



JARÐFEINGI
FAROESE GEOLOGICAL SURVEY



FAROESE 5th LICENSING ROUND

2019

WELCOME TO THE FIFTH FAROESE LICENSING ROUND

The Faroese Parliament has given its whole-hearted backing to the legislative proposals which I put forward for the next round of oil exploration in the Faroe Islands. This legal foundation enables us to set in motion a process, which hopefully will lead to commercial discoveries of oil and gas reserves on the Faroese side of the maritime border with the UK.

I consider the co-ordination between the UK Oil and Gas Authority and Jarðfeingi, its Faroese counterpart, of a licensing round covering both sides of the border to be a very significant step in our efforts to find hydrocarbons in the Faroese maritime area.

As close neighbours, the Faroe Islands and the UK both stand to benefit from this co-operation. Our two countries have a long tradition of working and trading together and we are

now preparing to write a new chapter in this history by jointly meeting the challenge of realising the energy potential of the Atlantic Margin.

As the responsible Government Minister, I would like to extend a warm welcome to oil companies to come and explore for oil and gas in our area. At the same time, I would encourage companies to acquaint themselves with the wide range of oil-industry related services and supplies that we offer, with a view to using the Faroe Islands, with its geographical proximity to existing West of Shetland fields, as a supply centre for operations throughout the whole area.

You can be assured that the Faroe Islands, both politically, economically and indeed in all other respects offers a safe and secure environment for oil companies.



Poul Michelsen
Minister of Foreign Affairs and Trade

INVITATION TO APPLY FOR EXPLORATION AND PRODUCTION LICENSES

In accordance with section 7(1) of Act No. 31 of 16 March 1998 on Hydrocarbon Activities, the Minister of Foreign Affairs and Trade hereby invites applications for licenses for exploration and production of hydrocarbons on the Faroese continental shelf. The areas to be offered for licensing and the terms and conditions on which licenses will be granted are defined in Parliamentary Act No. 49 of 7 May 2019 on the Fifth Faroese Licensing Round.

APPLICANTS

Licenses will be granted to Faroese limited companies and to foreign limited companies with a branch registered in the Faroe Islands. The branch must be registered within 3 months after the award of a license.

The limited company shall have a minimum equity share capital of DKK 1 million. Companies may submit applications individually or in groups. In this document the term “applicant” is also used for a group of companies submitting a joint application. In case of several companies submitting a joint application the intended operator of the license shall be stated in the application.

PRECONDITIONS FOR OBTAINING A LICENSE

These are described in detail in the General Guidance and in the Technical guidance, which are available on our website www.jf.fo.

NEGOTIATING ISSUES

Jarðfeingi (The Faroese Geological Survey) will negotiate the following specific terms for the individual licenses on the basis of proposals submitted by the applicants:

- The work programme
- The schedule for the license term

AWARD CRITERIA

With a view to ensuring a thorough evaluation of the Faroese continental shelf, the criteria, that will apply to the award of licenses, are a geological understanding and the extent of the work commitments that the applicant is willing to undertake to thoroughly investigate the prospectivity and to explore for hydrocarbons in the area to be covered by the license.

On our website www.jf.fo you will find the General Guidance, Technical Guidance and other information regarding the 5th Faroese Licensing Round



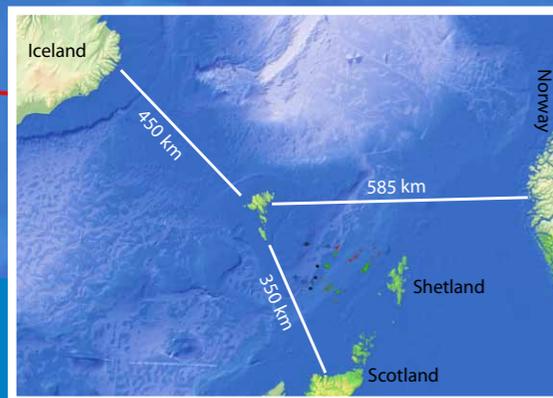
LEGEND

- Licensing Area
- UK - FO border
- Pipelines
- Gas
- Oil
- Gas / oil
- Onshore wells
- Offshore wells
 - Gas
 - Oil
 - Traces
 - Dry

MAP OF LICENSING AREA OF THE 5th ROUND

Faroe Islands

Shetland



5th FAROESE LICENSING ROUND

The 5th Faroese Licensing Round is being run from 11th July 2019 to 12th November 2019 in conjunction with the 32nd UK Licensing Round. For more information on the 32nd UK Round, please visit OGA's website: www.ogauthority.co.uk

TIME FRAME

Jarðfeingi require applications for Licenses for Exploration and of Hydrocarbons to be submitted no later than at noon on the last day of 5th Licensing Round.

THE APPLICATIONS SHALL BE SUBMITTED TO:

Jarðfeingi

Postbox 3059
FO-110 Tórshavn
Faroe Islands

Or sent to the email address:
application5thround@jarðfeingi.fi

APPLICATION FEE:

For the handling of each individual application, an application fee of DKK 20.000 is due upon submission.

