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Acreage license payments reach record levels in 2012

In 2012, a staggering total of D.kr 16.6 million were entered into the Faroe governments state coffers, as revenue derived from acreage license payments from oil companies, jarðfeingi reveals. It varies greatly how visible the oil industry activity levels linked to the Faroes area is ashore and in the national economy - for example well drilling activity is very evident. Some of the spin-off activities are also quite noticeable, when seismic is being shot in Faroe waters. There are however other areas connected to oil industry exploration, which deliver a revenue to the public coffers. One of these is an acreage payment. When oil companies are awarded an exploration license, it is stipulated in the license where the area is and what size the acreage actually covers. For this acreage a progressive fee is attached. For the first six years of the licensed period, an annual fee of D.kr 500 per sq.km. is due. This fee subsequently increases annually, until after sixteen years it has reached D.kr. 35.000 per sq.km. In 2012 this acreage fee represented an income revenue of D.kr 16.6 million and this is also the highest figure attained since the first licenses were awarded in 2000. For the past seven years this acreage revenue has provided a total income of D.kr. 80 million. How these revenues will fare in the future is linked to the level of exploration activity in the Faroes says Jarðfeingi. Photo - Peter Joensen, manager at Jarðfeingi.