

A comparative study of Investment Attractiveness in deepwater offshore West Africa: An index approach to evaluating fiscal regimes

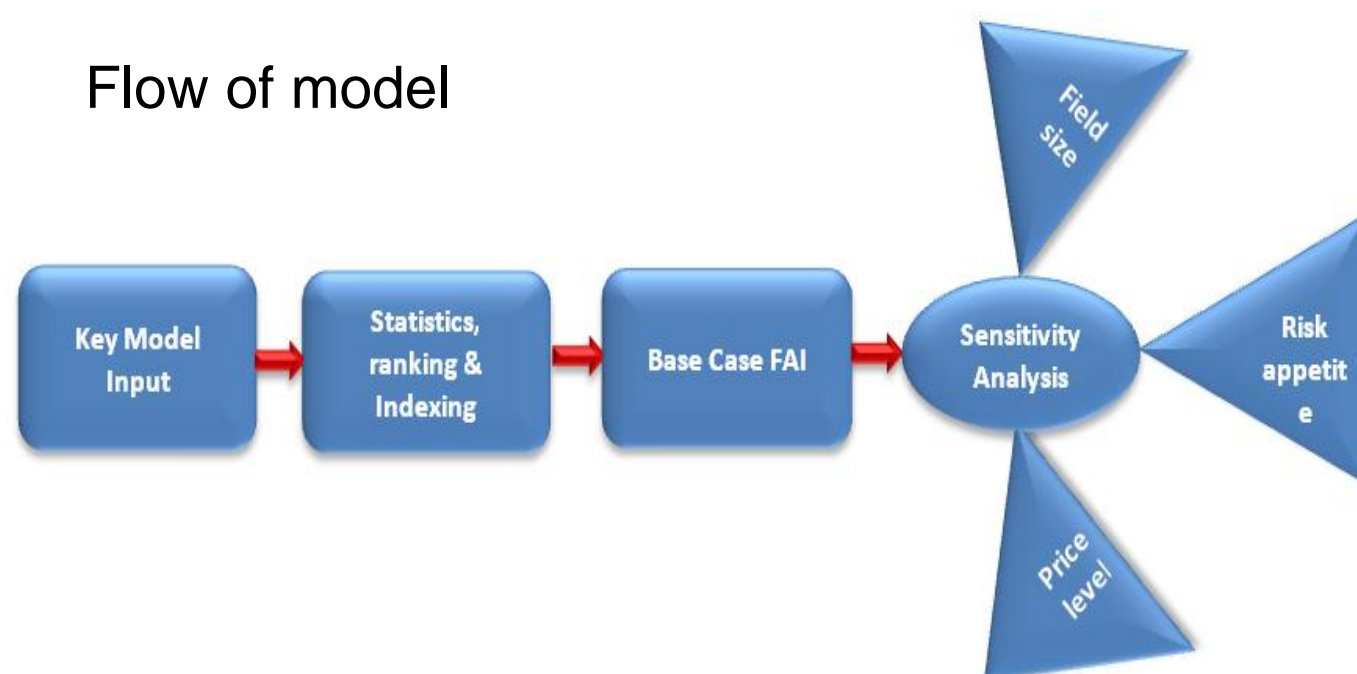
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1. Basis for Study:

- West Africa is located in the famous “Golden Triangle” and analysts rate the region high in deepwater prospects.
- Fiscal regime attractiveness remains a major consideration in investment destination decisions.
- An index approach is suggested to cater for the limitations in the use of government take statistic for fiscal regime assessment.
- This provides a “single comprehensive” index to guide investors in ranking investment destinations.
- The study also tests whether fiscal regimes reflect opportunities and risk profile in provinces.

