

TRADE AND ECONOMIC DEVELOPMENT UNIT (TEDU)  
REVENUE MANAGEMENT IN HYDROCARBON ECONOMIES

**DETAILED CONFERENCE THEMES**

**THEME 1: THE THEORIES ASSOCIATED WITH HYDROCARBON RICH ECONOMIES**

The aim on this session is to provide the theoretical context of hydrocarbon rich economies. This type of session is critical as it will provide the overview as to why certain trends occur in hydrocarbon rich economies. In other words, this session establishes the relevance of revenue management in these economies. This session will cover such topics as the Resource Curse, the Dutch Disease and the Small Petroleum Economy. In this session the work of Corden and Neary, Auty, Sachs and Warner will be highlighted.

- Resource Curse Thesis
- Dutch Disease
- Open Petroleum Economy

**THEME 2: ECONOMICS OF HYDROCARBON REVENUE MANAGEMENT**

This session is aimed at providing an overview of some of the economic issues arising in accounting for hydrocarbon revenue. Some of the issues to be covered include:

- Resource rent; dissipation and diversion of rents
- Tax neutrality
- Investment returns in the hydrocarbon sector
- Commodity pricing regimes: budget pricing
- Revenue formula
- Optimal use of scarce resources
- Responses to Shocks
- Rules for Medium Term Stability.
- Permanent Income and Sustainable Long-Term Use of Petroleum Revenues

**THEME 3: REGULATORY REGIME IN HYDROCARBON BASED ECONOMIES**

The aim of this session is to identify the regulatory regime in place in Hydrocarbon based economies. This session will therefore seek to review some of the regulatory arrangements regarding ownership, exploration, and foreign direct investment. Understanding the dynamics of the regulatory regime is critical to the revenue management process given that regulations provide the framework that links the energy sector to the government. Some of the specific issues that will therefore be addressed in this session are;

- Ownership and jurisdiction
- Hydrocarbon production and disposal
  - ✓ Exploration and Production regime
  - ✓ Refining and Marketing Regime

- Regulations affecting business operations in the sector: Petroleum Act and Regulations
  - ✓ Local companies
  - ✓ Foreign companies
- Regulations to attract foreign investment
  - ✓ Property rights
  - ✓ Incentive schemes
  - ✓ Local content requirement
  - ✓ Certificate of environmental clearance
  - ✓ Social license to operate

#### THEME 4: HYDROCARBON FISCAL REGIME

The aim of this session is to review the mechanisms by which petroleum revenues are translated into genuine savings for an economy. Essentially this session will focus on the specifics of the fiscal regime covering topics such as stabilization funds, taxation and subsidies. Understanding the fiscal regime is critical as this is the direct link between the energy sector and an economy's capital stock. Some of the topics to be covered in this session include:

- Evolution of the fiscal regime: moving from oil to gas
  - ✓ Fiscal administration
  - ✓ Mechanics of a hydrocarbon taxation system
  - ✓ Mechanics of a hydrocarbon subsidy system
- Petroleum revenue arrangements
- Stabilization and Heritage funds
  - ✓ Formula for proportion of revenues flowing into funds (including formulae for gas)
- How state owned monopolies in the energy sector extract rent

#### THEME 5: TRANSPARENCY AND ACCOUNTABILITY IN HYDROCARBON REVENUE MANAGEMENT

This session is concerned with the allocation and utilization of resource revenues, with particular focus on transparency and accountability. In this regard some of the issues to be covered include,

- Fiduciary responsibility and financial accountability: credibility and transparency in the management of public funds
- Centralized and decentralized revenue management challenges

#### THEME 6: MACROECONOMIC CHALLENGES

The aim of this session is to identify some of the macroeconomic challenges which are peculiar to hydrocarbon exporting economies. Understanding these challenges is critical in terms of revenue management given that these challenges can affect the way in which revenues are

collected and distributed in an economy. Some of the issues which should be addressed therefore include,

- Revenue distribution
- Fiscal performance
- Planning policy and national budgeting
- Issues regarding foreign exchange management
- Issues in establishing non-renewable resource funds
  - Efficacy
  - Practicality of using market based systems such as hedging to reduce risks associated with price volatility

#### THEME 7: SOCIO POLITICAL AND ENVIRONMENTAL CHALLENGES

This session naturally progresses from Session 6 in that it provides more focused coverage of the socio political and environmental challenges in a hydrocarbon exporting economy associated with revenue management. Some of these challenges relate to revenue management in the context of the impact of environmental disasters, poverty and income inequality. Some of the issues to be covered in this session include:

- Managing environmental degradation
- Socio economic challenges
- Political rent seeking

#### THEME 8: THE IMPERATIVE OF ECONOMIC DIVERSIFICATION

The concern for the diversification of the economic base is lodged in the fact that natural resources are finite. Economies must therefore consider the issue of intergenerational equity when developmental planning is premised on natural resources. Indeed the literature emphasizes that such economies must ardently and deliberately engage economic diversification. This session aims to address this issue as a deliberate intervention which requires current investment of resource rents to stabilize and in some cases expand and enhance the non-energy sectors in the economy. Some of the issues to be covered in this session would therefore include:

- The Hartwick Rule
  - ✓ Compensating for the depletion of natural resources
  - ✓ Sustainable development beyond oil and gas
- Short run challenges associated with economic diversification
  - ✓ Exchange rates and external competitiveness
  - ✓ Technological leap frogging in small hydrocarbon rich exporting economies
  - ✓ Developing local content
- Corporate social responsibility and localized economic development: moving away from the oil mentality
  - ✓ Non-energy business sector participation.
  - ✓ Role of Public Private Partnerships.