EVALUATING GREECE'S CURRENT FISCAL REGIME AND INTRODUCING ALTERNATIVES TO MAXIMISE GOVERNMENTAL REVENUES

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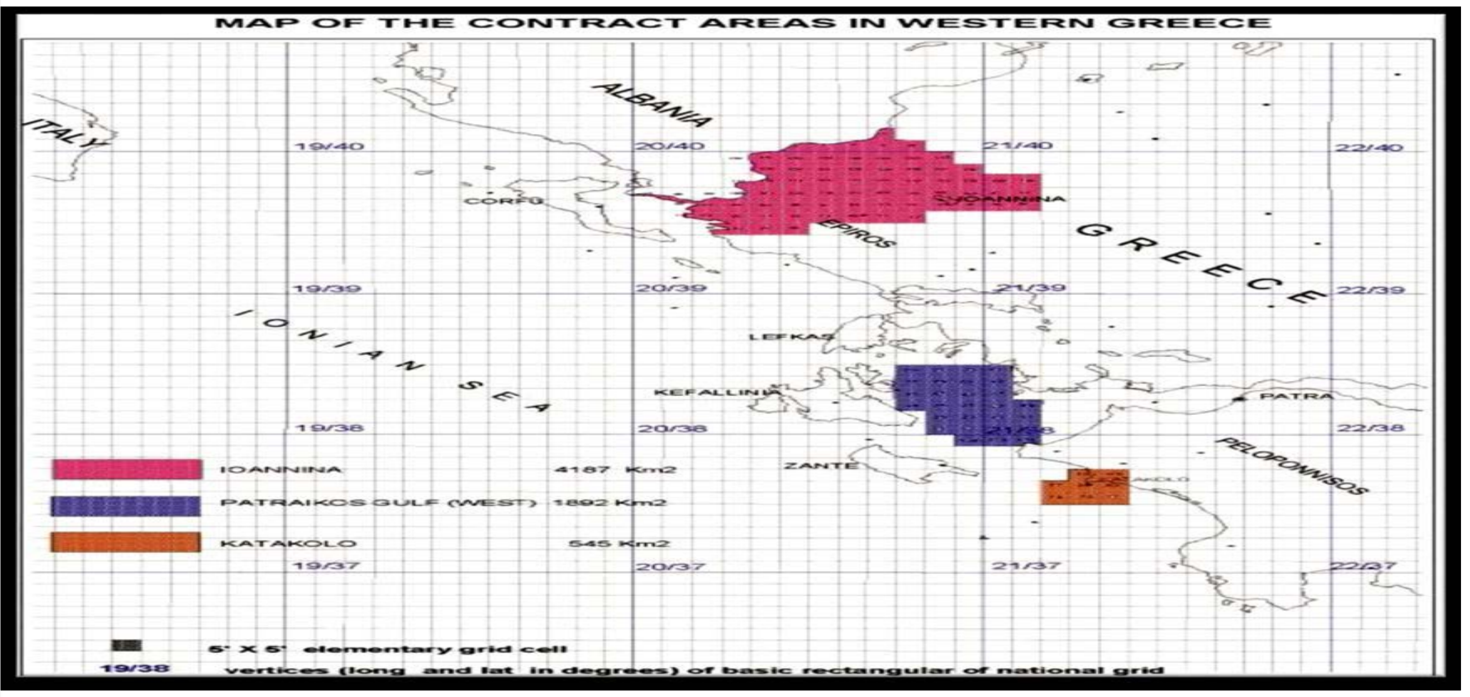
1. ABSTRACT AND BACKGROUND

- Open-door invitations by the Greek Government resulted in granting licences for three blocks in Western Greece.
- Taxation is tested against the government-take (GT) levels under the current regime and two suggested alternatives.
- **Current Taxation**: Sliding scale royalty linked to R-factor tranches, corporate income tax 25%, unlimited loss carry forward, depreciation 40-70%/year from first year of production.
- Suggestions are made regarding which regime the country should implement to maximise revenues.

