Title: Will Removing Pipelines from the 'Ring Fence' Increase Investment in the UKCS?

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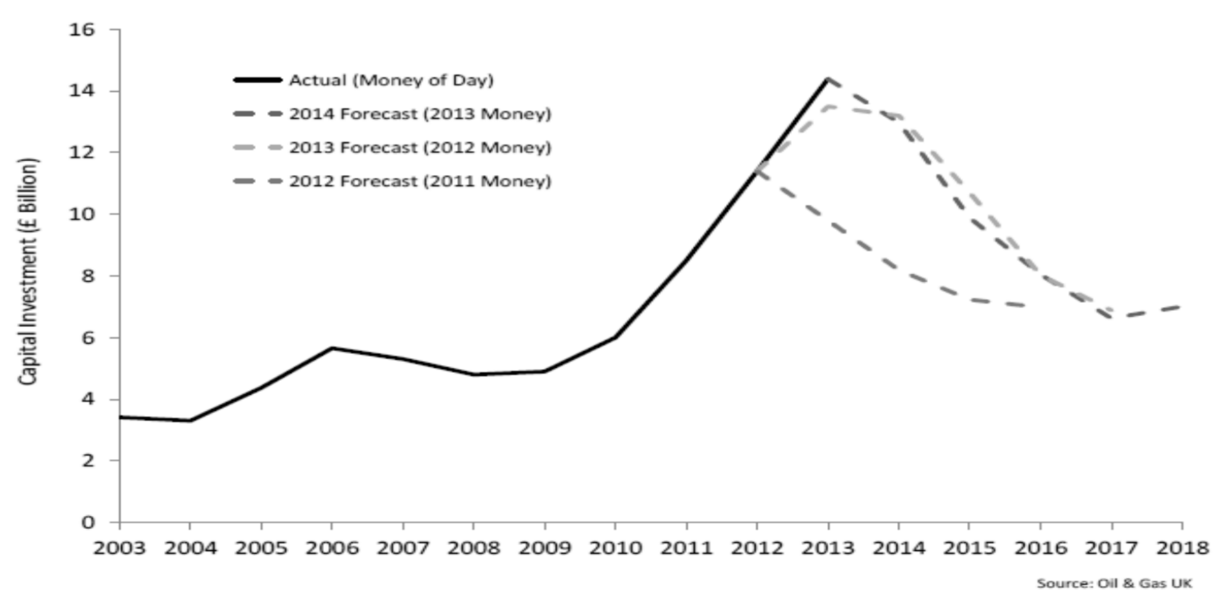
Objectives:

Identify if reducing the tax liability on tariff income can increase investment in the UKCS

Motivation?

Capital investment predicted to fall over the coming years, how can we arrest this decline?

Figure 16: Capital Investment Forecast with Projections from Previous Surveys



Main research question:

- **What would the results be if 3 different tax rates were applied to tariff income for receiving fields**
- **System A – 62%**
- **System B – 30%**
- **System C – 20%**

Results:

- **Reducing Tax Liability Can Make Fields Viable, Resulting In Investment**
- **As shown in field 2, rate of $3 per barrel brings the field into production**
- **Large emphasis on receiving field passing on the tax savings**

Methodology:

- **Simple NPV Model**
- **4 Paying Fields With 1 Receiving Field**
- **Measuring Pre and Post-Tax NPV**
- **Sensitivity Analysis Focused on the Tariff Rate – Original tariff rate = $5**
- **Empirical Research**

Summary Output	Taxation System A	Taxation System B	Taxation System C
Pre_Tax NPV	18,175,868,038.981 $	18,175,868,038.981 $	18,175,868,038.981 $
IRR	0.451	0.451	0.451
Post Tax NPV	4,947,419,991.573 $	5,056,709,361.141 $	5,111,583,786.126 $
Post Tax IRR	0.249	0.252	0.254
Government Tax Paid	37,769,725,011.896 $	37,541,734,011.896 $	37,442,906,511.896 $
Profitability Index	0.736	0.752	0.760

Field 2

Tariff Rate	NPV	Government Tax Intake
- $	-7,418,612.79 $	1,030,200,522.12 $
1.00 $	13,166,115.36 $	1,083,625,922.12 $
2.00 $	8,019,933.32 $	1,070,269,572.12 $
3.00 $	2,873,751.28 $	1,056,913,222.12 $
4.00 $	-2,272,430.75 $	1,043,556,872.12 $
5.00 $	-7,418,612.79 $	1,030,200,522.12 $
6.00 $	-12,564,794.83 $	1,016,844,172.12 $
7.00 $	-17,710,976.87 $	1,003,487,822.12 $
8.00 $	-22,857,158.90 $	990,131,472.12 $
9.00 $	-28,003,340.94 $	976,775,122.12 $
10.00 $	-33,149,522.98 $	963,418,772.12 $

Conclusions:

- **Removing tariff income from high marginal tax rate can be effective**
- **Needs to be used in conjunction with other incentives**
- **Receiving fields need to be incentivised to pass along savings to paying fields**
- **Empirical research shows large support for these measures**

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