

Alþingi  
Erindi nr. P 139/2403  
komudagur 13.5.2011

13.5.2011

Efnahags- og skattanefnd.

702.mál

Having received comments from our tax unit, I am pleased to forward their remarks to you.

Our tax unit's comments are:

We have briefly read the "Bill on taxation of hydrocarbon production".

In general Statoil will like to contribute if new tax legislation is suggested in countries we might be interested in. However, the deadline to make a thorough evaluation is short after this request for Statoil's views came to our attention and accordingly we have but a few general comments:

- Many elements are similar to the Norwegian petroleum taxation law. The main positive element is that tax consolidation between licences is possible. That is a good initiative for further exploration for any licenceholder having a producing field offshore Iceland.
- The bill does not indicate any time limit for losses carried forward against hydrocarbon tax, perhaps this is regulated in the general taxation act? However, we would prefer that this was unlimited, given the long time horizon for our industry.
- Article 12 states the tax rate. I think this paragraph needs more detailed explanations to in order for it to be fully understood. Perhaps a few references are missing?  
As a general point is important to understand how the tax rate is set when we calculate the profitability of investments prospects. We assume that the intention in the tax law is to provide clear definitions, and that the tax will not be decided on a prospect by prospect basis?

One further question here; if one company have two producing fields with different tax rate – how is then the value of consolidation effects calculated if the same company explore on a third prospect?

- There is no uplift on investments, we assume that this is compensated by a lower tax rate to make the Icelandic tax regime compatible?
- If there (against our understanding) is a signature bonus the tax law should state if this is tax deductible or not?
- We are unaware of the philosophy behind the new legislation, and the considerations when risk is allocated between the state and the companies. However, assuming no signature bonuses, the possibility of consolidation (including exploration expenses) and a progressive tax rate, the expectation is that there will be some years after start of production before the companies will pay significant taxes. The production levy (which is 5% of revenue and tax deductible) will of course give some contribution, but in the bigger picture it seems like this model has chosen a solution that allows companies to recover costs before paying much tax. As such this is a good system with good initiatives from a company perspective

We will of course be available for further discussions if this is of interest to you

Please do not hesitate to contact myself or Mr Steinar Mæland from our tax unit ( tel: + 47 91339662) if anything needs to be clarified further.

Best regards,

**Rolf Aksel Gilje**

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