

Oil and gas untapped

September 2011

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In 2011, the Australian oil and gas industry is under pressure from all sides, as executives battle with skills shortages, new tax corporate governance requirements and the increasingly risky task of transitioning new acquisitions



This edition of *Untapped* addresses these challenges, offering practical advice and new ideas for approaching each issue.

Industry costs have increased across the board over recent years, but particularly when it comes to labor. We're now at the point where Australian oil and gas workers are the highest paid in the world. With labour shortages re-emerging as one of the biggest risk factors for oil and gas operators, it's time to take another look at the industry's remuneration strategies. As our article on solving the human capital deficit shows, oil and gas companies are lagging general industry when it comes to improving recruitment and retention, while still keeping down costs.

While the industry is continuing to deal with uncertainty around changes to resource taxation with the suggested Resource Super Profits Tax and proposals to extend the Petroleum Resource Rent Tax to onshore areas, another taxation issue is about to make itself felt. Many oil and gas companies will fall under the new reportable tax positions regime, requiring them to put formal tax corporate governance in place. Our article examines who will be affected, what the regime will mean and how to prepare for any potential increased scrutiny by the Australian Tax Office.

Finally, with oil and gas transactions increasing in both volume and value, particularly upstream, we look at what it takes to achieve a successful and low-risk transition.

Looking ahead, commodities demand and investment in the industry will continue to be impacted by the ongoing uncertainty over the US economic recovery; a possible second phase in the debt crisis stemming from high sovereign debt levels in Europe; and the flow-on effects from macro-economic policy changes in China.

In this environment, oil and gas executives must use all the strategies at their disposal to optimise what they can control.

To that end, I hope you find this edition of *Oil and gas untapped* useful.

A handwritten signature in black ink, appearing to be 'R Curtin', written over a light blue horizontal line.

Russell Curtin
Oceania Sector Leader
Oil & Gas

Reducing risks during transition of ownership

While oil and gas acquisitions rarely involve integrating operating assets directly, ownership transitions can still be fraught with risk. What does it take to deliver a successful and low-risk transition?

There is a myth that transactions are only risky when they involve integration. Some also believe that the process of changing the legal ownership of a standalone operation or asset is a relatively simple process, and that increases in scale will by themselves add value. Nothing could be further from the truth.

Even if an asset is still in the exploration or development stage, transition requires you to complete over 300 activities in a 10 week period immediately pre and post-completion. If your asset is operational, the workload can double.

This is because transition is both a strategic and a practical issue. At the governance level, executives and directors have a responsibility to reduce risk when transferring ownership of an oil and gas business. This involves being ready to act on a set of health, safety and environment (HSE) issues, as well

as community, regulatory, finance and control responsibilities that take effect on legal day one.

At the practical level, becoming fully compliant with regulatory transition requirements entails consulting with and advising all the relevant regulators, as well as processing licence and permit transfers. In terms of financial control, as a starting point, you need to organize insurance policy transfers and supplier novations, not to mention delegations of authorities and bank accounts.

And that's just the beginning. Risk assessments and mitigation strategies are required across the business. You need to review control frameworks and policies, minuting deficiencies and creating an action plan. Often this requires setting up control tests for user groups in priority areas such as payroll or intellectual property (IP) access.

Reducing the human capital risk

Often, one of the biggest risk issues in a transition of ownership is continued loyalty from existing employees. It's important not to assume people will want to come across to your newly merged organization – as quite frequently they won't. In many cases, the selling company has spent years looking after the careers of key individuals. Some of the most senior people may be "doing their time" in a non-attractive asset, knowing this is part of a master plan. When the new buyer arrives, these people may consider this change in ownership a career detour and leave.

To avoid disruption, you should address key employee retention early in the transaction. This may mean sending in a team to assess how key executives and managers will react and if they're likely to leave. To help minimize this risk, you should lock in key personnel early in the transaction process.

