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PMO.L - Premier Oil PLC Update On Proposed Merger With Chrysaor And Change Of Name M&A Call

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PRESENTATION

Operator

Good morning or good afternoon all, and welcome to the Premier Chrysaor Merger Update. My name is Adam, and I'll be the operator for this call. (Operator Instructions) I will now hand over to Richard Rose to begin. So Richard, please go ahead.

Richard Rose - *Premier Oil plc - Finance Director & Executive Director*

Thank you, and thank you, and good morning to everybody who's dialed in. We plan to give a bit of an update on the transaction this morning and forward plans. I appreciate the week before Christmas is never ideal, but we felt it was an opportune moment, given the issue of the prospectus and the circular yesterday, to give a bit of more fulsome update on the transaction.

I'll do a short intro, and then I'll hand over to Linda Cook, CEO designate of the Enlarged Group; and Phil Kirk, President and CEO designate of the European business to run through the details.

But before I go into the intro, I just wanted to highlight a couple of key things. You'll have seen from the prospectus that the name change to the enlarged group, the new name will be Harbour Energy. The second thing I'd like to highlight is that a lot of progress has been made in forming the new Board of the enlarged group. I think Linda will touch on that as we go through the presentation.

But I'm pleased to say we've got a number of new NEDs who will be joining the business that have some very impressive CVs. I'm also pleased to note that Anne Marie Cannon, one of our existing senior non-execs will continue with the business. So I think the wealth of expertise in the Board that's coming together should lay investor concerns that governance will be a key focus of this business going forward.

And the third thing I'd like to highlight before diving in is that there is a lot of information that's been issued with prospectus and there's some forward guidance. However, I'm sure the analysts on the call will be -- firstly, for a lot more knowledge and a lot more information, I would just highlight, we are slightly hamstrung about how much forward guidance we can give. We have to stick very much to what has been disclosed in the prospectus and circular.

So if you do have questions, I think I'd just say, be a little bit patient about what we can disclose in terms of forward progress. So turning to the first slide. In terms of the strategic rationale to the deal, which we announced on October 6.

I think it's fair to say the rationale remains very much intact and gets more compelling by the day. I'll just run you through some of the key highlights, which we've talked about before. The combined Premier and Chrysaor business that we named Harbour will be the U.K.'s largest listed independent oil and gas company. Now currently doing over 200,000 barrels a day production, it will be in the upper quartile of the FTSE 250 and certainly comparable to many of our international peers.

It benefits from a very diversified and significant U.K. business. It will be the largest U.K. oil and gas producer, and we'll have access and interest in some of the highest quality assets in the U.K. North Sea, which benefits from a low operating cost structure.

The 2 businesses are very complementary. The U.K. businesses should derive synergies and optimization, and there will be, obviously, optimization from the tax position of both Premier and Chrysaor. So a good balance between oil and gas and a high proportion of operated assets, which gives a huge amount of flexibility going forward.

Day 1, as you can imagine, a business with over 200,000 barrels a day of tax optimized production. It's hugely cash generative, and that allows a lot of optionality going forward in terms of capital allocation. I think Premier has benefited from a good international portfolio over lack of capital, and I think the ability to grow the international footprint is a key strategic rationale of the deal.

And finally, and I'd say, as importantly, the lessons learned over the last few years in the independent sector is it's important to have a strong balance sheet to be able to ride out the peaks and troughs in the cycle. I'm pleased to say on Day 1, this will have a robust -- the company will have a robust financing structure and balance sheet. It will allow the company to make, obviously, capital allocation decisions going forward, but also subject to market conditions and performance going forward, there is an expectation that the company will start paying a dividend from the end of '21.

So since October 6, a lot has happened in terms of moving the transaction forward. We've got credit to support, which we previously announced, which is positive. The Chrysaor finance and treasury team have done a great job syndicating and finalizing the principal senior RBL, which will ensure we have a strong balance sheet going forward. And we started to see some of the regulatory approvals coming forward in Norway and European Commission.

As I said, yesterday was an important day, publication of the shareholder circular and prospectus. So going forward, key dates to watch out for: General Meeting for Shareholders will be on the 12th of January. In parallel, we'll have the debt restructuring plan meetings. And with the requisite support already secured, we're hoping that, that should be a relatively smooth process.

