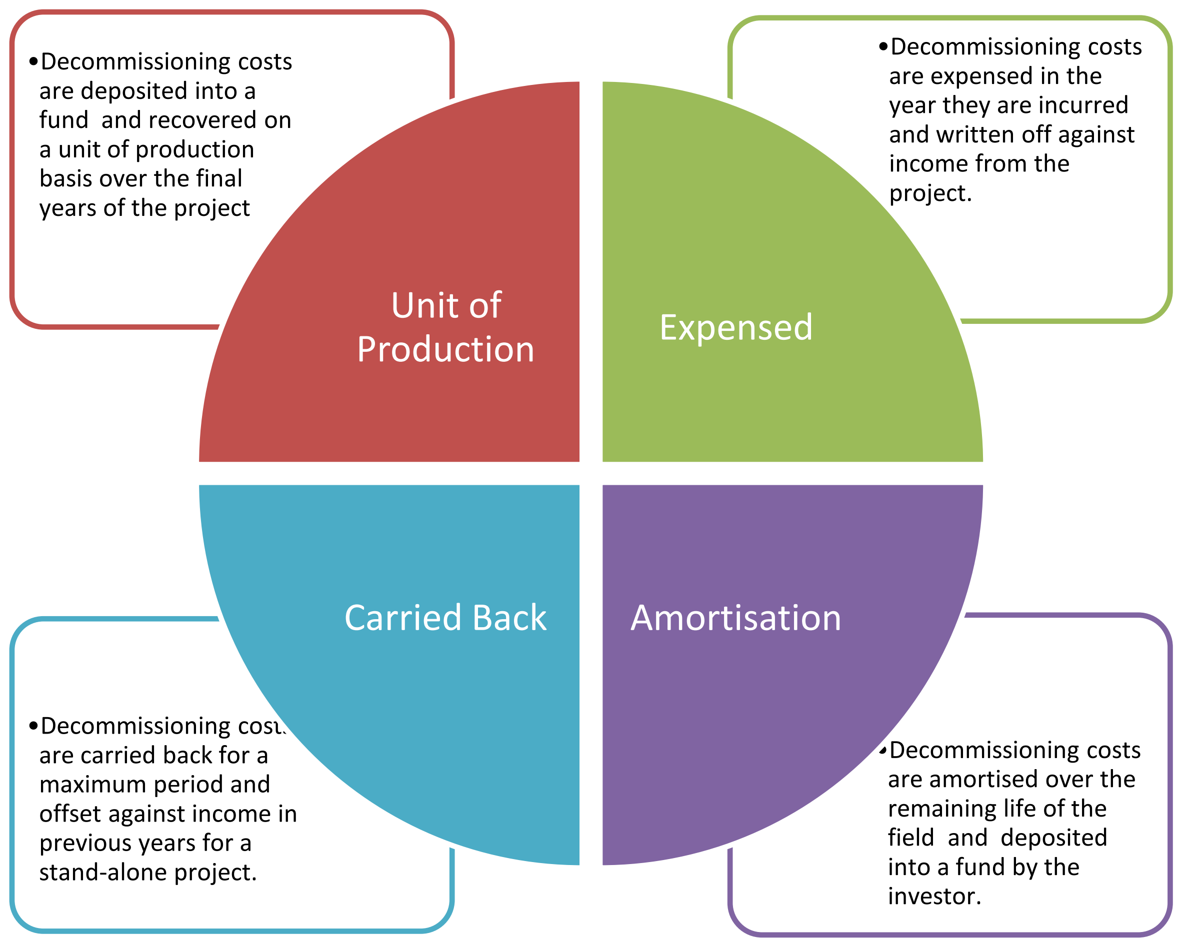
BACKGROUND

- Ghana's fiscal scheme for the treatment of decommissioning cost is the Unit of Production method together with a decommissioning fund.
- Study seeks to assess the ideal fiscal treatment of decommissioning cost and the appropriate trigger percentage for accruing decommissioning provisions into a fund.
- Evaluation of the impact of different decommissioning fiscal schemes on the size of Government and Investor take