Early phase transaction planning

1. Does our projected completion date provide the right balance between taking control sooner and having enough time to make the right decisions?
2. What regulatory and joint venture requirements do we need to meet as part of the transition?
3. What financial and commercial controls must we put in place for day one?
4. What HSE requirements do we need to understand and address to manage risk?
5. What communications, with internal and external stakeholders, should we consider as part of the transition?
6. What employment contract changes and payroll checks are required to ensure employees and contractors get paid on time?
7. Have we reviewed and approved the key procedures and standards in our target's core operations?
8. How are we ensuring a functional supply chain and continuity of operations?
9. How are we retaining IP related to specific fields or pieces of infrastructure?
10. How are we managing supplier or contractor change of control implications?

An important aspect of this is to ensure secondment arrangements are in place so key managers don't leave during transition.

On-going communication and human capital strategies are integral to getting it right. Unless you tell people what's going on, they will assume something different (usually the worst).

Preparing for the worst

In operational assets, preparing for legal day one is about understanding what you're buying, how it works and what to do if things go wrong. Specifically, when you're dealing with the hazardous operating environments of the oil and gas industry, you have to get it right. The cost of a single incident is simply too great in terms of lives and reputation, let alone the financial impact.

The risks of failure are particularly high around transition and not just because of the inherent vulnerability during handover.

Often when a business is deciding to sell, they stay operational and maintain what they have to, but they won't spend or commit to any additional expenditure. You need to ascertain if the asset is being run to your standards and take early preventative action if it's not. Bear in mind, even if an incident would have happened anyway, if it occurs just after you take the reins, it's your reputation on the line.

Avoiding this type of risk can be complex. You must have a strong understanding of what you need to manage and how you will continue to support the facility before day one. This includes the implications of historical maintenance and HSE information.

Historical plans

Many oil and gas facilities take a long time to build and commission. You need the planning history, including how the infrastructure was built, commissioned and signed off.

This can mean tens of thousands of documents, some of which have never been finished or updated. The plant you're buying was built on working drawings, which get changed and marked up constantly. Sometimes the final set of working drawings is never produced. To safeguard against potential issues, you should go back to the seller and ask for plans to be completed.

Consider the scenario that a valve blows in the first week and you have to shut down a portion of the plant. Will you have the knowledge to shut down the facility quickly and to make it safe? Your transition team will have done their job if you have the right engineers (with the right competency paperwork), a sound incident recovery plan and access to the appropriate drawings.

Another important area of focus is maintenance. How often are different pieces of equipment replaced? If it's a three



year replacement, you need three years' worth of documentation for each item. Can you actually get a replacement? Some oil and gas companies have their own recipe for a bespoke piece of equipment. And finally, how will you track and monitor the maintenance regime?

To get the answers to all these questions, you usually have to go beyond standard documentation and target the knowledge in people's heads – and the unofficial documents on their C: drives. This is especially true when it comes to future projects. When projects are on the drawing board, the keys to their success are often in people's heads. People know what's next for the asset, but they may not have documented it.

Often the only way to get this information is to run collaborative working sessions with key operational people, for example, engineers. You can use these sessions to identify firstly all the written data you need and then to ensure you understand what they understand. Often it's only through detailed discussions that you tease out where you have knowledge gaps and unforeseen risks.

Looking for additional value

Once you get beyond day one, you can start to look for additional areas of value, beyond scale. Typically, this can be found in three areas:

1. **Head office** – Create one management team and support function group – the sooner a consistent system is in place, the sooner you will be able to make decisions using the right information
2. **Core operations** – Optimize your operating model by taking a portfolio view
3. **Benefits and synergies** – Identify opportunities to leverage the complementary strengths and scale of the two businesses, such as procurement, infrastructure, marketing or IP

Conclusion

Planning for and managing the transition of ownership is highly complex; however critical to the success of an oil and gas transaction. It requires early planning, strong project management and open dialogue between the buyer and seller. Focusing on human capital, scenario planning and identifying historic information gaps is key to taking the reins of your new asset with confidence.