So all things being equal, we should have, still outstanding as we go through Q1, some regulatory approvals, but there's nothing at the moment that suggests that they won't coming on time, and we remain on track for completion of the deal by the end of Q1.

So with that introduction, I will hand over to Linda and Phil to walk through the rest of the presentation.

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Great. Thanks, Richard. Elizabeth, if you go to Page 7, that would be great. So good morning, everyone. We appreciate the opportunity to discuss the combined company and our strategy going forward. So thanks for joining us today.

Once combined, we'll have a large independent oil and gas company. FTSE 150, we think, if there was such a thing, and it will fill the void in the market between the choices available today for investors, which are largely major oil companies, U.S.-focused independent oil and gas companies or the shale players or small companies that are mostly focused on exploration and/or our subscale or have too much debt. So we'll differentiate ourselves from those companies. We'll have a strong balance sheet, as Richard mentioned, and positive cash flow.

The diagram at the bottom of the page, it illustrates, at a high level, how we think about the portfolio, both strong foundation in the U.K., coupled with an attractive set of growth options internationally, and we'll talk about both of those today.

But first, if we can go to the next page, let me just provide a little bit of background. So starting on the left side of this chart with the private investment vehicle we called Harbour Energy. It was founded in 2014 by EIG Global Energy Partners. And the thesis was that while everyone else was focused on buying acreage in the undeveloped U.S. shale plays, we would do the opposite. We would acquire conventional producing cash flow positive assets in other jurisdictions, believing that we would find value and a lot less competition.

Harbour's first investment was to provide the equity required for Chrysaor to acquire the Shell U.K. asset package, which closed in 2017. As a result of that, Harbour secured about 90% ownership in Chrysaor, which explains why now you see a large EIG-affiliated shareholder in the company post the merger with Premier.

Chrysaor followed this with the acquisition of the Conoco U.K. business in 2019, making it the largest oil and gas producer in the U.K. Once that was complete, we started to think about our next step, and we became interested in a possible combination with Premier.

So why was that? For the 4 reasons as we think about it at a high level. First, Premier's assets in the U.K. are high-quality and they complement our own. Second, with Premier's tax loss position and Chrysaor's income in the U.K., we can create financial synergies through the combination. Third, we were attracted to Premier's international footprint, where their good assets create options and can serve as a foundation as we look for growth outside the U.K.

And finally, by structuring the deal as a reverse merger, we are able to retain Premier's London listing. So as Richard mentioned, the transaction's track to close around the end of Q1, and we're excited about the prospects for the new company. Next page, please.

So the company will be led by a very experienced core management team, including myself as CEO, Phil as President and CEO of Europe; and a CFO to be named prior to completion. My own background includes a degree in Petroleum engineering, followed by 30 years with Royal Dutch Shell, starting on the drilling rigs, then moving through a variety of engineering, operations and management roles in the U.S. before moving to the Hague in 1998. And then I spent the last 12 years of my career with Shell outside the U.S. This included a stint as CEO of Shell Canada, which was publicly listed at the time, market cap greater than $15 billion and more than 7 years running Shell's global natural gas and LNG business.

After leaving Shell, I spent time serving as a non-executive director on the boards of a number of large companies, but then decided I was too young just to do that, and I wanted to get back into oil and gas full time and joined EIG in 2014.

Phil will be on the Board as well, and I'll let him introduce himself later. But regarding the rest of the Board, as Richard alluded to, we're pleased with the progress we've made identifying a really high-quality slate of directors. Blair Thomas, the CEO of EIG, will join as Chairman, and he'll be joined by 2 other sector experts. We have Steve Farris, the retired Chairman and CEO of Apache Corp.; and Simon Henry, the retired CFO of Royal Dutch Shell, who will serve as our Senior Independent Director.

We're also happy to add Ann Stevens. Ann's agreed to chair our remuneration committee. She has 30 years' experience in various industrial, management and executive roles, and years of governance experience, including with FTSE 100 company. And then Anne Marie Cannon, currently on the Premier Board. Anne's agreed to continue serving as an NED, bringing all of her experience as well as important continuity.

