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The petroleum resource rent tax (PRRT) and the economics of an oil and gas project

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When thinking about the key drivers of project value, the PRRT profile of a petroleum project may not be top of mind for non-tax teams. As a 40% tax on the upstream activities of a petroleum project, however, the PRRT can significantly impact on project NPV and non-tax teams can play an important role in optimising the PRRT profile of a project. For finance and legal teams, this may be as part of the due diligence, modelling and contract negotiation phase of acquiring or disposing of an interest in a project. Operational and technical teams can play an important role in helping tax teams to understand a project so that they can apply tax technical concepts; for example, in determining the characterisation of expenditure. Properly substantiating PRRT expenditure is also of critical importance; finance, IT, commercial and operational teams should be involved in developing systems that capture the information tax teams require to be able to quantify and evidence PRRT deductions. This extended abstract focuses on the practical ways in which non-tax teams can help optimise the PRRT profile and, in turn, the NPV of a petroleum project.