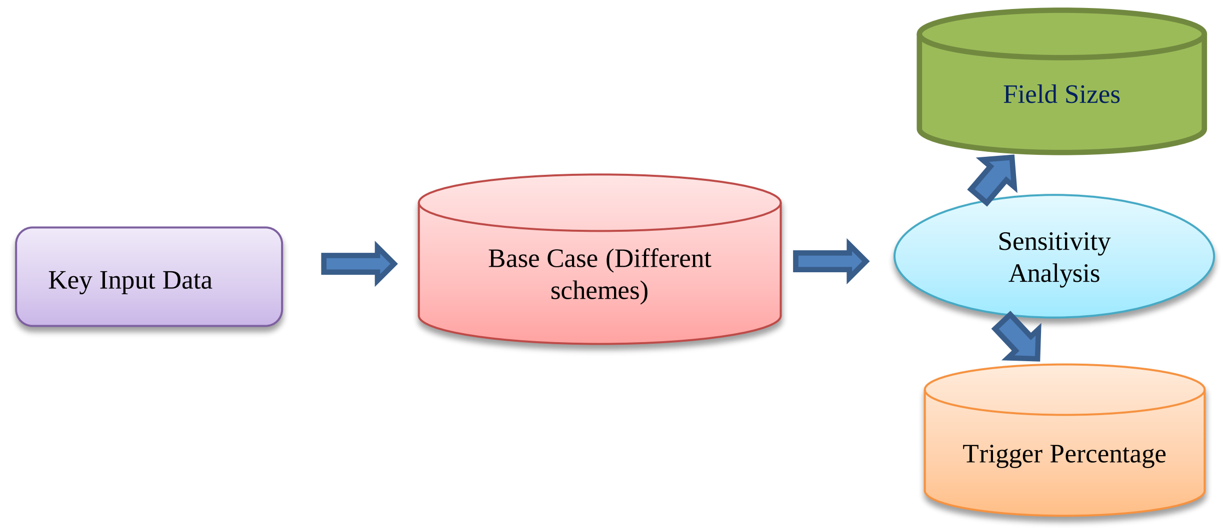
Types of decommissioning fiscal schemes or provisions used in the study are;



METHODOLOGY

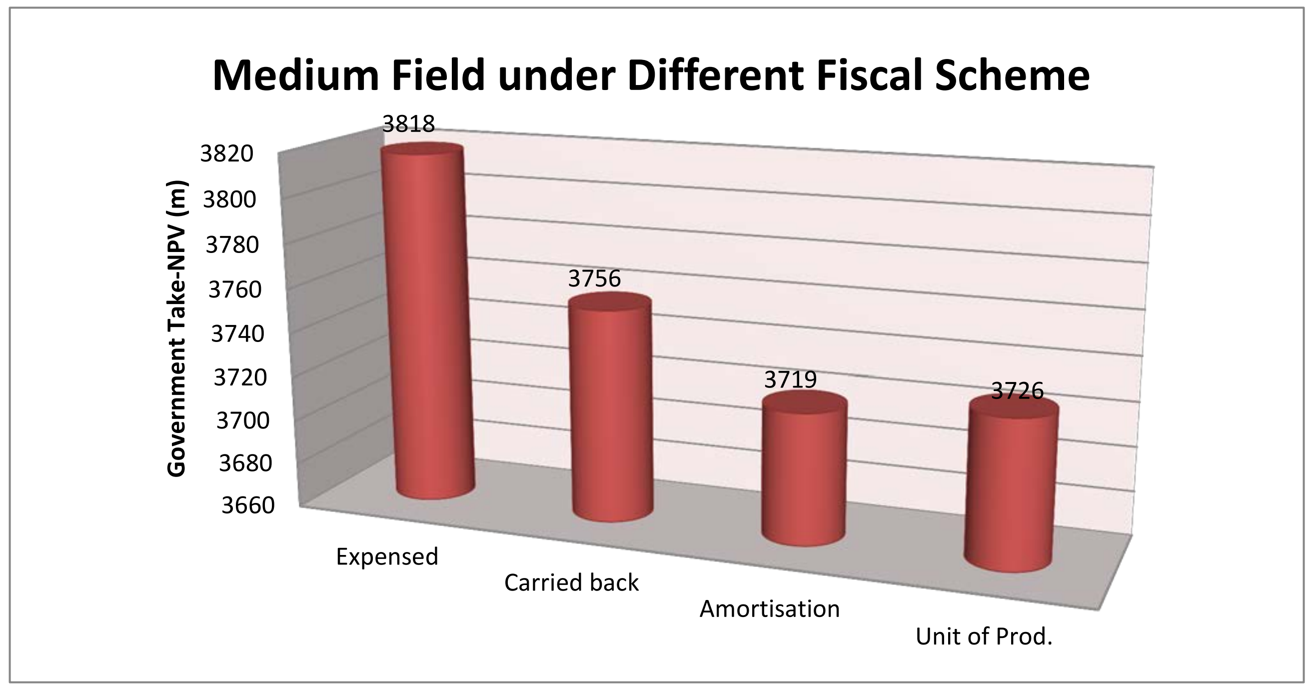
Discounted Cash Flow (DCF) model used to compare the efficiency of different schemes by evaluating their impact on the size of government and investor take of profits.