Regarding the remaining independent directors, we've extended invitations to 2 additional great candidates already and are in the process of getting them signed up. And we expect to have all the remaining directors announced before completion of the transaction.

So I hope this slate of directors is evidence of our commitment to a strong Board and the governance in general, which I'll say a bit more about on the next page.

Okay. ESG, sustainability, the environment, I've been in the business long enough to remember the days when these topics only came up at the very end of any investor meeting, almost as an afterthought, if they came up at all. Today, however, the ESG agenda is front and center. And that's why I hope people see, we've put a lot of thought into our approach in all 3 areas.

First, to start with our purpose. We are an oil and gas company. Experts agree the world will continue to need oil and, in particular, natural gas for decades to come. We see ourselves as helping to meet that demand in a safe and responsible way and to run our company in compliance with established global standards insured by strong corporate governance.

When it comes to governance, we will have a very large shareholder in EIG, and the CEO of EIG, Blair Thomas, will be our Chairman. So because of that, we'll have a robust agreement in place that governs how we manage that relationship and ensure the protection of all shareholders.

Regarding the environment, we're committed to addressing the impact of our operations, including when it comes to greenhouse gas emissions. In the prospectus, we've outlined this commitment, which includes aiming for net 0 by 2035, well inside of the U.K. government timeframe. This includes our share of both Scope 1 and Scope 2 emissions from both operated and nonoperated assets.

Many companies focus only on their operated assets, but we decided to include our share of emissions from our nonoperated assets as well. Since that's how we track and disclose our production, our reserves and our financial results.

Our primary focus when it comes to delivering the goal will be to reduce our own emissions across our operated assets. Where that's not possible, our commitment is to offset them so that by 2035, we're net 0. Phil will say more about this and how we expect to make progress in his presentation.

With respect to the social dimension, we'll continue the good work already undertaken by both Premier and Chrysaor when it comes to things like investing in local communities where we operate as well as continuing to emphasize diversity and inclusion and other social initiatives. Next page, please.

So post completion, we will we have a strong independent oil and gas company production over 200,000 barrels per day, a very large base of reserves and resources, a strong balance sheet and positive cash flow. Also, a commitment to sustainability, solid corporate governance and a very experienced leadership team. So from our perspective, not a bad place to start.

And now I'm going to turn it over to Phil. Phil is going to talk about the foundation of our business, which is our North Sea portfolio.

Phil Kirk - *Chrysaor Holdings Limited - Founder, CEO and Executive Director*

Brilliant, Linda. Thank you. Hi, I'm Phil Kirk, Prospective President and CEO, Europe. I'm going to take you through the U.K. part of the business, which I'll start on a summary slide, where we both, a little bit, showing you the size of the production in the U.K., where we're comfortably over the 200,000 barrels a day oil equivalent mark across the piece.

You can see a map of where we're based with the Central North Sea, Hartland for the West of Shetland position. And we do like the Tolmount development, which is in Shetland, to come on stream, as you know, in 2021.

Over 1 billion barrels of reserves and contingent resource, and that's going to be one of my key messages through the presentation and over the next few years, is there is a tremendous offer opportunities in the combined portfolio. And it isn't just contingent resource, but it's also prospective resource to lead the prospects that follow on. And indeed, we have quite an attractive prospectivity that sometimes leapfrogs ahead of the contingent resource in terms of priorities. And you'll learn more about that over the next few weeks and years.

The first bullet point, our diversified tax-efficient asset base does amuse me. That means we make money. That means we make money. We do like making money safely and in a way that everybody's proud of, and that is quite complementary when you have the 2 portfolios together.

We're balanced, 50-50 oil and gas, which we like. We have a good operating cost base, and we actually have a high degree of control with quite a lot of operated assets. You can see the pizza chart down below with the yellow shaded what we actually operate. And we'll talk more about the non-operated portfolio, but that's all operated by high-quality companies that we like, that we get on with, have aligned strategies, which is always really important.

