
D R A F T S T A T U T O R Y I N S T R U M E N T S

2006 No.

PETROLEUM REVENUE TAX

**The Petroleum Revenue Tax (Attribution of Blended Crude Oil)
Regulations 2006**

Made - - - -

Coming into force - -

A draft of these Regulations was laid before the House of Commons in accordance with section 2(5D)(e) of the Oil Taxation Act 1975(a).

The draft was approved by a resolution of that House.

Accordingly, the Commissioners for Her Majesty's Revenue and Customs, make the following Regulations in exercise of the powers conferred upon them by sections 2(5B), (5C), and (5D) of that Act.

Citation and commencement

1. These Regulations may be cited as the Petroleum Revenue Tax (Attribution of Blended Crude Oil) Regulations 2006 and shall have effect in respect of chargeable periods ending on or after 1st July 2006.

Interpretation

2. In these Regulations—

“the Act” means the Finance Act 1987;

“balancing parcel” is the difference between the volume of blended oil notified to be lifted by the purchaser and the volume of blended oil actually lifted;

“blended oil” has the meaning given by section 63(1A) of the Act(b);

“lifting” is—

- (a) the loading of a volume of blended oil onto a tanker from an offshore loading point or an onshore oil terminal; or
 - (b) the pipeline transfer of a volume of blended oil to a refinery,
- and cognate expressions shall be construed accordingly;

(a) 1975 c. 22. Section 2(5D) was inserted by section [159] of the Finance Act 2006 (c. xx).
(b) Section 63(1A) was inserted by section 101 of the Finance (No.2) Act 1987.

“loading schedule” is the schedule produced each month by the terminal operator based upon the projected monthly production entitlement for each participator for the blended oil in question;

“month” is a calendar month and “monthly” shall be construed accordingly;

“month of entitlement contract” is a contract under which a participator sells its projected oil entitlement over a fixed period to a purchaser in return for regular payment, and under which the purchaser has discretion as to when to lift that oil;

“nomination excess” is the amount by which the market value of a relevant delivery exceeds the participator’s delivery proceeds of that relevant delivery (within the meaning of section 61(3) of the Act^(a));

“opening stock figure” is the amount used to prepare the loading schedule which represents the most recent actual or projected production entitlement of a participator in an originating field for the blended oil in question which has not been lifted at the outset of that monthly period (which may be a positive or a negative amount);

“originating field” has the meaning given by section 63(1A) of the Act;

“relevant delivery” has the meaning given by paragraph 12A^(b) of Schedule 10 to the Act;

“term contract” is a contract for the sale of a volume of oil within a specified period which is subject to more than one delivery.

Allocation of Liftings

3.—(1) For each lifting of blended oil by a participator in an originating field, the following formula applies to determine how much of the lifting will be allocated to that originating field—

$$A \times \frac{B}{C}$$

Here—

A is either the volume of blended oil lifted (VL) or the volume notified to be lifted (VN) (see *Rule 1* below) by the participator in any month;

B is the total amount of the participator’s actual or projected production entitlement for that blend from the originating field for that month; and

C is the sum of the participator’s actual or projected production entitlements for that blend from all originating fields plus any actual or projected production entitlements from all of the participator’s month of entitlement contracts or term contracts, except that where an entitlement in respect of an individual originating field is a negative amount, it is treated as zero.

These definitions are subject to the following provisions of these regulations.

(2) Find *A* as follows.

Rule 1

The participator may choose VL or VN but thereafter every lifting shall be calculated on the basis of that choice.

Rule 2

If the participator chooses VN—

- (a) he must allocate the balancing parcel to an originating field, and every balancing parcel in the blend must be allocated to that field; and
- (b) when that originating field ceases oil production, he must allocate the balancing parcel to another originating field, subject to the condition set out in sub-paragraph (a).

(a) Section 61(3) was substituted by [section 150(3)] of the Finance Act 2006 (c. ...).

(b) Paragraph 12A was inserted by [section 150(13)] of the Finance Act 2006 (c. ...).

(3) Find B as follows.

Rule 1

The participator may choose the actual or projected production entitlement for a particular blend from an originating field but thereafter every entitlement in that blend shall be calculated on the basis of that choice.

Rule 2

Add the participator's share of actual entitlement, or the projected production entitlement, to the participator's opening stock figure.

Rule 3

If the amount produced by Rule 1 is zero or a negative, B is zero for the purposes of the calculation set out in paragraph (1).

(4) The final amount produced by application of the formula in paragraph (1) may be adjusted (up or down) by the participator to a maximum of 1000 barrels.

This is subject to the qualification that the sum of the final adjusted amounts in respect of each allocation must be equal the amount of blended oil lifted.

Month of Entitlement Contracts and Term Contracts

4.—(1) Where a participator in an originating field sells blended oil through a month of entitlement contract or a term contract, and the contract represents oil from more than one field, the following formula applies to determine how much of the sale will be allocated to that originating field—

$$A \times \frac{B}{C}$$

Here—

A is the volume of blended oil lifted under the month of entitlement contract or the term contract on the day in question;

B is the total amount of the participator's projected production entitlement for that blend from the originating field for that month under the terms of the month of entitlement contract or the term contract; and

C is the sum of the participator's projected production entitlements from that blend from all originating fields for that month under the terms of the month of entitlement contract or the term contract, except that where an entitlement in respect of an originating field is a negative amount, it is treated as zero.

Where B would otherwise be negative it is zero.

(2) The final amount produced by application of the formula in paragraph (1) may be adjusted (up or down) by the participator to a maximum of 1000 barrels.

This is subject to the qualification that the sum of the final adjusted amounts in respect of each allocation must be equal to the amount of blended oil lifted.

Allocation of Nomination Excesses

5. Where a participator makes a relevant delivery of blended oil the following provisions apply to determine how much of his nomination excess to attribute to each originating field.

Step 1

Calculate the respective volumes of blended lifted oil to be allocated to individual originating fields applying the formula and its provisions set out in regulation 3.

Step 2

Establish the total volume of the relevant delivery of blended oil.

Step 3

Divide each of the volumes calculated in Step 1 by the amount found under Step 2.

Step 4

Multiply each result of Step 3 by the nomination excess.

The result is the nomination excess to be allocated to the individual originating field in question.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations deal with the attribution of blended crude oil across the originating field interests of a participator or seller so that the allocation reflects the extent of the participator or seller's actual or projected production entitlements in an originating field for tax purposes. The Regulations further deal with the attribution of nomination excesses across a participator's field interests where there has been a relevant delivery of blended crude oil.

Regulation 1 deals with citation and commencement.

Regulation 2 deals with interpretation.

Regulation 3 introduces a formula and associated provisions to calculate the allocation of blended crude oil lifted, including any oil lifted under month of entitlement contracts and term contracts, across the field interests of a purchasing participator on a monthly basis.

Regulation 4 introduces a formula and associated provisions to calculate the allocation of blended crude oil sold under month of entitlement or term contracts across the field interests of a seller on a monthly basis.

Regulation 5 sets out the steps to be followed in order to calculate the amount of any nomination excess to allocate to a particular originating field where a participator makes a relevant delivery of blended crude oil.

A regulatory impact assessment in respect of Part 5 of the Finance Act 2006 was prepared by Her Majesty's Revenue and Customs and published on 22nd March 2006.