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STATUTORY INSTRUMENTS

2013 No. 2910

The Additionally-developed Oil Fields Order 2013

Additionally-developed oil field

2.—(1) The conditions which a project that is described in a consent for development of an oil field must meet for the purposes of section 349A(1)(b) of CTA 2010 are as follows.

(2) Condition A is that the project was authorised as mentioned in section 349A(1)(a) of CTA 2010 on or after 7th September 2012.

(3) Condition B is that the cost per tonne of the project is more than £60.

(4) Condition C is that the additional reserves of oil which the field has as a result of the project have not been taken into account in calculating the cost per tonne of any qualifying project that has previously been authorised in relation to the field.

(5) A project authorised in relation to an oil field is a "qualifying project" for the purposes of paragraph (4) if a field allowance has at any time been held for the field as a result of the project.

(6) Condition D is that, as at the authorisation day, the whole of the oil field lies on the seaward side of the baselines from which the territorial sea is measured.

(7) Condition E is that the project does not involve enhanced oil recovery using carbon dioxide.

(8) For the purposes of this article the "cost per tonne" of a project authorised in relation to an oil field means the amount given by—

$$\frac{E}{R}$$

where—

E is the expected capital expenditure of the project (see paragraph (9)), and

R is the sum of the amounts of additional reserves of oil (in tonnes) which the field and any other oil fields have as a result of the project.

(9) The expected capital expenditure of a project is to be determined as follows—

Step 1

Calculate the amount of capital expenditure which it is reasonably expected, as at the authorisation day, will be incurred in carrying out the project.

In calculating that amount, ignore any expenditure incurred before the authorisation day which, if the project had not been authorised, would have been wasted expenditure.

Step 2

Calculate the amount of any capital expenditure which it is reasonably expected, as at the authorisation day, would have been incurred on or after that day if the project had not been authorised.

In calculating that amount, ignore any expenditure which—

(a) would have been incurred under an agreement entered into before the authorisation day, and

(b) would not have been wasted expenditure.

Step 3

Deduct the amount given by step 2 from the amount given by step 1.

But if the amount given by step 2 is greater than the amount given by step 1, the expected capital expenditure of the project is nil.

(10) In determining the expected capital expenditure of a project—

(a) where an amount attributed to an item of expenditure includes an amount for contingencies, the amount so included may not exceed 20% of the amount that would be attributed to that item of expenditure in the absence of any amount for contingencies,

(b) expenditure is not to be treated as wasted expenditure to the extent that it is recoverable, and

(c) the following are to be disregarded—

(i) any decommissioning expenditure (within the meaning of section 330C of CTA 2010[1]), and

(ii) any payments of interest.

(11) For the purposes of this article—

(a) the amount of additional reserves of oil which a field has is to be determined on the authorisation day,

(b) 1,100 cubic metres of gas at a temperature of 15 degrees celsius and pressure of one atmosphere is to be counted as equivalent to one tonne,

(c) "authorisation day", in relation to a project, means the day when the project is authorised as mentioned in section 349A(1)(a) of CTA 2010, and

(d) "territorial sea" means the territorial sea of the United Kingdom.

[1] Section 330C was inserted by paragraph 3 of Schedule 21 to the Finance Act 2012.