There's no point being in partnership with somebody you disagree with. And the materiality in each is at the right level. Nothing is too small to not be able to influence decisions. Across the peak, we like infrastructure and control because it lets us add cheaper -- but cheap barrels. The incremental decisions and investment that we make tend to be high IRR projects that we're in control of. And we'll talk more about that over the next few slides.

If we go on to the next slide, please, which is just coming. We'll see where we are in terms of U.K. production. Slightly confusing scale. We can see our production pro forma levels in the history on the left-hand side and then total U.K. CS production on the right-hand side, where first half for 2020, we're around the 10% mark. We keep it with cat pro forma production flat there, and that's roughly where we're going to be in the U.K., and Linda and I will talk about investment priorities. But really, we have a hopper where we can invest really profitably in the U.K. But I think to grow much more than the 10% in the basin would be tough and probably not easily achievable.

Revenue, you can see how much cash we've kicked off and the synergies that may well create in the future and the optionality it creates. And a stable OpEx base. Well, you see where we are with the U.K. sector average. I think we've guided where we will be next year. And our long-term cap has always been around the sort of $15 mark, which we've consistently delivered.

If you go on to the next slide, please, a quick overview of our key hubs. So we're J-Area. Our margin, ever slightly [risked] in the AELE hub, greater Britannia area, Catcher area and Tolmount, the merged company will have. And the ticks are really meant to show the areas of activity, where we're adding value, what we see -- where we see opportunity in the future. And there'll be more as we get to know the portfolio and the 2 companies work together.

But there is a lot going on. Sometimes the U.K., in the past, has had the perception of a very mature basin. But right across the piece, we're improving the plans and the process that we've acquired over the last few years. Still a lot to do only really address some of our low-hanging fruit.

We've got a lot of work on existing well stock and reservoirs. We're able to bring different technologies to bear and move perhaps more swiftly than some of our predecessor companies. And right across the portfolio, we have infill a near field potential additions, reserve adds, things in the portfolio, but also the other people owed, which is important.

You can see some third-party ticks on the right-hand side, and that's evolving. But we really focus on -- we're focused on unit cost, on margin, and the easiest way to influence unit cost is not to cut costs, but to be efficient and add volumes, which is where we're really focused.

We have a lot in the prospective hopper that you'll find -- you'll hear more about over the next year, and we're excited what opportunity that might bring as the 2 companies come together.

We've given a guide of around about $800 million of CapEx a year for next year. And I think as we talk, if we're replacing the volumes that we produce, we're at about $10 to $12 per BoE CapEx range, roughly, which is -- we're telling you, is very acceptable, and you can then work out what margins we may be delivering.

I've already said projects where we own infrastructure, whether tieback or infill or already have the benefits of the kit, tend to be high IRR, quick payback. And we don't like losing money. That tend to be robust at low prices. Low risk, everything has a little bit of risk in this business, but it tends to -- it is skewed much more to the upside than the downside. And those opportunities we like.

If we can fly to the next slide, please. This talks a little bit to the portfolio and expands our 2 wheels of 2P reserves and contingent resource. And it doesn't show the perspective, but I'll keep reminding you.

If you look, some of the assets here, look at J-Area, where we put -- where -- which we'll talk about a little bit more in a moment. We're moving to 2 operated rigs in '21 with our partner, ENI, on the rig schedules and the forward-looking schedules that I see, we have a plethora of opportunities over the next few years, not just in contingent resource and also in undeveloped 2P, but also coming through from 2P.

We have a couple of wells in Norway, which would be tied back to the -- potentially tied back to the AELE Hub, and we have a potential for a really material chalk play in the Armada area, which we'll look to be working in the next few years.

Catcher, a lot of follow-on that we like, that we've seen. And similarly with Tolmount, we look really to be working hard on Tolmount East and looking at what are the potential that may be in the area with other companies.

And this is the business. It's easy to forget. It's not about a wildcat exploration drill. It's about the factory of generating prospects of moving through contingent resource and developing that resource or taking the opportunity to acquire as you go and add into production safely and sell in a way that society wants.

Okay. If we go over to the next, a little bit of history, just to tell you how we look at the Shell deal, which, to give you a little bit of CV and track record, did a deal, effective date midyear 2016. We bought 300 million barrels, paid $3 billion. So even I can do the math at about $10 a barrel.

