

Key Recommendation of Report Will Discourage Interest in Exploration Offshore Ireland -

Wednesday 9th May 2012 - IOOA today welcomed the interest of the Joint Oireachtas Committee in the offshore petroleum industry, which has the potential, if substantial discoveries are made, to be an important contributor to the State's economic recovery. IOOA is impressed with both the scope and the depth of today's report.

However IOOA is concerned that a key recommendation of the report includes a proposal for a tax take as high as 80% of profits. The proposed tax rates are comparable or higher than those in Norway which has an established industry, a high rate of commercial discoveries and which refunds 78% of the cost of unsuccessful exploration. The rationale for taxing a fledgling and undeveloped industry in Ireland at the same rate as a mature and developed industry in Norway is totally unclear.

IOOA believes there needs to be a broader discussion on these tax proposals, which otherwise may well discourage companies who are currently considering Ireland as a location for exploration. This tax proposal must be considered in the context of the most recent Licensing Round. This was broadly recognised as a failure in attracting exploration companies to offshore Ireland, even with significantly lower tax rates.

IOOA draws attention to the low level of exploration off Ireland's coast and the relative lack of success to date. IOOA recommends that the State engages further in the promotion of Ireland's offshore. In addition, IOOA believes that the promotion and regulatory functions of the State be separated so that each can concentrate fully on its own remit.

We welcome that the report advises against retrospective changes to existing licenses and that the fiscal and licensing regime should provide certainty for the State and industry alike.

IOOA commends the report's recommendation of a Forum for further discussions on the industry and looks forward to working with the Committee and engaging in discussions on the specifics of the report.

ENDS

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