Successful transition of ownership – what does it look like?

- ▶ **Health and safety** – Incident-free transition with any identified deficiencies noted
- ▶ **Regulatory** – Full compliance with regulatory transition requirements
- ▶ **People and communications** – All stakeholders fully informed and employee uncertainties managed
- ▶ **Core operations** – Obtain and secure copies of critical information such as plant and infrastructure specifications, drilling plans; review and approve key procedures, and training records; ensure functionality of supply chain; continuity of operations with security; and appropriate assignment of employee facilities.

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Tackling tax risk management

The Australian Tax Office's (ATO) new disclosure initiative around reportable tax positions (RTPs) will put the spotlight on tax corporate governance in many oil and gas companies. How should you prepare for this new era of tax transparency?

In its latest move to improve tax compliance in businesses with a turnover of more than AU\$250 million, the ATO has introduced a new regime under which RTPs will be disclosed to the Commissioner. The RTP schedule looks set to be a highly effective tool for the ATO to identify tax risks and to initiate audits of taxpayers' affairs.

This year, it will only affect the first 100 high risk taxpayers, who have already received written notice of their new obligations. However, in future we expect growing numbers of oil and gas companies to be required to complete the schedule.

Whether your company will be included in the regime is likely to depend on your position in the ATO's Risk Differentiation Framework (RDF) for large businesses. While your risk rating does not influence the outcome of a possible risk review, it does influence the likelihood and frequency of reviews, and the formality and intensity of the review process.

The RDF places a taxpayer into one of four broad risk categories:

1. Higher risk
2. Key
3. Medium risk
4. Lower risk

Your risk rating directly influences the level of scrutiny you can expect to receive from the ATO.

To determine your risk rating, the ATO will look at a range of factors, including your company's past tax compliance history and existing tax corporate governance framework. Which category your company will be assigned depends on the ATO's perception of two factors:

1. The likelihood of your company having a tax outcome the ATO does not agree with
2. The financial reputation or precedent consequences of your potential non-compliance

Therefore, you may have total tax transparency, but the size or nature of your business can still put your company in the spotlight.

More specifically, draft ATO instructions (expected to be finalized in September 2011) offer three circumstances where an RTP will need to be included in your company tax return:

1. A material position that is more likely to be incorrect than correct
2. A position where your or a related party's financial statements disclose or

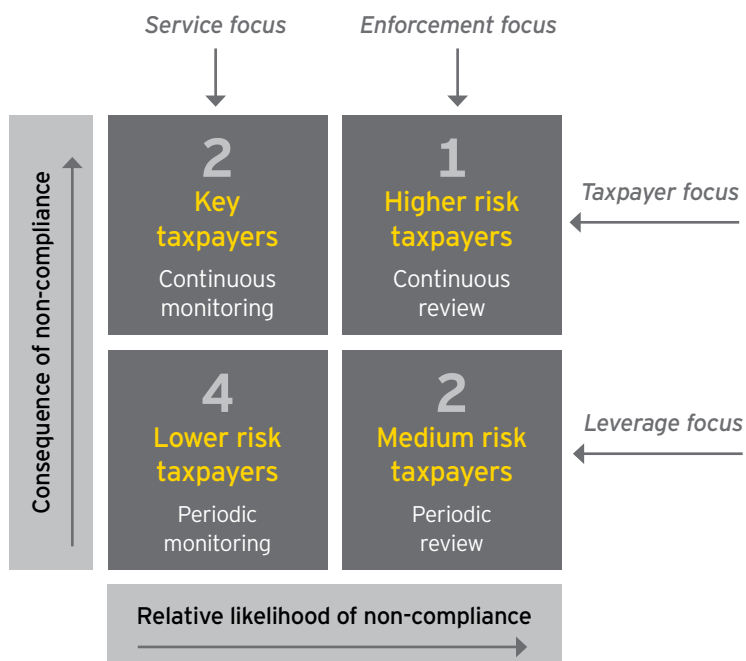
recognize uncertainty about taxes payable or recoverable

3. A position around a reportable transaction, where there is either a change of ownership or control, or where you recognize more than AU\$200 million of income in the financial statements, and consider less than 50% of that as assessable income in the current year

However, you may be exempt from the inclusion of an RTP if you have already disclosed your position to the Commissioner.

