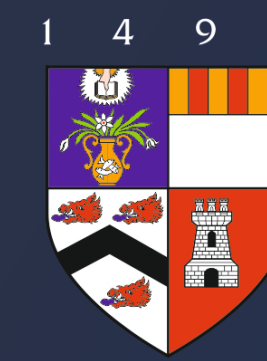


AN ECONOMIC APPRAISAL OF THE CLAIR RIDGE PROJECT USING THE DISCOUNTED CASH FLOWS ANALYSIS AND REAL OPTIONS

Savvas Vasilios



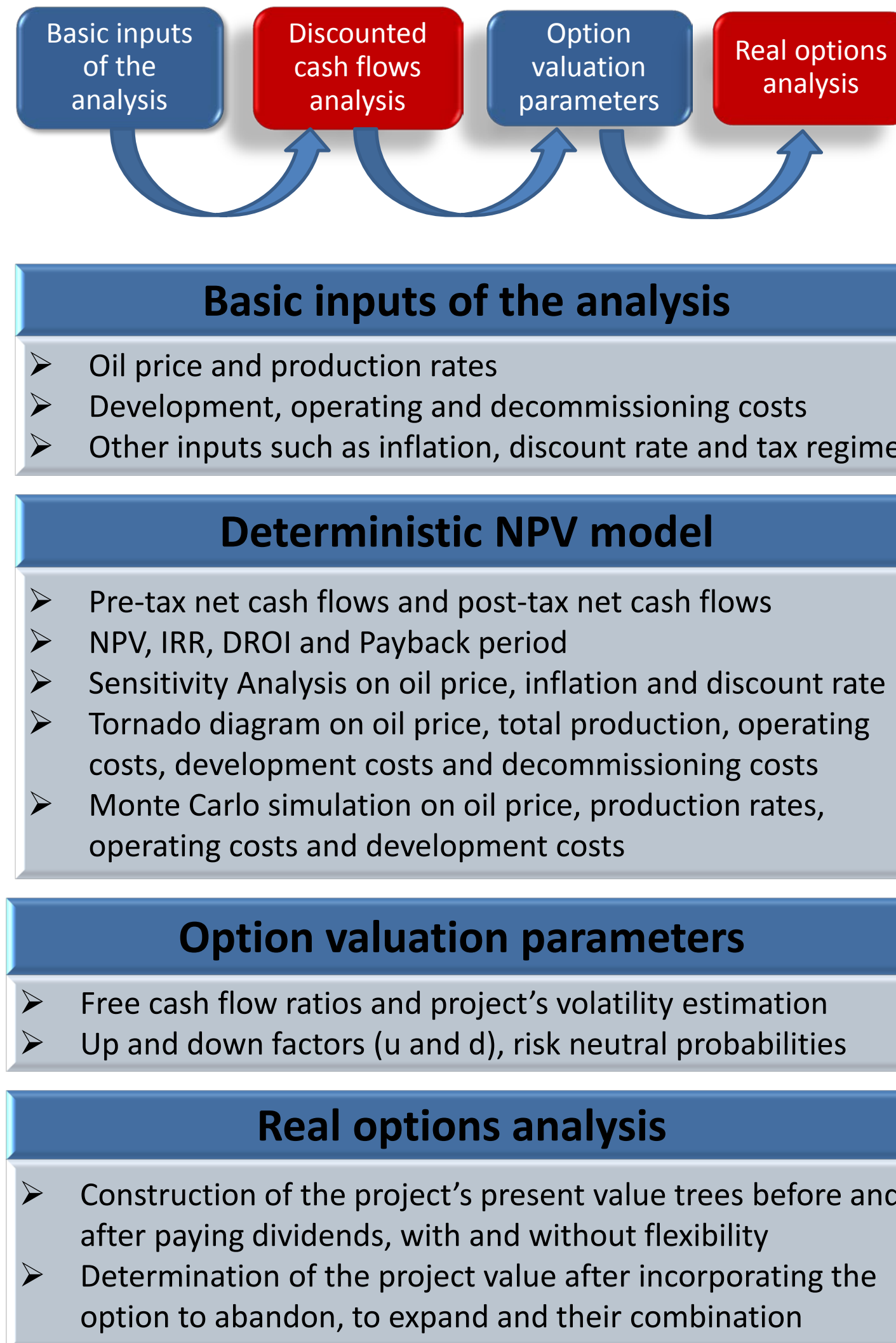
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ABSTRACT & OBJECTIVES