2. Methodology:

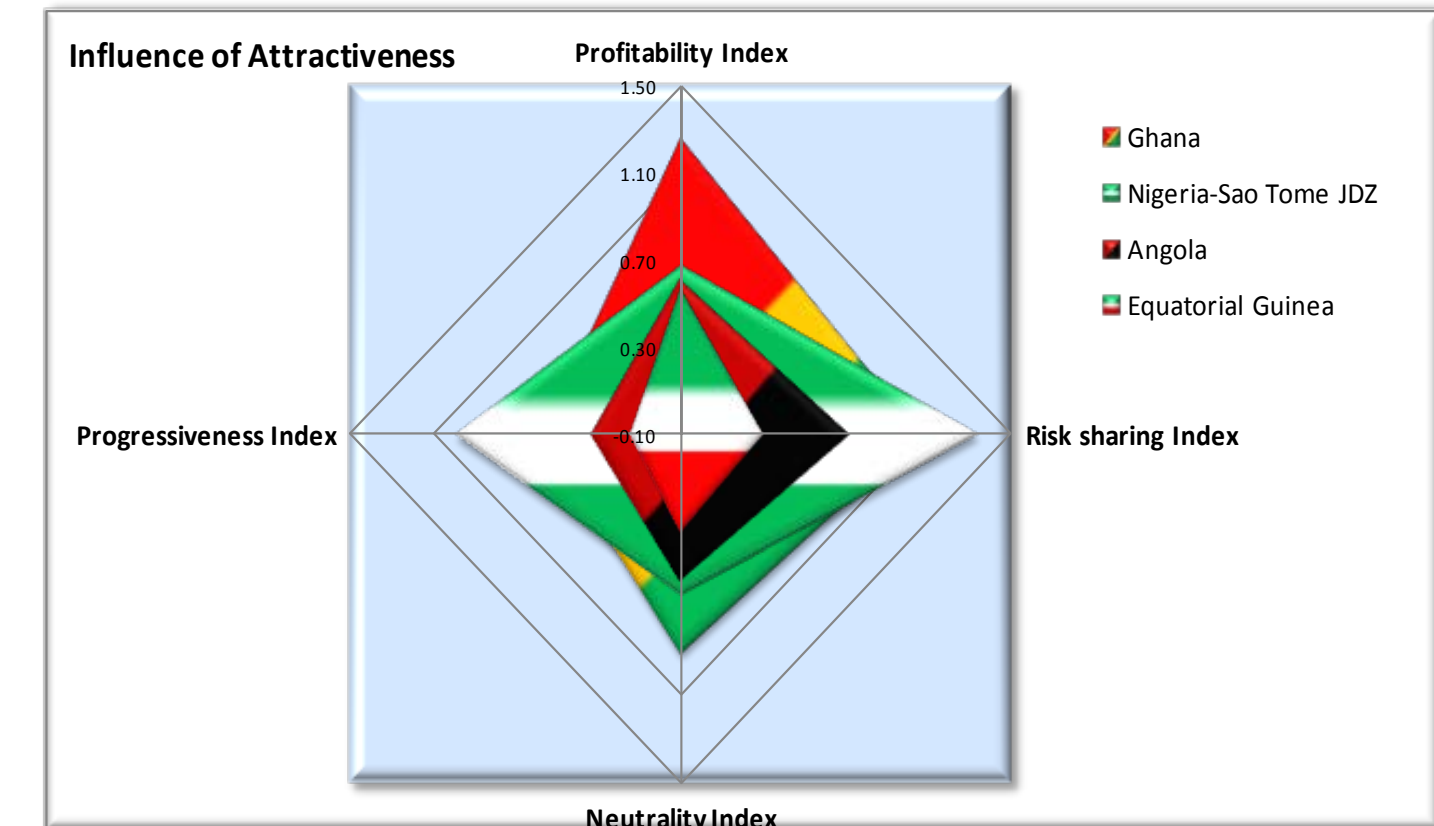
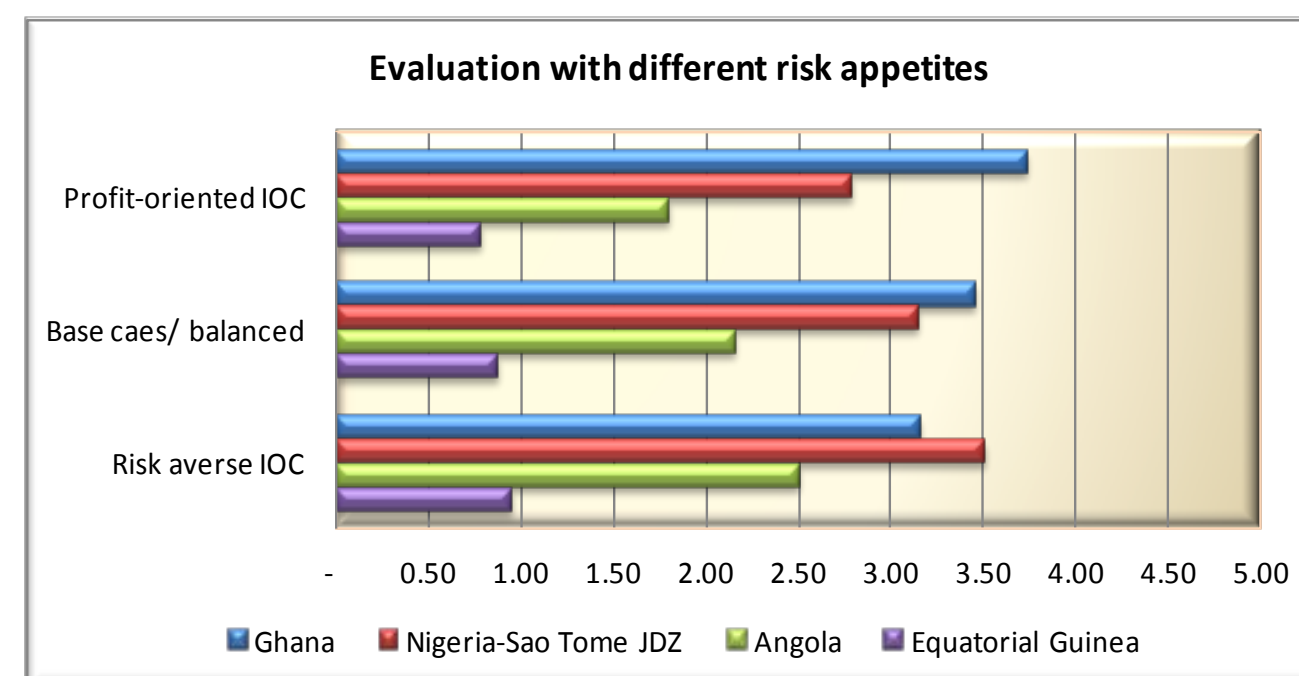
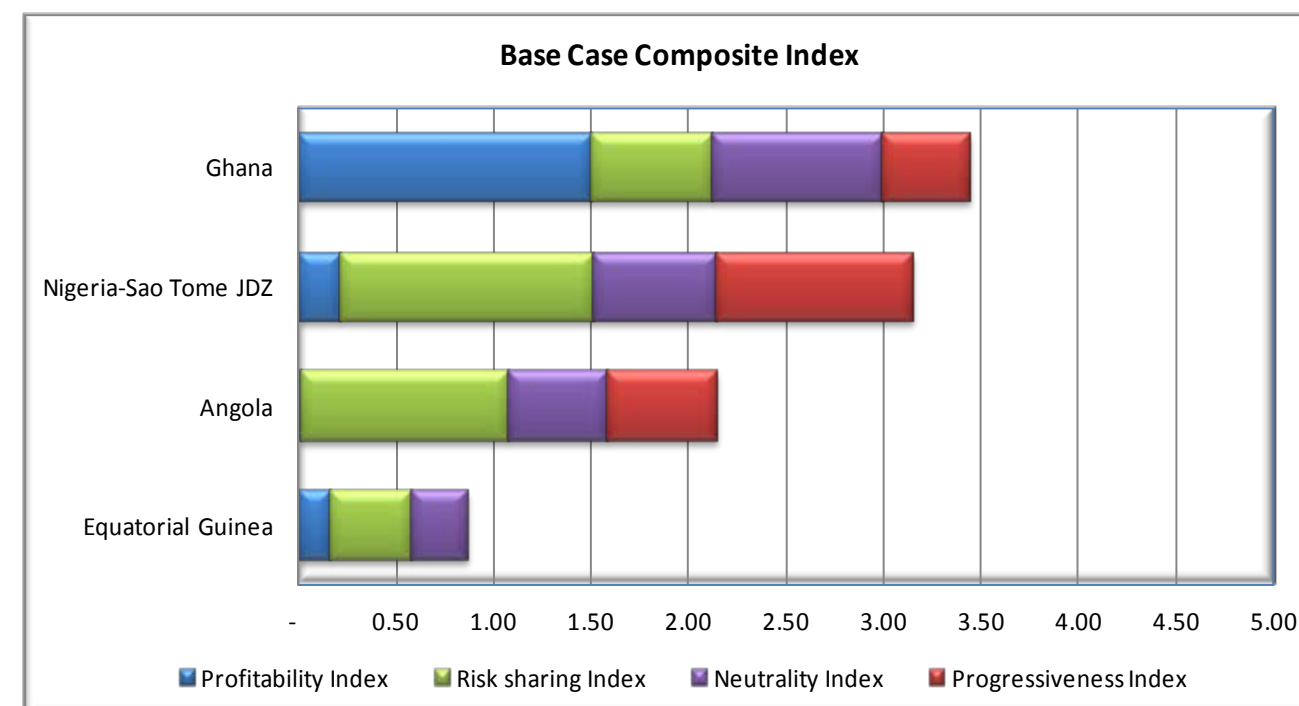
- Angola, Equatorial Guinea, Ghana and Nigeria-Sao Tome JDZ are selected for this study
- A relative ranking index 0 – 5 is employed



$$FAI = \alpha Pi + \alpha Ri + \alpha Ni + \alpha Pc$$

Fiscal Attractiveness Index Weights			
Evaluation Criteria	Weight (α)	Component Statistics	Weight (α)
Profitability Index (Pi)	30%	AETR	33%
		IRR	33%
		PI Ratio	33%
Risk Index (Ri)	30%	Front-end Loading Index	33%
		Payback	33%
		Cost recovery	33%
Neutrality Index (Ni)	20%	IRR Wedge	50%
		Econ. Cut off	50%
Progressiveness (Pc)	20%	Correlation to Project IRR	100%

3. Results:



4. Conclusion:

- The following should be key in assessment of fiscal regime - Profitability, Risk Sharing, Progressiveness and Neutrality.
- All regimes exhibit significant level of profitability and risk sharing to compensate for the risky nature of deepwater projects.
- Fiscal regimes are identified to reflect province’s perceived opportunities and risk profile. (eg Ghana and JDZ)
- The FAI generates the following relative ranking, order of attractiveness: Ghana, Nigeria-Sao Tome JDZ, Angola and Equatorial Guinea.
- To a large extent, risk appetite impacts on the relative ranking of fiscal attractiveness.