You should also note these guidelines are just the beginning and we expect them to be expanded in future years.

Risk Differentiation Framework



In future, you will need sound management controls for tax governance and tax risks. Ad hoc or intuitive tax risk management protocols will no longer be enough.

Understanding the requirements of a reportable tax position

If you are included in the regime, you will be required to complete and lodge the RTP schedule as part of your company's tax return. This will mean providing:

- ▶ A brief statement describing the facts underlying the position taken
- ▶ The basis for the position, including relevant case law, legislative references and ATO views relied upon
- ▶ Details of whether the tax position involved a related party transaction

Current advice suggests the notification of each RTP should comprise no more than 500 words. Also of note, you will not need to quantify the amount of your RTPs.

That said, disclosure is the responsibility of the executive. The RTP schedule must be signed by a public officer giving a declaration, even if lodged with a nil return.

Preparing for RTP reporting

Given RPT reporting is likely to result in more focused compliance enquiries from the ATO, you may choose to be proactive in engaging with them. This can be achieved by opening up the communication channels and seeking private rulings for significant matters.

You will also need to develop and implement a documented tax risk management framework. This is required as the ATO will want to review the internal processes of your tax function, to ensure your RTP schedule is accurate.

This is part of the ATO's drive, at the Organisation for Economic Co-operation and Development (OECD) level, to make tax risk management a key principle of corporate governance. The ATO considers

that historically, tax risks have not been sufficiently elevated to the senior management and board level. The goal is to bring tax risk issues to the board level earlier, enhancing corporate accountability on tax matters.

To this end, the ATO has already begun to issue questionnaires to some large businesses during compliance activities. The purpose of this is to test whether they have a tax corporate governance framework and if they have, that they are using it.

The message is clear, in future you will need sound management controls for tax governance and tax risks. Ad hoc or intuitive tax risk management protocols will no longer be enough. Tax corporate governance will soon be mandatory.

We believe this will be beneficial. Having a well formulated tax corporate governance policy in place, will help you to identify, manage and meet your RTP obligations. At the same time, a tax corporate governance policy provides numerous other benefits on managing tax related matters within your company.

Formally documenting these procedures will substantially improve the effectiveness of managing your tax risks and any ATO enquiries. Being able to demonstrate to the ATO that your organization has an effective tax risk management policy in place is likely to improve your risk rating.

Managing your tax corporate governance obligations

A good framework will be based around sound systems and robust procedures and may include a:

- ▶ **Board policy** – This should set out the overarching strategy and objectives of the board in relation to tax, your

acceptable levels of tax risk, defined roles and responsibilities for the tax function, and the triggers for elevating tax risks to the board level.

- ▶ **Tax charter or procedure manual** – This should address such matters as day-to-day tax procedures, tax reporting lines, significant transaction signoffs and materiality levels, circumstances for engaging with the ATO, management and reporting of tax issues, document management, and engagement with external advisors.
- ▶ **New communications framework between tax and the board** – As your board takes a more active role in determining your organization's tax risk appetite, an effective communications framework will become increasingly important. Material tax issues will also need to be addressed as they arise, rather than at the time of reporting. This will require strong, two-way communication channels between the business units, the tax function, the CFO, the board and local management.

