

1st Oil and Gas Licensing Round in Icelandic Waters

Dreki Area, on the Jan Mayen Ridge, Northeast of Iceland

Timeframe

- Tentative starting date of the licensing round is **15 January 2009**
- Tentative deadline for applications is **15 April 2009**
- Assessment of applications and negotiations are expected to take at least 2-3 months
- Strategic environmental assessment (SEA) has been finished, no major obstacles identified
- Program of ongoing and planned further research on natural conditions based on the SEA

Location

- The northern part of the Dreki area covers 42,700 sq. km
- Located from 67°N to 68°30'N and 6°20'W to 11°30'W
- Water depth is 1,000 to 2,000 m in 80% of the area

Geophysical Data Availability:

- Academic seismic reflection data:
 - Open, but accessible from various sources
- Two major sources for 2D seismic reflection data, that have been put up for sale:
 - Norwegian-Icelandic governmental surveys 1985 and 1988, available through NPD in Norway
 - InSeis speculative non-exclusive survey 2001, available through Wavefield InSeis

Hydrocarbon Potential

- General conclusions based on proprietary as well as academic data:
 - The Jan Mayen Ridge is a sliver of a continental crust
 - Sedimentary rocks are of sufficient thickness and age
 - Indications of sedimentary strata pre-dating the opening of the Norwegian-Greenland sea
 - Potential source rocks similar to East Greenland
 - Potential reservoir rocks, including submarine fans
 - Potential traps present, both structural and stratigraphic
 - Seismic anomalies indicating that hydrocarbons may be present

Licensing for Hydrocarbons

- Open door policy for non-exclusive prospecting licenses
- Exclusive licenses for the exploration and production of hydrocarbons in the Dreki area offered in a licensing round

Licensing Terms

- Duration of exploration licenses up to 12 years, may be prolonged to a maximum of 16 years
- Following a successful exploration, a priority for a production license for up to 30 years
- Group applications (joint ventures) are welcome
- Transferable licenses, subject to official permission
- Phased work programme possible, each phase with separate specification of rights and obligations
- Reference grid of blocks approximately 390 sq. km each (15'N-S, 20'E-W)
- Licenses may cover one or more block(s) or part of block(s)
- Treaty with Norway on the northernmost 30% of the area (12,720 sq. km)
- Norway may participate with up to 25% share in exclusive licenses within the treaty area
- No national oil company in Iceland

Tax Environment

- The general corporate income tax in Iceland is only 15%
- Taxes on profits and production fees on oil operations are under consideration
- Taxes and fees will be determined before the licensing round begins
- Commitment to be competitive with neighbouring countries

Legal framework

- EU legislation has been transposed in many important areas into Icelandic law, as Iceland belongs, with Norway, Liechtenstein and the EU countries, to the European Economic Area (EEA)
- Icelandic Parliamentary Act No.13, 2001, on Prospecting, Exploration and Production of Hydrocarbons applies to petroleum activities
 - Transposes into Icelandic law EU directive 94/22/EC on the conditions for granting and using authorizations for the prospection, exploration and production of hydrocarbons
- Other relevant EU legislation, including issues of health, safety and environment (HSE), has been transposed into Icelandic law
- Iceland has ratified the OSPAR convention on the protection of the marine environment of the North-East Atlantic as well as the international MARPOL protocol for the prevention of pollution from ships

Environmental conditions

- Mean summer temperatures 5 to 8°C, winter temperatures -2 to 0°C
- Yearly precipitation about 700 mm, winter lows with up to 25 to 30 cm daily snow
- Mean summer wind speed ca 6 m/s, winter wind speed ca 10 m/s
- Frequent fogs during summer
- Some occurrences of icing in the winter months
- No danger of sea ice under present climate conditions
- Wave heights lower than at the west-coast of Norway, 100 year wave height about 12 m
- Buoy for meteorology and wave conditions operative at present
- Mooring with ADCP and traditional current meters for oceanography operative at present
- Occasional catches of pelagic fish stocks (capelin, herring) in the area
- No known demersal catches
- Only relatively common species of whales and sea birds

Facts about Iceland

- Republic with 300,000 inhabitants, rapid economic growth and high standard of living
- Member of the Schengen Area and Cooperation by a special agreement with the EU
- Member of NATO, strong ties with North-Atlantic neighbours and other Nordic countries

Further information

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