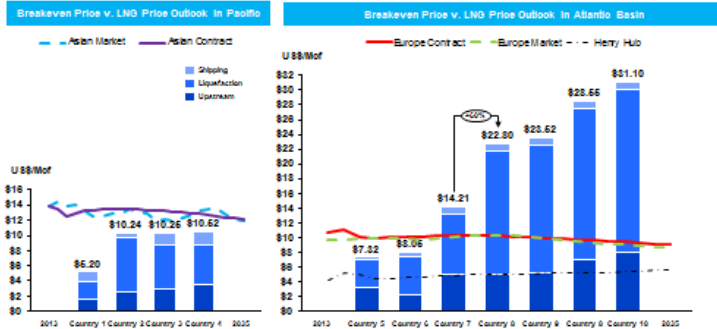


Development of natural gas legislation and regulations for a petroleum resource nation



Competitiveness of non-associated gas projects

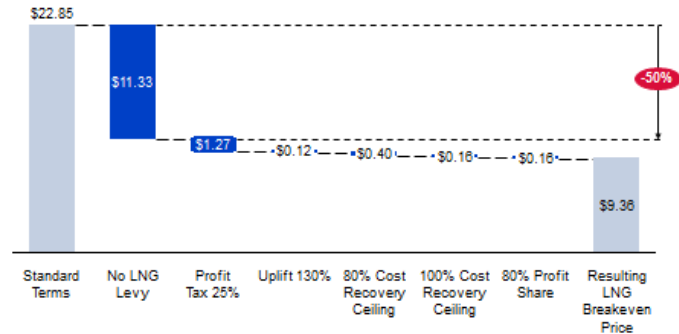
The special levy for LNG exports results in 60% increase of the breakeven price required for non-associated gas LNG projects. The levy is designed on the assumption of zero feed cost of associated gas.



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Sample Gas field

Breakeven Price Under Alternative Fiscal Systems



Note: The change in price is incremental.



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Situation

- The government of a major producing country was concerned that the legal framework for non-associated gas exploration and production was not attractive to investors. This was evidenced by lack of investment in non-associated gas discoveries.

What IHS did

- IHS was engaged to assist in reviewing existing terms and developing legislation to encourage investment in LNG integrated projects as well as development of a domestic market for gas.
- IHS conducted a market analysis of LNG supply demand around the globe, breakeven price analysis of integrated LNG projects, benchmarking of fiscal terms and modeling of alternative fiscal terms
- IHS conducted a gap analysis of existing regulatory framework governing natural gas E&P development and taxation
- IHS developed draft legislation for taxation of integrated and non-integrated LNG projects and development of a domestic market for natural gas

Impact

- The government introduced legislation to the Parliament that offers incentives for development of non-associated gas discoveries, a fiscal regime for LNG projects and development of domestic gas market.