Clearly, your tax functions, whether in house or external, will need to be appropriately resourced to manage tax risks effectively and to be able to respond to the ATO's enquiries within reasonable time frames. However, the investment required to develop and institute a sound tax corporate governance framework will be worthwhile. If poor tax corporate governance leaves you with a higher risk rating, the cost of managing frequent, perhaps constant, ATO reviews and audits will be far higher.

Building an effective tax corporate governance framework

ATO expectations	Our recommended approach – review and determine the effectiveness of your:	Outcome
<ul style="list-style-type: none"> ▶ Reporting requirements that elevate significant tax risks to the board level ▶ Sign-off procedures followed for material transactions ▶ Procedures in place to comply with tax obligations ▶ Your tax function is adequately resourced ▶ Understanding of your risk rating ▶ Effective use of the ATO compliance products ▶ Appropriate tax dispute management ▶ Systems in place to identify, assess, monitor and approve material tax issues 	<ul style="list-style-type: none"> ▶ Board policy ▶ Tax charter ▶ Regulatory reporting to the audit committee ▶ Policies and procedures ▶ Use of the private and public rulings system ▶ Assigned roles and responsibilities ▶ Risk registers ▶ Audit readiness ▶ Annual compliance arrangements ▶ Approach to alternative dispute resolution and litigation ▶ Tax risk reporting ▶ Tax accounting for month and year end balances ▶ Uncertain tax position disclosure 	<ul style="list-style-type: none"> ▶ The board demonstrates oversight of significant tax transactions ▶ Compliance with tax obligations ▶ Ability to deal with changing law and policy ▶ Tax function effectiveness ▶ Appropriate strategies in place for dealing with revenue authorities ▶ Meeting compliance obligations for other regulatory requirements

Conclusion

RTPs and tax corporate governance are just two areas of focus by the ATO, to persuade large businesses to increase their tax compliance. This focus also allows the ATO to target its resources to higher risk areas.

We expect a growing number of oil and gas companies to qualify under the ATO's RDF, which will require the completion of the RTP schedule as part of the company tax return.

As discussed, RTP reporting will have its advantages, including the potential for increased certainty in the form of more targeted rulings and guidance. It will also allow the opportunity to refine your risk rating when the ATO feeds the information from your schedule into the RDF.

However, do not underestimate the systems and processes that will be required to comply with your potential RTP schedule. Start putting in place a robust tax corporate governance framework now, so you are ready to comply with the new regime.

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Solving the human capital deficit

With skills shortages one of the biggest risks facing the oil and gas industry¹, oil and gas companies need to make smarter use of their remuneration structures to remain competitive with other industries. Innovative HR practices can help you increase your company's attractiveness, retain talent and better manage risk.

In the Australian market, the effects of an aging workforce have been compounded by the legacy of the oil and gas industry's boom and bust cycles. Proportionately, fewer younger employees have joined the industry in recent years. But oil and gas companies are not just finding it difficult to get people in the door; they are also finding it difficult to retain key employees across all levels, leading to inflated salaries.

Identify new markets for talent

Historically, the industry looked for talent within its own ranks. This narrow approach has exacerbated the talent shortage and driven up remuneration within the sector, as people have been able to "shop around," playing one company off against another. In addition, by recycling its talent, the industry has arguably limited the opportunity for fresh ideas to be brought in from other sectors.

Some oil and gas positions, such as petro-physicists and petroleum engineers, are highly specialized. Many other positions utilize skills that are broadly transferable across industries, such as mechanical engineers, accountants and procurement managers. Wherever roles are transferable, you should consider expanding your recruitment net to industries where remuneration levels are lower.

For example, when compared with oil and gas remuneration, median total remuneration for business unit heads and regional leaders is 32% lower in the consumer discretionary sector and 29% lower in the industrials sector.² Individuals from these lower paying sectors are not only going to find your company's



remuneration levels more attractive, they will also bring across learnings from their previous industry into your company.

