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**North Sea gets budget boost from the Chancellor  
Hannon Westwood data and analysis accepted by Treasury**

In his Budget Statement today, Alastair Darling, the Chancellor of the Exchequer said he would bring in a new “Field Allowance” to encourage development of marginal North Sea fields. The decision means that both small discoveries and larger but technically difficult to develop discoveries will meet an acceptable economic threshold at low oil prices.

Jim Hannon, Managing Director of Hannon Westwood explained that his firm had been directly involved in analysing the whole range of UKCS discoveries and said that the value allowance gave a real platform for renewed activity:

“The development of these otherwise marginal fields means that not only will jobs be preserved, but overall tax revenues can increase from a potential upswing in investments, and the oil companies involved will benefit from the income, while the UK will benefit from developing more of its own natural resources and for longer.”

UK Continental Shelf (UKCS) oil and gas consultants Hannon Westwood carried out the detailed analyses to table in discussions with industry participants and the Treasury. The granularity of Hannon Westwood’s proprietary UKCS oil and gas discovery database and allied financial modelling package provided industry and Treasury participants with valuable insight to support this far reaching decision.

The field allowance is a straightforward mechanism that is familiar on an individual basis as an amount of income that is allowed to be earned before taxation takes place. As with personal allowances, it can differ by way of age or married status; and in a similar way, an oil allowance can be targeted to benefit certain kinds of potential developments that otherwise would not have taken place. That is the key feature of the allowance, said Jim Hannon, insofar as Government are not required to invest in offshore development, so much as offer a reduced tax take on otherwise moribund projects. He went on to say that it has the potential not only to sustain drilling on the current stock of over 300 discoveries, but would have an indirect benefit on exploration drilling. Even if oil price increases in the coming months, Hannon claimed that the analyses showed that the Field Allowance scheme remained valid and capable of driving a more sustained level of investment, particularly so in a competitive world of oil and gas exploration, in which the UK has to maintain its attractiveness.

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