

Danish Open Door Procedure

Invitation Letter

On 22 February 2018 the Danish Government closed for oil and gas exploration on land and in inner Danish waters. The Open Door procedure is consequently expected to be maintained only in the North Sea. Reference is made to [the press release of 22 February 2018](#) from the Ministry of Energy, Utilities and Climate.

UNOFFICIAL TRANSLATION

Procedure for successively awarding licences for exploration and production of hydrocarbons for specific areas in Denmark

(Open door procedure)

Pursuant to paragraph (c) of section 12(1) of Consolidated Act No. 889 of 4 July 2007 on the Use of the Danish Subsoil (the Subsoil Act) specific areas in Denmark have been made available for the successive awarding of licences for exploration and production of hydrocarbons in accordance with sections 5 and 13 of the Subsoil Act, cf. Executive Order No. 169 of 24 February 1997 (Annex 1).

Applications may be submitted every year in the period from January 2 to September 30, see item 11 below. Applications submitted outside the Danish Energy Agency's office hours will be considered as having been received on the next weekday.

Applications received during the period from October 1 to December 31 will be considered as having been received on January 2 in the following year.

Requirements for applications and licence terms

1. Areas

Applications may be submitted for licences for exploration and production of hydrocarbons for all unlicensed areas in Denmark, with the exception of areas on the Danish continental shelf west of 6° 15' East longitude, cf. the enclosed map (Annex 2).

The size of the areas awarded and the term of licences will be determined in view of the work programme offered for the relevant areas, see item 2 below.

2. Outline of licence terms

Generally, licences will be granted for an exploration term of six years, with a right to a 30-year extension for fields where production is initiated, cf. section 13 of the Subsoil Act.

A licence may comprise an area corresponding to the size of one block, but may also comprise a larger contiguous area, e.g. where data coverage is scarce.

The work programme is to be structured with the aim of drilling of one well in the area before the expiry of the licence term. However, the work programme will be obligatory for the first two years. An example of such a work programme is shown in Annex 3 (Annex 2 to the Model Licence).

As far as state participation is concerned, such participation will be exercised by Nordsøfonden (The Danish North Sea Fund) taking a 20 % share of all licences. Nordsøfonden will have to pay its proportionate share and will thus not be granted a carried interest.

No royalty will be payable, and the licence terms will not include any requirements for a sliding scale for state participation, a right for the state to purchase oil and gas, an obligation to purchase the state's of the state-owned company's share of production or for the conclusion of agreements regarding research, development and training.

Thus, the financial terms correspond to those set for the licensing round area, with the exception that the main part of the area offered for licensing will not be subject to an obligation to connect the production facilities to the oil pipeline in the North Sea.

As concerns the payment of fees, reference is made to item 7 below.

The detailed licence terms appear from the enclosed Model Licence (Annex 3).

3. Selection criteria

Applications will be considered on the basis of the following criteria:

- that the applicant has the requisite expertise and capital base,
- that the proposed work programme and attendant documentation demonstrate the applicant's willingness and ability to thoroughly explore for hydrocarbons in the area comprised by the application, cf. item 6 below.

In addition, importance can be attached to any lack of efficiency on the part of the applicant or the applicant's non-performance of obligations under licences previously granted.

4. Operatorship

Groups of companies applying for a joint licence must set out in the application which of them is to act as operator. In addition to the criteria mentioned in item 3 above, the Danish Energy Agency will base its assessment of the operatorship on the operator's qualifications and experience in maintaining a high level of safety and environmental protection.

5. Procedure for considering applications submitted

If several overlapping applications are received on the same day from qualified applicants, and it is not possible to meet all applications by adjusting the areas applied for, and there is no major difference between the applicants' qualifications or the quality of the work programmes offered, the Danish Energy Agency intends to exercise the right, as laid down in section 12(3) of the Subsoil Act, to refrain from granting a licence. If this right is exercised, an alternative option is to offer the areas for licensing in accordance with paragraph (b) of section 12(1) of the Subsoil Act (mini-round).

The licences granted will lay down the requirement that the applicant, after the performance of an initial work programme, is to perform additional work obligations during the remaining term of the licence, as a condition for retaining the exclusive right to the whole licence area for the six-year term, which will be the usual term for licences granted under the procedure outlined above.

6. Contents of the application

The application must contain the information set out below and must be divided into sections as listed in items a) - i):

- a) For each applicant/participant in a group, the following must be stated: company name and address, name of contact person, as well as each individual participant's percentage share of the licences applied for.
- b) For each applicant/participant in a group not already holding a licence in Danish territory:
 - I) The legal form and place in which the applicant is incorporated (a transcript from the register of companies and a certified translation into Danish or English to be attached), the location of its headquarters, composition of the board of directors and management, capital base, including size of share capital, the names and addresses of any shareholders holding at least one-tenth of the share capital and the size of their holdings, etc.
 - II) The company's organization, group structure, relations to associated companies, hydrocarbon reserves and production, as well as refining and marketing activities.
 - III) Financial data about each participant and its parent company, if any, and about the group of which the participant or its parent company forms part. Annual reports and accounts for the three previous financial years are to be enclosed for each participant, including for any parent company and/or the group. If the following information does not appear from the annual accounts, it should be disclosed separately: annual turnover, annual investments and annual net income after tax, broken down by hydrocarbon activities and other activities.
 - IV) The participants' previous experience in exploring for and producing hydrocarbons.

For applicants/participants already holding a licence in Danish territory, any new financial data not previously submitted to the Danish Energy Agency must be forwarded.