And you can see bottom left, what we bought, we thought we had a decline in -- we bought a declining profile on the CPR. We've actually managed to hold that production. And that is the game. When you have a wide enough portfolio with enough contingent resource and prospective coming through, that's what you're aiming at, and that's the story we're really telling you in the market about what we intend to do in the future.

You see on operating costs, where we've gone. There's still more to do. We're midway through integrating the ConocoPhillips business. We're now going to integrate and merge that with the Premier business. That is a lot of opportunity. That is a lot of heft and materiality in this U.K. supply chain.

And we would look to leverage more synergies off the back of that position. Top of the chart, you can see reserve replacement. Not bad at some point through the cycle, we've been over 100%. This is obviously CPR numbers, not internal management numbers, but pretty well replacing.

But if I then say during all that time, and you can see on the bottom right, we paid off our debt while replacing those reserves. And in fact, did the ConocoPhillips deal without any additional equity. We super smashed to replace the reserves target if you look at ourselves as a business. And I think that's key. We like to run the company conservatively, prudently, but this is the business is replacing reserves profitably.

And we'll go on to a good example of my to-do list on the next slide, please. So J-Area, we acquired 30% equity at the J-Area with a foot on the Shell deal, and we like the field so much, we bought the rest, bought the company off ConocoPhillips, the additional 37% and operatorship6:02 AM .

Huge potential we see with our partner, ENI and other partners in some of the other fields, but ENI, the main asset player. Just over 30,000 barrels a day net this year, OpEx is good, but I think still more to do there in terms of cost management and how we operate the multiple platforms. Big 2P number, over 130 million barrels. And you can do the math, that's 13 years, still a lot to chase and drill in the 2P number.

We are looking at field life extension. So probably going to add 10 years or more off the back of where ConocoPhillips were. And we see so much to do that is relatively low-risk and highly profitable. The number of development wells coming through over the next few years, as I said, we're moving to 2 rigs. We're in the market, at the moment, the second rig supported by the partnership. We are appraised in the Talbot discovery in 2021.

We're following on with a really low-risk prospect, Dunnottar which has got some significant volumes even in the mid-case. That's AFEs and signed up by the partnership and will be really exciting, really exciting well and potentially opens up, although they are independent targets, a whole cluster of follow on.

I think in the area -- a lot of prospectivity with a multiyear program is what we're talking about with the partnership.

Okay. We're going to the next slide, just quickly cover some of our key non-operated fields. We were in Elgin/Franklin with Total, really a long-life quality asset that you'll know, still a lot more to do, continuing drilling and move to quite a low-cost, highly efficient operation.

Clair area, West of Shetland, with enormous running room, BP operated. We have relatively small equity. But a really, really long life asset look in terms of [class ounce] as well, looking at all sorts of opportunities with electrification, potential development for asset extension.

And then we're in Buzzard with CNOOC, one of the UKCS flagship assets, with still a lot of ready room to go. Okay. Next slide, please.

Talk a little bit about decommissioning, but I also want to talk about this in the context of operator competence. Premier brings a lot to the party. But through the last 2 deals that we've done, with the combined company, we'll have a really deep competence across a wide range of key oil and gas skills from HPHT drilling, where, I think, we're -- currently hold or the team holds the top 10 records in terms of [Rushmore] and performance, and then all the way through to decommissioning, where we actually have a big portfolio, but we have a tremendous track record.

We've actually executed against that program. I'll talk through it a little bit in a minute. Chart on the right talks to our decommissioning liability. Obviously, where we can, we're extending field life, we're adding value, and we're making money out of the infrastructures that we own.

But this is a nominal value of that eke of liability. When we did the deal with Shell, we took a fixed, just under $1 billion benefit from that. And you can see the tax effect and the time value of money. And obviously, how important it is and -- to keep deferring decommissioning by adding money and making cash off the portfolio.

We've moved a long way in terms of efficiency. In terms of savings, I think we're probably around about $0.5 billion in terms of savings across the portfolio. We're spending post tax, around about $200 million on our [backs], but I think that's a number that we've been guiding people to for the combined company, probably $150 million, $200 million.