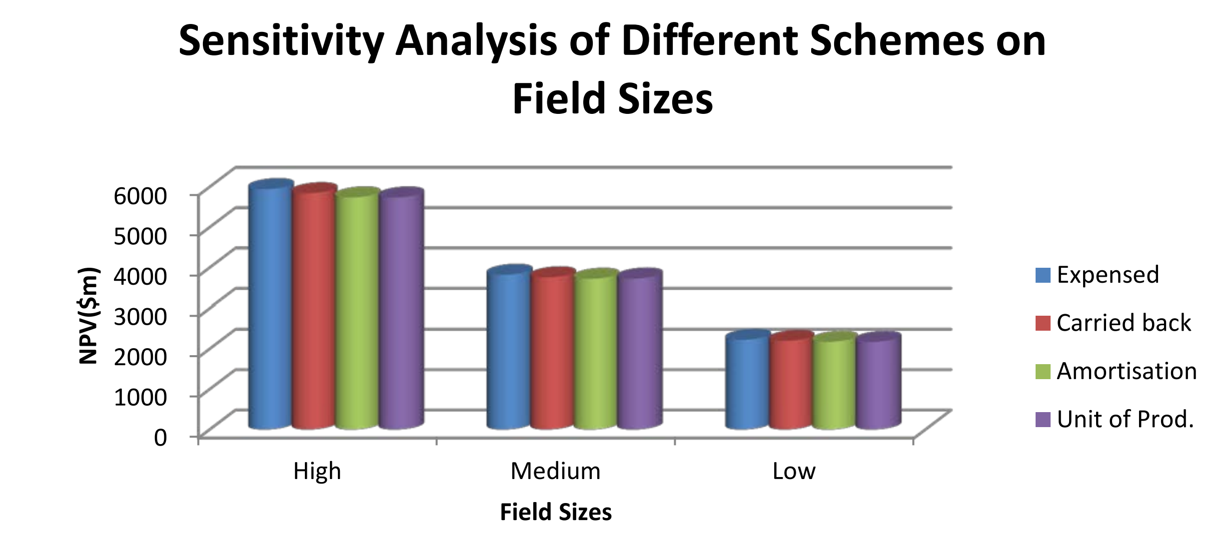
Model evaluated through
- Net Present Value (NPV)
- Sensitivity Analysis

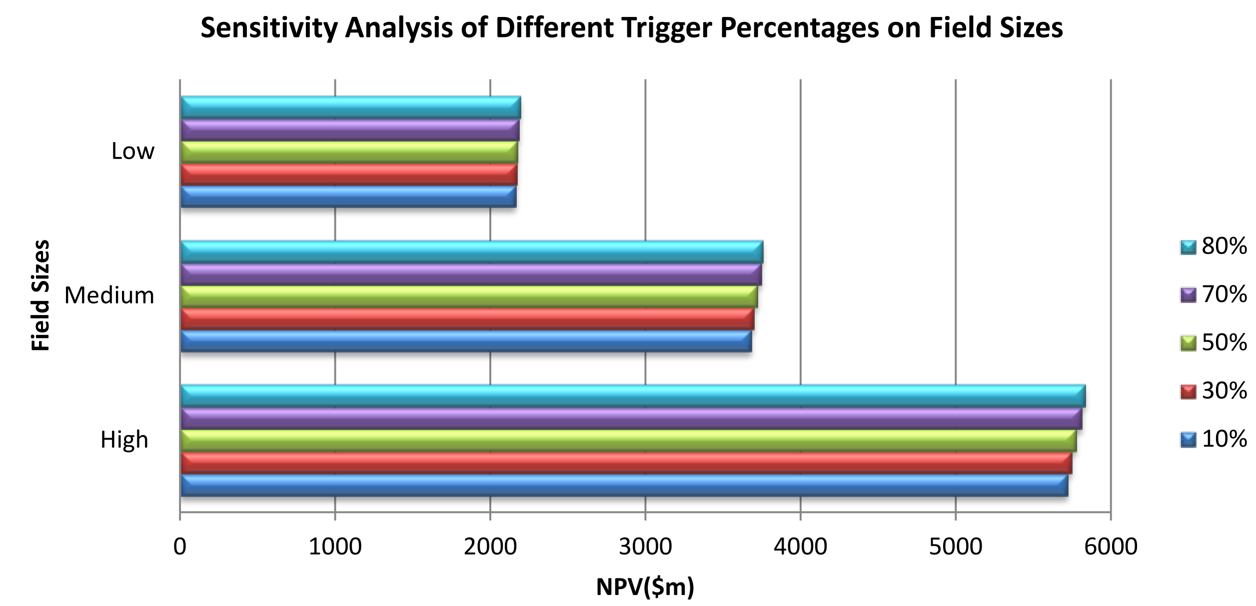


RESULTS

Base case Scenario-Different Fiscal Schemes







CONCLUSIONS

- Unit of production can be maintained as it accrues much of decommissioning costs at earlier stages of production (relatively low default risk for government) and creates some form of risk sharing with the government
- the decommissioning trigger percentage is not influenced by the size on the field.
- 50% should be maintained as the appropriate threshold percentage for accruing the decommissioning provisions into a fund.

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