Figure 1: Position of the 3 blocks in W.Greece



2. METHODOLOGY-DATA

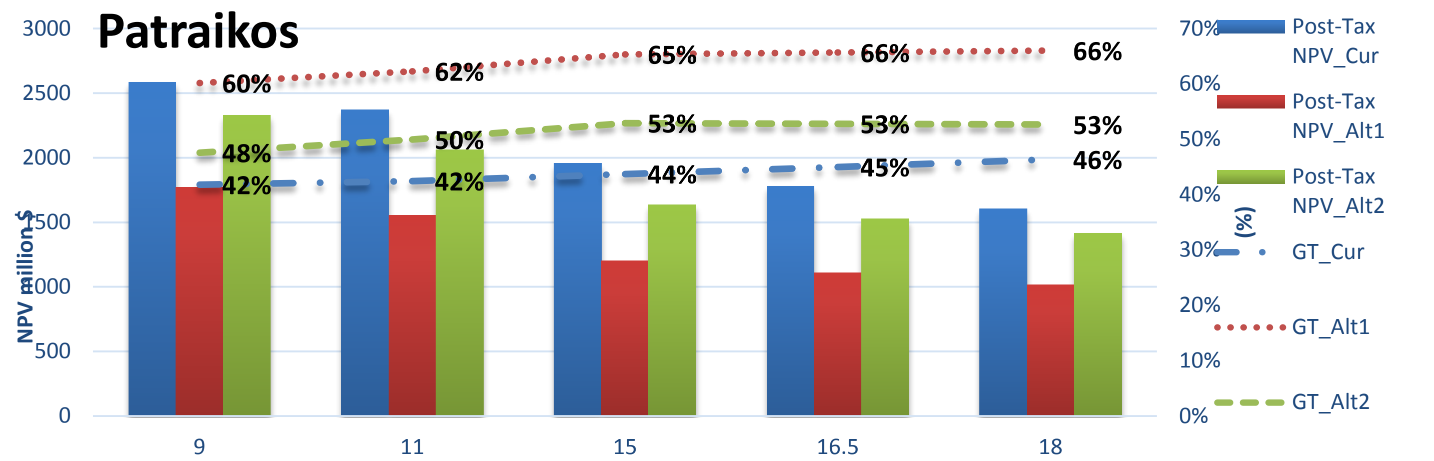
- The DCF technique is employed and the NPV, pre and post-tax IRR, payback period and the PV of the Governmental revenues as a percentage of the total pre-tax NPV are used to compare the results for each field under the three tax systems.
- Monte-Carlo simulation and Sensitivity Analysis are used to test robustness and deal with the oil price volatility.
- **Alt1**: RRT with threshold 15% and 50% tax rate, CIT with 25% tax rate, straight line depreciation.
- **Alt2**: ARRT (Advance RRT entails early payments to the State, which are later deducted from the RRT payments carried forward at 5%), 50% tax rate.