- This thesis examines the extent at which the discounted cash flows and real options analysis differentiate the basis for decision making in regard to the Clair Ridge project.
- Clair Ridge comprises the second phase of the Clair field development. The project constitutes of a huge capital investment and has the aim to exploit the excessive field's reserves for 40 years.
- However, the Clair Ridge project is characterized from risk and uncertainty deriving from the reservoir's structure and its long time horizon.
- On this framework, the main objectives of this dissertation are summarized as follows:
 - The analysis of the two methodologies and the complexities in terms of applying them in risky projects.
 - The interpretation and comparison of the results emerging from the analysis of Clair Ridge project with each method.
 - The presentation of the main conclusions arising from the analysis.



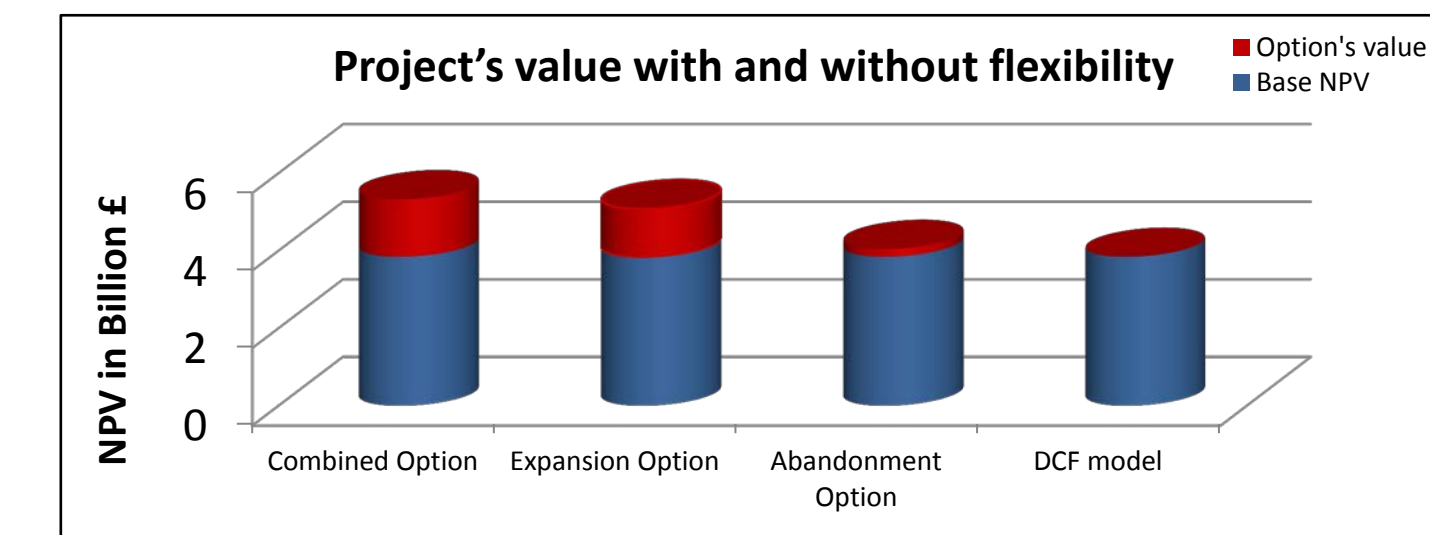
METHODOLOGY



MAIN RESULTS

DCF Analysis			
NPV	IRR	DROI	Payback period
£B 3,843	28%	0.93	7 years

Real Options Analysis			
NPV	Option to abandon	Option to expand	Combined option
Project	£B 4,047	£B 5,082	£B 5,697
Option	£M 208.8	£B 1.238	£B 1.486



CONCLUSIONS

- The analysis results in a high level of project's profitability and a quick recovery of the capital investment.
- The oil price and production volume comprise the main determinants of the project.
- The incorporation of the option to abandon, to expand and the combined option can uplift the project's NPV by 5.3%, 32.2%, 36.3% respectively.
- There are significant signs for a further expansion of the project.