Increase your company's attractiveness

When it comes to attracting employees with specialized skills, the key is differentiating your company in the market, particularly around your total reward strategy. You need to package your remuneration and benefit elements as a collective, differentiated offer to entice prospective employees. In this 'total reward' approach, remuneration and benefits sit alongside other factors, such as:

- ▶ Learning and development opportunities
- ▶ Interesting and challenging work
- ▶ Positive and vibrant business culture
- ▶ Opportunities to work overseas
- ▶ Workplace flexibility

When you package your employment offer in this way, remuneration becomes less important, and both recruitment and retention increase.

You must however be prepared to tailor each overall reward package to your key talent. For example, for some individuals, a sign-on bonus may be appropriate. However, be careful when structuring these. You should consider whether the cash cost is really worth the benefit to your company, what the

¹ Source: Ernst & Young's *Business Risk Report* 2010.

² Source: Ernst & Young's *Executive and Board Remuneration Database*; based on disclosed positions

effect of the bonus on the employee's remuneration mix will be and the overall value of the remuneration package.

If you offer sign-on bonuses for new executives, be aware that increasing shareholder scrutiny and corporate governance requirements necessitate that you clearly articulate the rationale. You are also required to detail the inputs that contributed to determining the size of the payment.

Retain talent in a competitive environment

Many employees are being lured away by competitors offering lucrative salaries. Rather than resorting to raising salaries to match, take a more strategic look at proactively retaining key people. Use individual retention plans that form part of your overall remuneration offer and retention strategy.

The first step is to identify your organization's retention risk, using factors such as:

1. Business impact of an individual leaving
2. The likelihood of them leaving
3. Your market opportunity for replacement skills

This will enable you to gauge which employees may require individual retention arrangements.

When developing these plans, determining individual requirements is essential. There are several ways to address retention issues and the solution is rarely a one-size-fits-all approach. It's important to pin point the

right reward levers. Some people will focus mainly on their pay packet, while others can be retained by the opportunity to participate in career enhancement programs. For many, it's rarely just about the money. Opportunity and recognition are usually important factors in people deciding to stay. For example, the true value of a retention award often lies in the conversation held between the employee and the company. Ideally these conversations would where possible, involve the most senior person in the organization, demonstrating the importance of the recipient's contribution and ongoing commitment.

Where the retention approach includes a remuneration component, consider:

- ▶ **Award vehicle and timing** – Typically retention awards are paid in cash, which provides an immediate payment. Alternatively, equity-based retention awards align employee interests with that of shareholders. Further, awards that vest over time encourage retention.
- ▶ **Award value** – Retention plans should provide rewards that are balanced with current remuneration (i.e., consider total remuneration and internal equity between employees).
- ▶ **Vesting of award and performance conditions** – Retention awards typically vest solely based on service conditions.
- ▶ **Accounting and tax implications of retention payments** – From an accounting perspective, cash-based retention payments result in a cash cost, whereas equity awards may be expended under Australian Accounting Standards Board 2 (AASB 2). In addition, individuals receiving

a cash award will be taxed when the award vests, whereas tax on equity awards may be deferred for up to seven years provided certain conditions are satisfied.

Manage risk using remuneration structures

The oil spills in the Gulf of Mexico highlighted the dangers of relying purely on technology and documentation-based controls for risk management. Since then, many oil and gas companies have been exploring more sophisticated and holistic methods for reducing risk, including consideration of the risk in their remuneration structures.

For example, executive recruitment can be fraught with risk. Tight labour markets increase the temptation to overpay to attract talent, especially when competing with the materials sector. If you give an incoming employee an above-market remuneration package, you risk driving up the remuneration levels of other positions within your organization.

Termination payments can also trigger significant financial and reputational risk. The 2009 revisions to termination cap legislation, *Corporations Amendment (Improving Accountability on Termination Payments) Bill 2009*, mean listed companies face increased risk of requiring shareholder approval to be able to deliver agreed remuneration upon termination of an executive. Further, paying for underperformance – awarding a dismissed executive a large payment after the executive is perceived by the market to have performed poorly – can damage your reputation with shareholders and advisory bodies.



