

# Merak Fiscal Model Library 2023.1 Now Available

**Date:** June 30, 2023

## Product details

Merak Fiscal Model Library 2023.1 is a world-class collection of standardized fiscal models that support accurate economic results. The library contains more than 220 models covering most petroleum-producing countries. These customizable models can be used with the Peep module in the Merak planning, risk, and reserves software.

Merak Fiscal Model Library 2023.1 is available through an annual subscription, and custom fiscal-model solutions are available through a custom license. The easy installation format enables direct loading to machines equipped with the Peep module in Merak software, and any current Merak Fiscal Model Library models and add-ins.

## Release Updates

### New models

The Merak Fiscal Model Library 2023.1 release includes the following new models.

#### Cameroon PSC (2019)

The Cameroon PSC (2019) model has been added to the library based on the Petroleum Code, introduced by Law no. 2019/008 dated 25 April 2019 and terms of reference (Bidding round 2022). The highlights of the model are:

- State has option to participate in PSC with maximum 25% interest and participation rate depends on the contract.
- Application fees, signature bonus, production bonus, and surface rental are negotiable and different for oil and gas production rates.
- The cost recovery limit rate is 70% for crude oil deposits and 85% for natural gas.
- Profit sharing method based on R-factor tiers.
- Profit sharing rate is negotiable. Profit sharing rate for R-factor less than or equal to 1 is fixed at 85% for Profit Oil and at 90% for Profit Gas of contractor share.
- Corporate income tax rate is 35%.

#### Iraq DPSC (2018)

The Iraq DPSC (2018) model has been added to the library based on the Iraq Development and Production Service Contract. The highlights of the model are:

- The state participation is negotiable.
- Signature bonus is 10 million USD and non-recoverable.
- Training fee is negotiable.
- Royalty rate is 25% of deemed revenue.

- Costs Recovery is triggered after achieving the eligibility date which shall be the date upon which both of the following have occurred:
  - The Minimum work and expenditure obligations referenced in Article 6 and described in Annex E have been completed.
  - The First Commercial Production Date means the first day of ninety (90) days when the Adjusted Net Production Rate has averaged no less than ten thousand (10,000) BOE per day over any period not exceeding one hundred and twenty (120) days.
- Cost recovery limit is determined accordance with the following formula:  

$$\text{Percentage of Net Deemed Revenue} = (\text{Average OSP} / 50) * (70\%) * \text{Net Deemed Revenue}$$
- Net Deemed Revenue means, the Deemed Revenue less Royalty.
- The said formula shall be applied throughout the term, provided that where the average OSP is equal to or less than twenty-one point five US Dollars (US\$ 21.50) per Barrel, the Percentage of Net Deemed Revenue shall be thirty percent (30%) of Net Deemed Revenue and where the average OSP is equal to or greater than fifty US Dollars (US\$ 50.0) per Barrel, the Percentage of Net Deemed Revenue shall be seventy percent (70%) of Net Deemed Revenue.
- Non-recovered costs are carried forward indefinitely.
- Non-recoverable Costs are Interest, Commissions, Brokerage Fees, Signature Bonus, Corporate Income Tax, and Training, Technology and Scholarship Fund.
- Remuneration Fee is triggered after achieving eligibility date and shall be an amount equal to the product of the Remuneration Percentage Bid and Remaining Net Deemed Revenue for eligible and any subsequent quarter.
- For any other quarter the Remuneration Fees is product of Remuneration Percentage Bid shall be adjusted by multiplying it by the Performance Factor and Remaining Net Deemed Revenue. However, any adjustment of this Remuneration Percentage Bid shall cease for so long as the following cases shall apply: (i) Government imposed production curtailment under Article 12.5(d); or (ii) where normal production is curtailed or suspended through failure of the Transporter(s) to receive the same at the Transfer Point(s) at no fault of the Operator or Contractor under Article 12.5 (e).
- Performance Factor is the ratio of the net production rate to the planned production rate, although at no event it shall exceed 1.0.
- Remaining Net Deemed Revenue means the Net Deemed Revenue that remains after the payment of Petroleum Costs to the extent of the Percentage of Net Deemed Revenue.
- Non-paid Remuneration Fees are carried forward indefinitely.
- Income tax rate is 35% of remuneration fees.