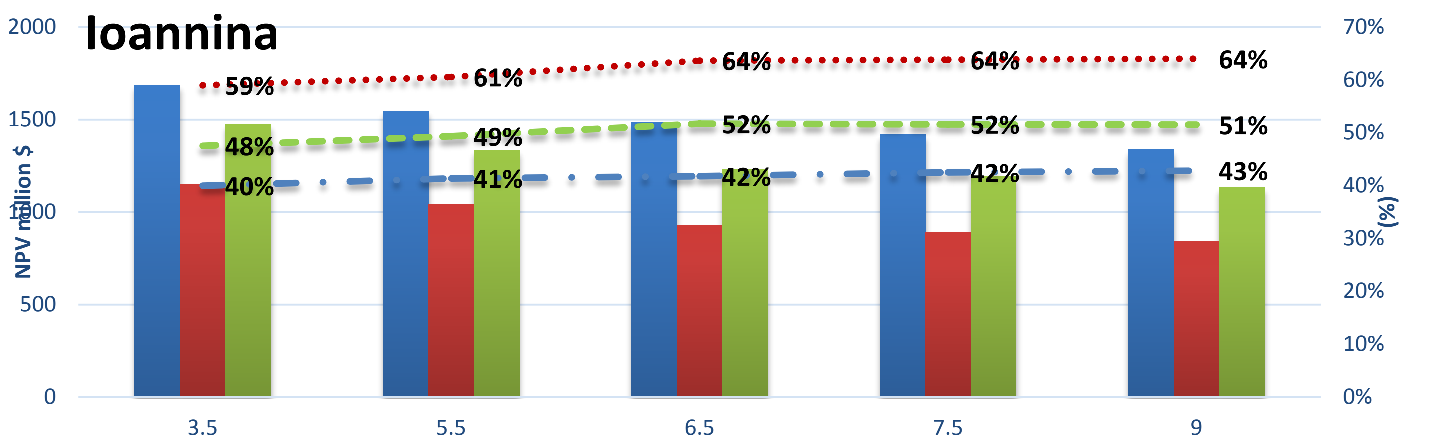
Figure 2: Summary of field assumptions

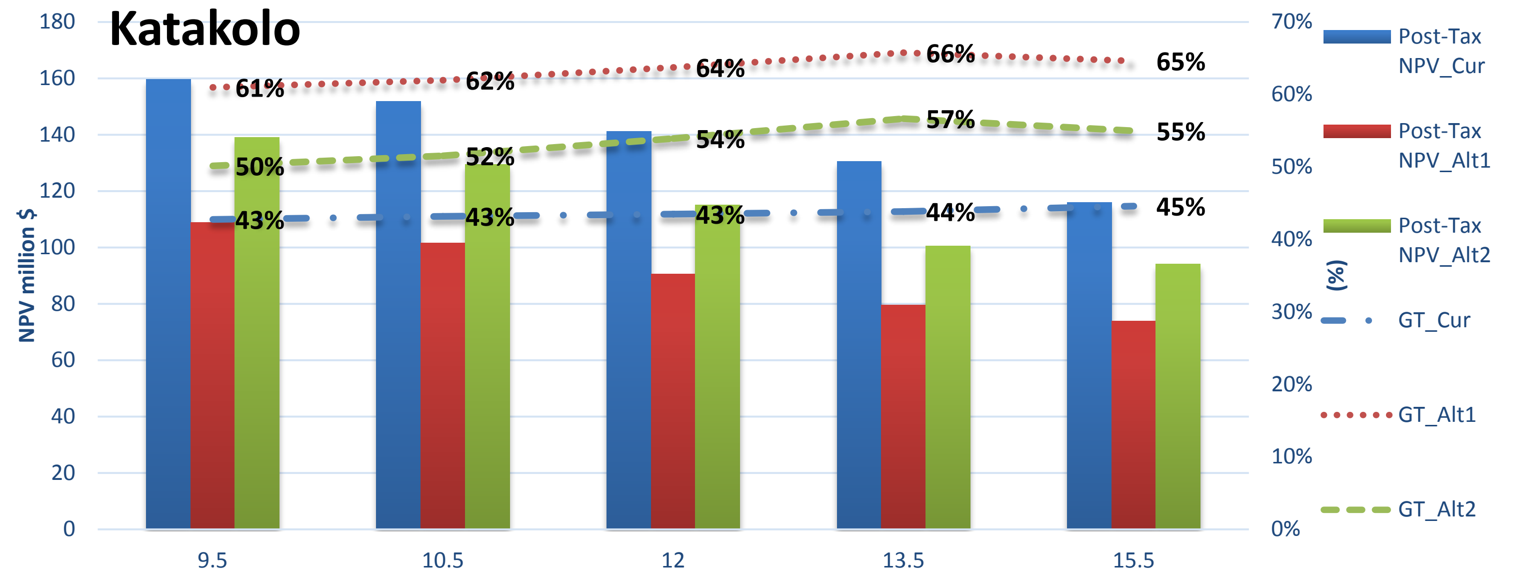
Field name:		Katakolo	Ioannina	Patraikos
Rec. Reserves	mmbbls	10	100	200
Development Costs (devex)	$ /bbl	13.4	6.7	15
Oil Price Base	$ /bbl	70		
Real Discount Rate	%	11		

3.RESULTS

- Results regarding the % of GT under various devex at $90/barrel at 11% discount rate for the 3 fields.







4. CONCLUSIONS

Results showed that a change in the taxation regime of the country can significantly increase the Government-take without deterring the investments on the three fields.

More specifically:

- For '**Patraikos**' field the second alternative yields 5% additional GT without affecting payback period and decreasing IRR only by 1% more than the current regime does.
- For '**Ioannina**' field the first alternative increases the GT by 21%, without increasing the payback period and reduces the IRR by 6% more than the current regime does.
- For '**Katakolo**' field the GT increases by 8% if the second alternative is chosen. Payback period increases by one year and the IRR falls by 3% more than in the case of the current regime. The first alternative is considered too 'aggressive' for this case.

Overall, the second alternative should be chosen as the main taxation regime of the country.

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