To manage the risks involved with the end of an employee's service, you should pay special attention to termination provisions in contracts and incentive plan rules, preferably well in advance of the termination event. This risk can be reduced by carefully drafting contracts to limit termination payments and not allowing early vesting of incentive awards on termination.

In addition, you can include risk-based performance measures in your incentive scheme conditions to ensure employees adopt a proactive approach to risk management. Currently, the proportion of executive long-term incentive plans with no performance measures, is significantly greater among oil and gas companies, compared with general industry, as demonstrated below. This indicates a higher prevalence of executive long-term incentive plans with a retention focus; thus equity awards are dependent only on executive service or tenure.

Shareholding requirements, particularly at an executive level, are also useful risk mitigation tools. They take several forms such as part of your corporate governance framework, or as eligibility criteria or reward hurdles in your long-term incentive plan. These approaches align the interests of executives with shareholders, thereby decreasing the risk of poor short-term decisions resulting in adverse long-term performance.

Although many oil and gas companies may be considering these methods as part of their risk management strategy, some evidence suggests change may be slow. For example, 29 new executive long-term incentive plans were introduced by general industry companies and none by oil and gas companies in 2010. Given the regulatory, economic and industry challenges of the past two years, the absence of new plans suggests oil and gas companies may not be adapting quickly enough.

Conclusion

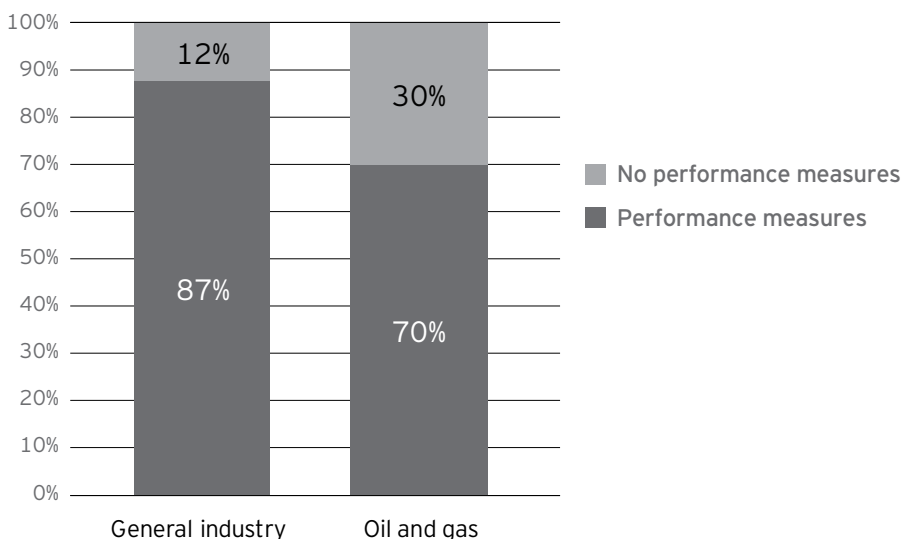
Although skills shortages are putting the industry under pressure, oil and gas companies have multiple opportunities to get smarter about remuneration. Casting a wider net for broad-based skills and tailoring remuneration packages for key specialist roles will support recruitment. Individual retention plans will also help to retain critical individuals at high risk of leaving. At the same time, you can use remuneration strategies proactively to identify, manage and reduce risk, and better align executive remuneration with performance.

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Prevalence of performance measures in executive LTI plans



The market remuneration data presented in this article has been sourced from Ernst & Young's Board and Executive Remuneration Database. The database includes the remuneration quantum information for S&P/ASX 200 companies and practice information for S&P/ASX 100 companies, that released an annual report between 1 February 2010 and 31 January 2011. The S&P/ASX indices are defined as at 1 November 2010. The database excludes trusts and funds that did not disclose sufficient remuneration data for analysis. Additionally excluded were companies, funds and trusts that were not listed for a full financial year or underwent significant transaction activity during the relevant reporting year.