If we have a look over this -- onto the next slide, a little bit about how we're actually getting really good at this. The industry, traditionally, and this is part of the history of why people have had a perception of that decommissioning. Early on, where very little work had been done where industry had very little track record, there were issues with several projects that overran.

As the industry come with most engineers and has got to terms with the problem. There's been a step change in how things have been executed. And in terms of managing programs and efficiency. If you look on the top right, you can see what we acquired in terms of cost profiles and where we currently are. That's just on the Shell portfolio, you can see the gap and the value that we've added to the company. On the left, you can see where we've deferred the decommissioning across the hubs. And that, again, with the Shell assets.

And then underneath, you can see what we're doing in the southern North Sea, where we have -- where a tremendous team where we have discussed sharing technology and experience with Conoco since the - since we acquired their portfolio. There's so many good things going on. We've executed around about 100 PLA wells out of a 150-well program, and I think we've taken 20 platforms, 19, 20 platforms out of 40 platforms.

You can see on bottom right, what we've done in terms of rig time and well cost. And the lessons that are being learned and the real step change in delivery. We've reduced costs and time by around about 2/3, all sorts of new technologies, new techniques and progressing in leaps and bounds.

We currently have other operators coming to us to ask to use our team on programs, which I think is a tremendous advantage. If we go over to the next slide, I'll then marry that with another advantage that we've got. And Linda has talked about our path to net 0, which is something that we've been taking really seriously for a while.

We were the first company to underwrite the Acorn industry funding, which is a project at St Fergus and carbon capture. It would be -- I will be very surprised if you read the energy work paper, you don't get the impression that this will be one of the government projects that they choose to partner with. And we're trying to put the carbon capture and the hydrogen project together at St Fergus, initially for around about 400,000, 350,000, 400,000 tonnes of CO_2 a year, but then stepping up to 4 million or 5 million tonnes and more.

Another interesting project that we're involved with is being net 0, which is completely ours and off to the back of acquired infrastructure from the Conoco deal, where we're aiming to use our existing trunk lines for the logs fields. You will have seen, we've applied for a couple of carbon capture licenses, and they're working really closely with a number of the hub 0 participants, some of the big emitters.

And I would say we have a chance there. If the legislation is in place and the commercial framework is put in place by the government, we can actually have that project operational ahead of current government targets. And you can read more about that in the energy white paper where we actually get a mention as a company, which I think is another -- is a real feather in our cap.

Across the operated assets, doing work in terms of efficiency of plants, a lot of work, which primary have done some really good work on [Aker] recovery, some flaring, replacing valves, understanding where you're losing emissions. We're looking at electrification. I'm very closely involved with the government efforts and the regulator's efforts in terms of in clusters together for Central North Sea electrification. And then doing a lot with brownfield and really looking at what we do across the portfolio, working very closely with not only the government, but the U.K. supply chain.

I think just as the final piece. Linda and I and the company, where we do not -- where we don't quite get to our net 0 targets, we will buy offsets. And we're looking at nature-based offsets and a whole host of interesting things that Premier have been doing as to how we could actually deliver that. But our primary aim is to reduce our own emissions and the emissions of the projects that we work on and encourage the hydrogen economy and carbon capture in the U.K. With that, I will hand back to Linda, who is going to give us a really quick fly through on the international portfolio.

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Great. Thanks, Phil. And the best, we could move forward. So as I think Phil's demonstrated, we have a really solid set of U.K. assets that are going to serve as our foundation for a long time to come. But as we're already the largest oil and gas producer in the U.K. and the basin is only so big, it is important that we have the option of looking for material growth in other regions.

So as I mentioned earlier, one attraction to us of this combination was Premier was their global footprint. And while their international assets are good, they're actually subscale when we view them as part of this combined portfolio. So we think about them as a good place to start. And the good news is that, number one, there are some interesting development options in that portfolio. And number 2, we'll have the cash fund -- the cash flow to fund these should we decide to do so.

I think the other good news is that with respect to inorganic growth, the pipeline of potential opportunities is perhaps better than it's been in a long time. Majors and large independents are in the news every day, talking about how they're going to trim their portfolios outside of an increasingly small number of countries they consider to be core. So that creates opportunities for a company like ourselves, in particular, in places where we already have a presence.

