
EXPLANATORY NOTE

(This note is not part of the Order)

This Order provides for a deep water gas field to be a qualifying oil field for the purposes of Schedule 44 to the Finance Act 2009 (c. 10) (supplementary charge: reduction for certain new oil fields) (“Schedule 44”).

Article 2 provides for a deep water gas field to be a qualifying oil field for the purposes of Schedule 44 and paragraph 20 of that Schedule, which provides for the definitions of qualifying oil field, is treated as being modified accordingly.

Article 3 provides that an oil field must meet three conditions in order to be a deep water gas field. The conditions are that: material submitted in support of the authorisation of the oil field identifies the planned route for the primary pipe-line (or pipe-lines) for transporting gas from the oil field to the relevant infrastructure and the distance gas is to be transported along the planned route is more than 60 kilometres, the natural seabed above the oil field must lie below the water surface at a depth of more than 300 metres and on the authorisation day of the oil field more than 75 per cent of the reserves of the oil field comprise gas.

Articles 4 to 6 provide for terms and measurements that are required for article 3. Article 4 provides a definition of relevant infrastructure. Article 5 stipulates when and where water depth should be measured. Article 6 stipulates how the oil field’s reserves should be measured.

Article 7 provides (subject to article 8) for the field allowance in relation to deep water gas fields which is to be determined in accordance with the calculation set out in that article. The field allowance is £800 million, unless more than two deep water gas fields are authorised on a given day in which case the field allowance for each field is equal to £1,600 million divided by the number of deep water gas fields authorised on that day, multiplied by a factor which will give a straight line taper between a field allowance of nil where the planned pipe-line route length is 60 kilometres and the full allowance where the planned pipe-line route length is 120 kilometres or more.

Article 8 provides that where a new oil field falls into two or more of the categories of qualifying oil field, small oil field, ultra heavy oil field, an ultra high pressure / high temperature oil field or deep water gas field (each of which are qualifying oil fields for the purposes of Schedule 44), it shall be treated as being in the category of qualifying oil field that yields the highest total field allowance, and paragraph 24 of Schedule 44 (total field allowance for new oil field) is to be treated as modified accordingly.

A full Impact Assessment has not been produced for this instrument as no impact on private or voluntary sectors is foreseen.