'Oil and gas companies' includes S&P / ASX 200 index companies classified as 'Oil, Gas & Consumable Fuels' according to the Global Industry Classification System, excluding companies classified as 'Coal & Consumable Fuel'. The general industry group includes all other S&P / ASX 200 index companies.

Recent thought leadership

To register your interest in any of these reports, email sally.collins@au.ey.com or phone +61 2 8295 6424

Exploring IFRS

Our *Exploring IFRS* series examines current developments in IFRS and relates them specifically to the potential impact they may have on companies in the oilfield services and oil and gas sectors.

Coal seam gas – Broadening the energy mix

There are a variety of challenges associated with coal seam gas (CSG), including mineral ownership rights and land access, as well as issues relating to general tax and fiscal incentive structures. This report explores the risks and challenges of coal seam gas, as well as an overview of the prospects and challenges in Australia and other key countries.

Oil and gas eye, Q1 2011

Oil and gas eye provides key analysis and commentary on the top 20 AIM listed oil and gas shares by market weight on an annual and quarterly basis.

National oil company monitor, Q1 2011

Recent estimates from the US Energy Information Administration (EIA) show that 14 regions outside of the US contain 5,760 Tcf of recoverable shale gas resources; with a quarter of these to be found in Asia. However, each of the shale gas basins is different and each has its own unique set of exploration criteria and operational challenges. Our *National oil company monitor series* explores these issues.

Renewable energy country attractiveness indices: Issue 29

It's been a tumultuous few months for the world's renewable markets. The unrest in the Middle East and North Africa has cast the spotlight once again on the importance of security of energy supply and volatility of

oil prices. The Japanese tsunami and nuclear disaster have prompted some governments to elevate renewable energy ambitions. The lead article in this issue reflects on these dramatic events and discusses their impact more specifically on solar markets.

Cash in the barrel – Working capital management in the oil and gas industry 2011

Today, current working capital performance still varies widely across the industry's core segments and its companies. While part of this gap may be due to variations in business models, this can also be explained by fundamental differences in the degree of management focus on cash and process effectiveness. *Cash in the barrel* is the latest in a series of working capital management reports published by Ernst & Young and explores these issues and more.

Oil and gas business risks and opportunities

Based on interviews with oil and gas sector commentators and a global multi-sector survey, this report ranks the top ten risks and opportunities for oil and gas companies in 2011.

The future of Russian oil exploration

Our study indicates that Russian companies alone are unlikely to succeed in maintaining a stable level of oil production over the next 30 years. Only by investing in a large number of high-risk projects can companies maintain a positive risk profile; however, this will require them to raise the limits of exploration costs and change the existing balance of development, exploration and acquisition. Our publication explores these opportunities, challenges and risks.

Africa oil and gas – A continent on the move

Africa is on an upward growth curve. Resources generally, and oil and gas specifically, have played an important role in this growth. Nineteen African countries are significant producers of oil or gas, and the revenues from higher prices and the investment that new discoveries are attracting, have made a strong contribution to this growth. What's next for Africa?

2011 Ernst & Young global oil and gas tax guide

The revised 2011 edition features four additional countries including Kenya, Greenland, Algeria and the Republic of the Congo, and summarizes the oil and gas corporate tax regimes in more than 61 countries. More than a standard tax guide, you will find yourself using this resourceful tool again and again, to quickly identify taxes applicable to all oil tax regimes, specifically those affecting your region.

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Fuelling Asia's development?

With gas and other unconventional fuels set to meet the energy needs of Asia Pacific, the race to secure Australian reserves and capture the lion's share of exports is on. Ernst & Young has built an Asia Pacific team of over 1,500 oil and gas industry professionals to help you achieve your potential. We understand your assurance, tax, transaction and advisory needs no matter where you operate.

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