- c) In the event that the operator does not already hold an operatorship in Danish territory, documentation must be produced attesting to the technical competence of the party in question, as set out in section 4 above, e.g. manuals or procedures for carrying on operations (quality control and assurance, environmental protection, emergency procedures, etc.). For other participants, it should be stated how previous experience from other areas may contribute to the work of the consortium. Further, an outline should be given of the organization and staff available to the operator in Denmark and outside Denmark for the purpose of carrying on the activities that result from holding a licence for exploration and production in Danish territory.
- d) A drawing and/or map indicating which block(s)/part block(s) the application concerns, accompanied by a list of coordinates.

- e) For each block/part block, a description must be given of the exploration that is considered necessary to determine the hydrocarbon potential of the block or combination of blocks applied for, and which the applicant will be committed to carrying out. The work programme must indicate the proposed exploration activities and the attendant time schedule, see the pertinent annex to the Model Licence. For each work programme, a detailed account must be given of the prospects in the block, including a description of the play concept(s) and an assessment of the likelihood of making discoveries, with an indication of the values for the individual risk parameters. Geological and geophysical maps as well as interpreted seismic lines must be attached.
- f) The geological basis for selecting the block or blocks applied for, including an outline of the applicant's data bank.
- g) For each prospect, an evaluation must be given of the hydrocarbons in place as well as recoverable reserves, with a production profile attached. Further, for each prospect, an account must be given of the proposed development concept and phasing-in schedule as well as the financial assessments on which the application is based, including an indication of NPV, IRR and EMV as well as the assumptions regarding field economy. In this connection, any relevant sensitivity analyses must also be prepared.
- h) If there are any conditions in a block applied for that may give rise to safety hazards (poisonous gases, abnormal pressure conditions, etc.), this must be disclosed. In addition, the applicant must state how such hazards will be handled.
- i) Applicants not already holding a licence in Danish territory must submit documentation for their objectives and organization for environmental protection purposes, as well as their contingency plan for environmental emergencies and their previous experience in handling emergencies.

7. Fees

The following fees will be charged in connection with processing and issuing the licence for exploration and production:

- a. A fee of DKK 25,000 is to be paid upon submission of the application. Payment must be made to Danske Bank A/S, Holmens Kanal 2-12, DK-1092 Copenhagen K, account no. 0216-4069065104, SWIFT: DABADKKK, IBAN: DK4930004069065104. It should be stated in the "Narration for payee" field that the payment concerns the *Open Door*.
- b. The fee is non-refundable. A copy of the receipt for the fee paid is to be submitted with the application.
- c. Upon the issuance of the licence, an additional fee of DKK 100,000 is to be paid, cf. section 7 in the licence.

8. Furnishing of security

Within 30 days of the granting of the licence, the licensee is to furnish security for the fulfilment of its obligations under the licence. The amount and nature of such security must be acceptable to the Danish Energy Agency. For a licensee which is a subsidiary or a branch of a subsidiary, a guarantee is generally required from the ultimate parent company.

9. Interrelationship with the fishing industry and environmental interests, etc.

The interrelationship between oil/gas activities and other interests is widely regulated by a number of agreements concluded with the associations and authorities involved, in particular with regard to environmental interests as well as fishing and shipping operations.

In considering the applications submitted, the interrelationship of these interests will be clarified. The Danish Energy Agency reserves the right to refrain from granting an application or to extend the processing time for applications that concern areas subject to special environmental procedures, in the form of hearings to be held under conventions, EU legislation or other legislation.

In addition, an agreement has been concluded between the fisheries' associations and the North Sea Operators Committee - Denmark (N.S.O.C.-D.) on the payment of compensation to Danish fishermen who suffer any damage to or loss of fishing gear and fishing vessels as a result of offshore oil and gas activities in Danish territory, where the concrete tortfeasor cannot be identified. Holders of offshore licences must anticipate having to contribute to the financing of this scheme.

10. Supplementary material

The following material is available from the Danish Energy Agency for use in preparing an application:

- a) Unofficial translation into English of legislation, etc. concerning exploration and production of hydrocarbons in the Danish subsoil.
- b) Proposed draft for a joint operating agreement.
- c) Draft for a parent company guarantee.
- d) Statement regarding open-door procedure from the Minister of Environment and Energy to the Energy Committee of the Danish Parliament of November 20, 1996, pursuant to paragraph (c) of section 12(1) of the Subsoil Act.
- e) Report of December 4, 1996 from the Energy Committee of the Danish Parliament.

Information about areas subject to special environmental protection can be acquired from the Agency for Spatial and Environmental Planning (By- og Landskabsstyrelsen).

11. General

Applications may be submitted every year in the period from January 2 to September 30. The application is to be submitted in four (4) copies to **the Danish Energy Agency, Amaliegade 44, DK-1256 Copenhagen K**. The application must be written in Danish or English. Information regarding the applicant's business affairs will be treated confidentially by the authorities. However, the Danish Energy Agency is entitled to pass on such information, subject to the same duty of non-disclosure, to other public authorities and the Danish Energy Agency's consultants, as well as to communicate information of a general nature about the open-door procedure, e.g. in connection with official statements.

Licences will be granted on the basis of the information contained in the applications. The Danish Energy Agency reserves the right to request supplementary information for use in considering the applications. No applicant is entitled to receive information about other applications submitted or their contents.

After considering the applications received and prior to granting the licence, the Danish Energy Agency will submit the result of its deliberations to the Energy Committee of the Danish Parliament pursuant to section 6(1) of the Subsoil Act.

Pursuant to section 12(3) of the Subsoil Act, the Danish Energy Agency may decide not to grant a licence for exploration and production on the basis of the applications received.

Annexes:

- 1) [Executive Order of 24 February 1997](#)
- 2) [Outline map of the areas offered for licensing under the open-door procedure](#)
- 3) Model Licence for the open-door procedure (included in [Guide to Hydrocarbon Licences in Denmark](#))