The Iraq EDPSC (2018) model has been added to the library based on the Iraq Exploration, Development and Production Service Contract. The highlights of the model are:

- The state participation is negotiable.
- Commerciality bonus is 15 million USD payable when commerciality declared and non-recoverable.
- Training fee is negotiable.
- Royalty rate is 25% of deemed revenue.
- Costs Recovery is triggered after achieving the eligibility date which shall be the date upon which both of the following have occurred:
  - o The Minimum work and expenditure obligations referenced in Article 6 and described in Annex E have been completed.
  - o The First Commercial Production Date means the first day of ninety (90) days when the Adjusted Net Production Rate has averaged no less than ten thousand (10,000) BOE per day over any period not exceeding one hundred and twenty (120) days.
- Cost recovery limit is determined accordance with the following formula:  
$$\text{Percentage of Net Deemed Revenue} = (\text{Average OSP} / 50) * (70\%) * \text{Net Deemed Revenue}$$
- Net Deemed Revenue means, the Deemed Revenue less Royalty.
- The said formula shall be applied throughout the term, provided that where the average OSP is equal to or less than twenty-one point five US Dollars (US\$ 21.50) per Barrel, the Percentage of Net Deemed Revenue shall be thirty percent (30%) of Net Deemed Revenue and where the average OSP is equal to or greater than fifty US Dollars (US\$ 50.0) per Barrel, the Percentage of Net Deemed Revenue shall be seventy percent (70%) of Net Deemed Revenue.
- Non-recovered costs are carried forward indefinitely.
- Non-recoverable Costs are Interest, Commissions, Brokerage Fees, Commerciality Bonus, Corporate Income Tax, and Training, Technology and Scholarship Fund.
- Remuneration Fee is triggered after achieving eligibility date and shall be an amount equal to the product of the Remuneration Percentage Bid and Remaining Net Deemed Revenue for eligible and any subsequent quarter.
- For any other quarter the Remuneration Fees is product of Remuneration Percentage Bid shall be adjusted by multiplying it by the Performance Factor and Remaining Net Deemed Revenue. However, any adjustment of this Remuneration Percentage Bid shall cease for so long as the following cases shall apply: (i) Government imposed production curtailment under Article 12.5(d); or (ii) where normal production is curtailed or suspended through failure of the Transporter(s) to receive the same at the Transfer Point(s) at no fault of the Operator or Contractor under Article 12.5 (e).

- Performance Factor is the ratio of the net production rate to the planned production rate, although at no event it shall exceed 1.0.
- Remaining Net Deemed Revenue means the Net Deemed Revenue that remains after the payment of Petroleum Costs to the extent of the Percentage of Net Deemed Revenue.
- Non-paid Remuneration Fees are carried forward indefinitely.
- Income tax rate is 35% of remuneration fees.

#### **Updated models**

The Merak Fiscal Model Library 2023.1 release includes the following fiscal update to the models.

#### **Gabon PSC (2019)**

The following updates are made to the Gabon PSC (2019) model:

- A bug has been fixed such that variable Proj Custom Duty Expl return correct value.

#### **Sierra Leone R/T (2001)**

The following updates are made to the Sierra Leone R/T (2001) model:

- The Sierra Leone R/T (2001) model Income tax rate has been updated to 25% from January 2022 in accordance with the Finance Act 2022.

#### **United Kingdom R/T (1982)**

The following updates are made to the United Kingdom R/T (1982) model:

- The United Kingdom R/T (1982) model has been updated in accordance with the Energy (Oil and Gas) Profit Levy Act 2022.
- Energy Profit Levy (EPL) is valid from 26 May 2022 to 31 March 2028. Model calculate EPL from 1 June 2022.
- EPL rate is 25% till 31 December 2022. On and after 1 January 2023 EPL rate is 35%.
- Capital, operating, or leasing expenditures, expenses incurred for the purposes of oil-related activities are available for deduction as "Investment Expenditure".
- Additional Investment Allowance 80% of investment expenditure available till 31 December 2022 after that it reduced to 29%. However, the investment allowance will remain at 80% for investment expenditure on upstream decarbonization.
- Expenses incurred for disqualifying purposes, and financing costs or decommissioning costs are not available for deduction.
- Losses may be carried back for 1 year and carried forward indefinitely.

#### **Merak Fiscal Model Library, add-on library enhancements and fixes**

No specific FML add-in library enhancements and fixes made in this release.

#### **Software download information**

Merak Fiscal Model Library 2023.1 is available for download from the [Quorum Software Client Portal](#).

## **Support announcement**

Merak Fiscal Model Library 2023.1 supports the Peep module in Merak 2019.1 and later.

## **Installation requirements**

Product platform support for this release is consistent with the Merak software suite.

Merak Fiscal Model Library is delivered in the following installation format:

- Installation uses a standard Windows installer for add-ons, tools, documentation, and the Peep module in Merak software export files.
- All exported files are delivered as the following listed Merak Fiscal Model Library 2023.1 PEX files, containing sample cases and files, models, and reports:
  - FML 2023.1 Export File
  - FML 2023.1 Models 2019.1
  - FML 2023.1 Reports.

The PEX files can be imported into the Peep module in Merak 2019.1 and later.