



Tuesday, March 31, 2020

Mr Jean Félix Obamba  
General Manager of Hydrocarbons  
Ministry of Oil, Gas, Hydrocarbons and Mines  
Gabon

Dear Mr Obamba,

The IAGC recognizes and empathizes with those impacted by the global pandemic 'COVID-19.' This unprecedented event has resulted in a significant toll on human health. Further, many sectors of global industry have been severely and detrimentally affected. In particular, the energy sector has seen dramatic reductions in the price of oil, exacerbated in part by geopolitical tensions between those countries within the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC nations. Falls of at least 50% in West Texas and Brent Crude futures have created great uncertainty in the marketplace, and the IAGC is concerned about the knock-on impacts within the whole of the value chain. The importance of ensuring stability in the geophysical & exploration (G&E) industry to maintain the critical supply chain and infrastructure to replace current energy reserves and to fulfil future demands cannot be emphasized enough.

Founded in 1971, the IAGC is the global trade association for the geophysical and exploration industry, the cornerstone of the energy industry. With more than 80 member companies in 50 countries employing an estimated 87,000 people with revenues exceeding 11.5 Billion (USD), our membership includes onshore and offshore survey operators and acquisition companies, data and processing providers, exploration and production companies, equipment and software manufacturers, and industry suppliers and service providers. IAGC member companies play an integral role in the successful exploration and development of offshore hydrocarbon resources through the acquisition and processing of geophysical data. Geophysical surveys are undertaken to assist a broad range of clients in understanding the subsurface of the ocean in order to make decisions about resource development, the safe location of infrastructure and decisions relating to the delineation of exclusive economic zones.

IAGC members are working to ensure that essential survey operations continue safely in the current environment, implementing guidance relating to COVID-19 issued by relevant bodies including the World Health Organization (WHO), the International Maritime Organization (IMO), National Health Authorities, and Industry Bodies. This is being done to ensure that the health and wellbeing of offshore workers is not compromised. IAGC members are well experienced in managing health and safety of their personnel in remote environments, and through the IAGC and other bodies, efforts are being undertaken to share knowledge and best practices in response. The impact of COVID-19 is being felt widely throughout the supply chain, as necessary travel restrictions are making crew changes, re-provisioning and other routine elements of offshore survey work challenging.

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### **Ensuring Personnel Movement**

To impede the spread of COVID-19, many governments have imposed, among other things, travel restrictions, mandatory directions for citizens to remain home and business closures. Many of the same countries have made exceptions for personnel working in 'essential' or 'key' industries such as the energy industry. The exploration industry maintains work crews, both offshore and onshore, consisting of employees of many nationalities, making it imperative that exceptions are sufficiently broad and clearly defined and easily understood to ensure adherence to any screening measures adopted by countries. We urge governments to work closely with the energy industry to ensure the disruption to energy workers is minimized.

### **Maintaining Licensing, Workplans & Regulatory Certainty**

Exploration is essential to maintaining a stable energy industry. The industry favors stable and predictable fiscal and regulatory environments that include regular licensing rounds on predictable timeframes. The present uncertainty is, in extreme cases, prompting some National Authorities to delay licensing rounds and decisions to reduce expenditure on workflows, including exploration commitments. We urge all National Authorities to maintain expected timelines for licensing rounds, including all review periods and award announcements. Further, we would like to highlight the importance of maintaining contractual timelines in relation to workflow commitments within awarded license blocks, including all relevant commitments to acquire seismic data, either through the licensing of multiclient data, or via the acquisition of novel data in the field. This will ensure that supplies remain stable, not just in relation to short-term production, but in the medium and longer terms, where the negative impact of any delays to exploration will be incurred.

Where governments may agree to extend existing leases or lease performance timelines, we urge requisite extensions to the licensing and confidentiality periods for geophysical data.

Finally, many regulatory agencies and personnel are strained with limited capability to process authorization and permit requests or maintain existing authorizations and permits. The limited work capabilities of regulators and unknown nature of the current timeline for resolution of the issues facing the G&E industry mean instability in operations and planning. We urge regulators and policy makers to extend existing authorizations and permits for survey activities to ensure minimal regulatory disruption.

### **Financial Stability**

Geophysical companies have invested billions of dollars in the creation of non-exclusive Geophysical Data throughout the world that have dramatically improved the success rate in finding and developing new oil and gas supplies. These data (and their derivative products) are carried on the collective balance sheets of geophysical companies at a net book value in the billions (USD), representing a huge unrecovered investment. For this reason, it is necessary to recognize the vast Intellectual Property value associated with the data and ensure the viability of exploration companies during these challenging times.

In the near-term, exploration companies are likely to see losses mount as production companies curtail budgets, possibly even moving to cancel previous agreements. We urge governments to consider extending the periods over which losses can be carried forward. Where there are no limits to the length of carry forward, we ask for an increase to the percentage of taxable income available for the deduction of losses.

Further, near-term liquidity and access to capital at reasonable interest rates to refinance existing commitments would enhance exploration companies' ability to sustain operations. We encourage governments to consider making insured, government backed loans available at low interest rates for short term liquidity requirements.

The level of taxation on exploration companies and their employees will impact financial decisions in the coming months. We urge nations to consider reductions in payroll or wage taxes to benefit employees while also considering the tax rates paid by corporations. After all, corporations are made up of people and those individuals will be directly impacted by the current instability in the global economy.

These measures would assist companies to focus resources on maintaining their employees and the intellectual capital invested in individuals.

### **Conclusions**

As the world faces the challenges in dealing with the novel corona virus 'COVID-19' along with geopolitical challenges from an oversupply of oil on the world market, the fundamentals of the energy industry are weakening. Policy decisions today will have lasting impacts on the economy for months, if not years, to come. The exploration industry provides the key to unlocking energy resources that will allow for rebuilding economies when the COVID-19 virus has run its course, however, in order to rebuild, there must be a viable energy industry when that time comes. Energy is the bedrock of today's civilization, and supports the transportation, farming, medical, and manufacturing industries that are all essential to meet today's challenges, and none are possible without a stable and consistent supply of energy which starts with geophysical and exploration activities.

Thank you for your attention. We would be pleased to answer any questions or provide any clarification you may have, and we wish all industry colleagues well during this difficult period.

Sincerely,



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CC

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