

Principles for Developing Countries Hydrocarbon Investment Policies

The overall fiscal and regulatory structure should begin with an alignment on valuing and recovering resources in a manner consistent with the country's framework for economic development. It should:

- **Create the greatest overall value from the country's resources by generating:**
 - o Value through maximum life-cycle economic recovery of resources consistent with the most efficient, safe and environmentally sound development and decommissioning/restoration
 - o Growth in local economies as part of value creation via development of local infrastructure, industries, jobs and training
 - o Revenues for country (including all governmental stakeholders) to reinvest
- **Be equitable both to government and investors**
 - o Ensure the government, as ultimate steward of the resources, receives for the country an equitable share of the benefit from its resources
 - o Provide that investors receive a share reflecting all of their contributions and commensurate with the overall risks they bear
- **Align government and investing companies through project life**
 - o The regime should be responsive such that equitable sharing of value is realized through all stages of project life-cycle and across ranges of outcomes and market conditions
 - o Recognize that projects and relationships are long-term and seek ways to promote partnership and mutual trust
- **Promote a stable and sustainable business environment**
 - o Country and investors should be able to plan ahead and rely on terms agreed upon
 - o Investors should be willing to manage and accept business risks (e.g., exploration, technical, project execution and operation, and market conditions— price and costs) and country should seek to provide maximum possible certainty on rights and economic terms (e.g., rule of law, contract terms, legal framework, and fiscal terms)
 - o Country and investors should operate in good faith to solve potential disputes quickly and efficiently and adopt mutually agreed dispute resolution procedures, such as mediation and/or arbitration practices, which lead to principles-based, timely resolved and satisfied, outcomes
- **Be administratively simple**
 - o Provide a clear, practical, enforceable, and non-discriminatory framework for administration of laws, regulations, and agreements

- o Adopt programs promoting cooperation and trust between tax administrators and taxpayer
- **Be competitive**
 - o Should be competitive with other countries given relative attractiveness and risks of resource development
 - o Should attract widest range of potential investors to ensure country maximizes competition for its resources

Specific proposals and policies, including structure and administration of taxation, other government take, and legal requirements, should be tested in terms of whether they further the general objectives above.