We'll be a well-capitalized buyer with a strong track record of executing transactions and acquisitions and creating value, as Phil showed. But rest assured, we're going to be disciplined.

Over the past few years, we haven't hesitated to walk away on more than one occasion when we felt like the price was too steep or we just didn't like the competitive dynamic, and we'll continue to do just that. Next page, please, Elizabeth.

This page shows the key international growth projects in the portfolio. Information about these is already readily available, so I won't go into detail other than to say that they give us options to pursue growth in both Southeast Asia and Latin America.

What I will talk about on this page is the criteria we'll use for decision making. I've learned, from decades in the industry, that capital allocation that capital allocation is perhaps the most critical process within an oil and gas company, and we're going to be very disciplined in our approach.

First, we ask, does it fit our strategy? Is it consistent with our skill set, which is mainly around conventional offshore and gas operations? Then we look at project return, and we'll look at them across a wide range of commodity price forecast.

We'll also look through the lens of ESG and our net 0 commitment. Projects like long-cycle, multibillion-dollar oil development or high-risk frontier exploration, far from existing infrastructure are unlikely to make the cut. And we'll continue to have a preference for operational control.

As Phil talked about, that gives us the ability to better control our destiny, to realize synergies and to control our capital expenditure levels. In the current oil and gas environment, I think we're going to be fortunate to be able to be very selective and that we'll have a long list of attractive organic and inorganic options to assess and rate.

But no matter how long the list of opportunities, we will live within our means. We've worked hard in Chrysaor to fund 2 large acquisitions in a short period of time while protecting the balance sheet and protecting against downside risk, and we'll continue to take that same approach going forward. And I think that's a good segue now to turn it back over to Richard, who will talk about the financial position of the company.

Richard Rose - *Premier Oil plc - Finance Director & Executive Director*

Thank you, Linda. Absolutely, as I said at the top of the presentation, I think the lessons learned by the sector and the company about having a robust balance sheet through the cycle are lessons that have been well learned.

And it's pleasing to note that on day 1, the company, Harbour Energy, will have a much more simplified capital structure than Premier used to have, and as we said, a very strong balance sheet. We mentioned on [7 or 6] that we're on completion, we expect net debt to be around $3.2 billion, which is our current expectation. Let's see where we get to in terms of production and oil prices. But that will be a modest debt position compared to the quality of asset base, no near-term debt maturities, and fully underpinned by the 7-year reserve base lending facility that's now being fully syndicated and committed and put in place since the announcement of the transaction.

I think the quality and the stable nature of the balance sheet is demonstrated by an average cost of debt of less than 5%. And we mentioned, at the time of the transaction, that there are kickers in there that will reduce that slightly based on GHG intensity.

So what does that deliver? That delivers a robust balance sheet, financial flexibility to allocate capital. But as Linda has just highlighted, I think the overriding priority will be discipline to ensure that the balance sheet position remains strong throughout the cycle and dependent on commodity prices.

The one other thing I'd highlight on the slide is the hedge position for '21. The combined group will benefit from a very strong robust hedge position in terms of both oil and U.K. gas, whilst clearly, commodity prices have been rising recently. We need to remain watchful on that. And I think the hedge position provides material protection into '21 and going forward. Next slide.

Finally, on finances. This slide is giving a little bit of a history on the scale of the combined group, but also giving some limited forward guidance. As I said at the beginning, we are a little bit limited on what we can say, but we will try our best.

As you can see, we are a business that, today, is currently doing over 200,000 barrels a day. We anticipate full year production, on a combined basis, to be over 200,000 barrels, slightly down year-on-year from 2020, reflecting a little bit of natural decline in the portfolio.

I think both portfolios will be affected by maintenance periods in '21 that we deferred from 2020. But offsetting that, we see continued investment in both portfolios. We'll have the new Tolmount development on stream, and Chrysaor's portfolio is benefiting from continued infill and development activities.

As Phil mentioned earlier, the combined group will benefit from low and continued sustainable low operating costs. We're targeting less than $15 a barrel in '21. And under whatever commodity price scenario you look at, that should generate significant free cash flow for the business next year.

