

FP amendments bring relief to some offshore oil & gas rights holders

Offshore oil or gas exploration or production rights holders who applied for their exploration or production right prior to 20 November 2015 now have until 19 February 2024 to comply with the Financial Provisioning Regulations related to these rights.



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This is a result of the minister of environmental affairs amending the Financial Provisioning Regulations, 2015 (FP Amendment) to extend the transitional period to comply with these regulations. However, it is the application date (prior to 20 November 2015) that is the key to the extension and not when the right was granted.

Although somewhat confusing, the purpose of this amendment simply appears to be to formalise the extended compliance timeframe for this category of rights holders under the existing financial provisioning laws, thereby providing much needed relief to rights holders who have been racing against time to comply with the Financial Provisioning Regulations, 2015 by 19 February 2019.

The financial provisioning requirements that are applicable to the offshore oil and gas industry will largely be overhauled when the revised 'Proposed Regulations Pertaining to the Financial Provision for Prospecting, Exploration, Mining or Production Operations', 2017 (Draft FP Regulations) are promulgated in final form. Although the extension provides much needed relief, what these rights holders will need to comply with is still not clear.

Compliance

The second part of the FP Amendment provides that holders of offshore oil or gas exploration or production rights will, until 19 February 2024, be regarded as having complied with the provisions of the Financial Provisioning Regulations, 2015 if the holder has complied with the financial provisioning obligations under the exploration or production right, issued in terms of the Mineral and Petroleum Resources Development Act, 28 of 2002 (MPRDA).

The purpose of this amendment appears to be to confirm the position that the particular offshore rights holders must continue to comply with the financial provisioning obligations that were imposed under their relevant rights until 19 February 2024, by which date they will need to comply with the Financial Provisioning Regulations, 2015 (or the Draft FP Regulations, once finally published).

The amendment does not provide for any extension for any other existing rights holders, who should still be working towards meeting the 19 February 2019 compliance deadline.

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