

Production Sharing Contracts Transparency Simulation

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Abstract : Production Sharing Contract (PSC) is the type of contract that is being used widely in our time. The financial crisis made the governments tightfisted and they do not have the resources to participate in a development of a field. Therefore, more and more countries introduce the PSC. The companies have the power and the money to develop the field with their own way. The main problem is the transparency of oil and gas companies especially in the PSC and how this can be achieved. Many discussions have been made especially in the U.K. What we are suggesting is a dynamic financial simulation with the help of a flow meter. The flow meter will count the production of each field every day (it will be installed in a pipeline). The production will be the basic input of the simulation. It will count the profit, the costs and more according to the information of the flow meter. In addition it will include the terms of the contract and the costs that have been paid. By all these parameters the simulation will be able to present in real time the information of a field (taxes, employees, R-factor). By this simulation the company will share some information with the government but not all of them. The government will know the taxes that should be paid and what is the sharing percentage of it. All of the other information could be confidential for the company. Furthermore, oil company could control the R-factor by changing the production each day to maximize its sharing percentages and as a result of this the profit. This idea aims to change the way that governments 'control' oil companies and bring a transparency evolution in the industry. With the help of a simulation every country could be next to the company and have a better collaboration.

Keywords : production sharing contracts, transparency, simulation

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