The fee shall be paid, free of charge, to:

Jarðfeingi:

P/F Føroya Banki
SWIFT FIFBFOTX
acc. no 6460-2600058
IBAN FO31 6460 0002 6000 58
(ref. FEE 142571-2520-0700-0100).

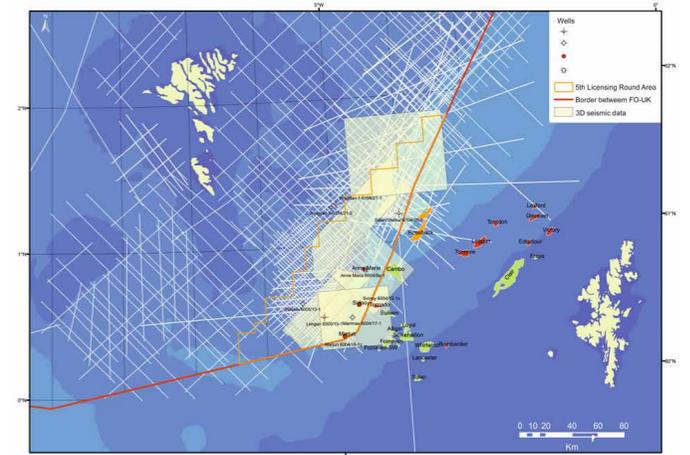
Address:
Føroya Gjaldstova
P.O. Box 2009
FO-165 Argir
Faroe Islands.

A copy of the receipt shall be attached to the application.

COMPLIMENTARY DATA PACKAGE

A complimentary data package has been collected especially for the 5th Round and includes the best data available for the area on offer.

The data package includes released 3D-, 2D-seismic and well data. More information on the data package can be found on our website www.jf.fi.



For more information on the 5th Faroese Licensing Round, visit our webpage www.jf.fi or send an email to bbh@jf.fi

FISCAL TERMS

COMPANY INCOME TAX

27% of Taxable Income

Deductibles:

- Costs
- Investments (30% depreciation/year)

18% Tax on Company Income from other activities

SPECIAL TAX

Rate-of-Return based (ROR)

- Higher return, higher special tax

Calculation basis: Cash flow

Special Tax Rates:

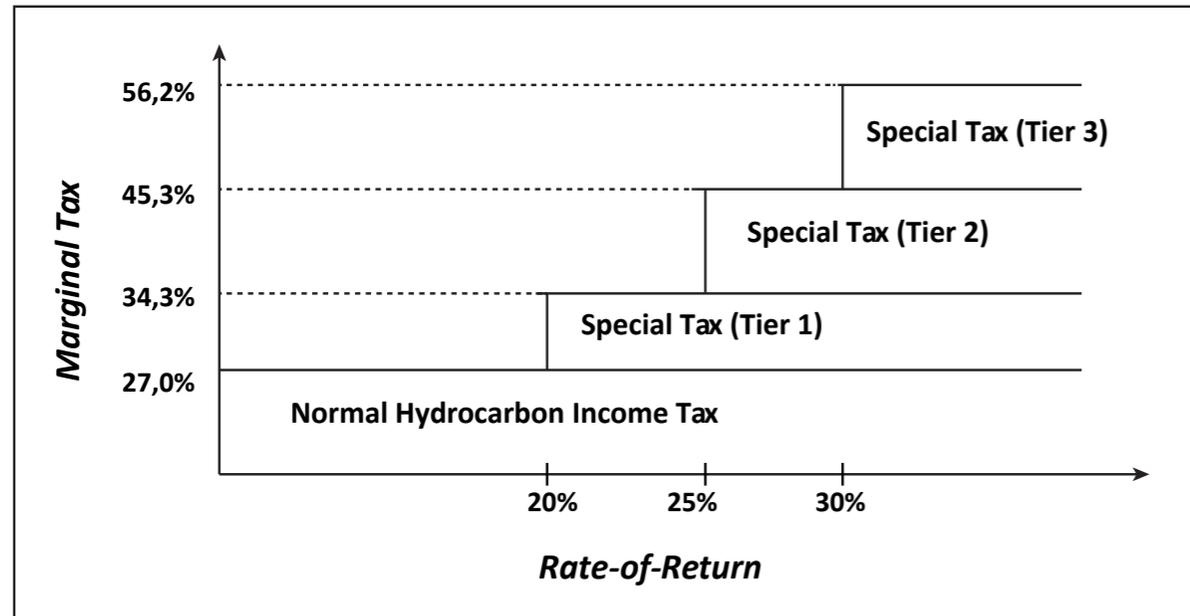
- ROR < 20% 0% Special Tax
- ROR < 25% 10% Special Tax
- ROR < 30% 25% Special Tax
- ROR > 30% 40% Special Tax

DEDUCTIBLES:

- Costs and investments
- Company Income Tax
- Not interest

Ring-fence (field basis)

PROFITABILITY (INTERNAL RATE OF RETURN - POST NORMAL HYDROCARBON INCOME TAX)





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