HMRC - OT05640 - PRT: Commingling - Storage Schemes

Certain offshore fields in the North Sea are, or have the potential to become, gas storage reservoirs. The owner or user of the facility will take oil produced from one field and place it in the storage reservoir for a period of time in order to enhance its value or to create future marketing opportunities. Other storage facilities could include onshore reservoirs or purpose built storage tanks. Whilst storage of this nature is most usually associated with gas, the same considerations would apply to schemes for storage of crude oil prior to marketing.

Where a producer sells gas to the operator of a storage facility there is a disposal for PRT purposes at the date of delivery and the PRT charge arises under OTA75\S2(5)(a) for arm’s length sales, or OTA75\S2(5)(b) or OTA75\S2(5)(ca) for non-arm’s length sales or transfers.

Where a producer takes his own equity into storage, there is no disposal and we have to consider whether there has been a relevant appropriation within the terms of OTA75\S2(5)(c) or OTA75\S2(5)(cb). Under OTA75\S12(1), a relevant appropriation arises where there is an ‘appropriation to refining or to any use’ (except for production purposes). Where storage of oil or gas takes place in order to enhance value or create future marketing opportunities, LB Oil & Gas considers that this a use within the terms of OTA75\S12(1) and so the PRT charge arises at the date of transfer under OTA75\S2(5(c) or (cb).

The facts of each new storage scheme, or alteration to existing arrangements, should be examined carefully.

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