In terms of CapEx, when you combine the 2 groups together, we'll spend around $1 billion next year. I would make 2 points on this, and it covers operating costs as well. This doesn't include any synergies or optimization that we will see benefiting from the combined group on completion. This is essentially the 2 standalone businesses added together.

And the second thing I'd highlight is that both portfolios benefit from significant operated positions, which gives you the financial flexibility to flex capital spend depending on market conditions.

I mean I think that was demonstrated dynamically this year when both companies reacted to the downturn in the market by taking almost $800 million of CapEx and OpEx out of budget. So that financial flexibility should stand in large group in good stead going forward.

So with that, I'll hand over to Linda to give some concluding remarks.

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Great. Thanks, Richard. On to Page 30, if we could. So I spoke earlier about the importance of capital allocation, and I'll return to it again here with a summary of our priorities going forward.

The first, as we've already said, we'll protect the balance sheet. I've seen multiple commodity price cycles during my decades in the sector, and I have absolutely no doubt that what goes up can come down, so we'll plan for that eventuality.

Next, I expect leverage will live within a range where we might be at the upper end after a large investment program or acquisition or perhaps a sudden drop in commodity prices. But then our focus will be on working that down so that on average, we'll be positioned fairly conservatively.

The other priority will be to invest in our resource base. As we've said, we do intend to reinvest in the U.K. While we're not necessarily aiming to grow production in the region, the North Sea will attract capital as long as there are good opportunities, like the ones referred to by Phil.

And then as we've said, we'll look to establish the material base of production in at least one other region with our initial target areas being Latin America and Southeast Asia, where the combined company will already have assets.

And then third, we'll focus on shareholder returns. Hopefully, this comes, at least in part, through the share price, but we're also intending to introduce the dividend not too long after completion. Of course, subject to market conditions and Board approval. Next page, please.

As I've mentioned earlier, the gap we're looking to fill in the market for energy investors is real. So this slide demonstrates how the combined portfolio compares to the group of existing U.K. listed independent oil and gas companies shown on the far left. You can see our new company is going to be in a different league, having more in common with the Norwegian oil and gas companies other than our lower tax rate, and then some of North American companies, who aren't exclusively focused on onshore U.S.. There are some really good companies represented on this page.

Our aspiration is to demonstrate through our own actions and our performance and track record over time that we deserve to be considered amongst the best of them. Next page, please.

This page is really just a wrap-up. We've covered all of the points, I think, on this page already. So no need to repeat them. And I'd just like to thank you all again for taking time to join the call, especially on relatively short notice and on the verge of the holiday season, and we'll now open it up for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question today will come from Nathan Piper of Investec.

Nathan Piper - *Investec Bank plc, Research Division - Research Analyst*

I've got a couple of questions, if I may. I think, first of all, on the deferring of maintenance. So obviously, 2021 is a year to catch up on things we deferred from 2020. I guess is that something that you'll be able to fully catch up on next year? Or would we see quite a lot more maintenance over the next couple of years in order to catch up on this year?

And as a consequence, is this slightly reduced production number a better one to look at going forward? And then just, secondly, and perhaps a bit more higher level. When you talk about more acquisitions outside of the North Sea, I guess one of the -- the interesting thing about North Sea is the scale of the opportunities, the scale of the asset deals that have been available there. Do you see the same scale of opportunity in the areas that you mentioned, Southeast Asia and Latin America to match the scale of deals that you've done here in the North Sea?

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Yes. Phil, why don't you say a bit about maintenance, and then I'll take the acquisition question.

Phil Kirk - *Chrysaor Holdings Limited - Founder, CEO and Executive Director*

Yes. Thank you, Linda. Thanks, Nathan. So a lot of the maintenance program is tied around the large pipeline shipments and public information. Obviously, the large auto shutdown was deferred by a year. And that will be down for, I think, just -- I think it's 25 days or to 35 days with another outage on top with some associated pipelines.

A lot of your maintenance, you can only conduct when the whole field is down. You tend to do it at the same time as pipelines. We will have caught up with everything next year. But there is obviously a hit to production. So I think some of our platforms will be down probably 45 days with the shoulder effects around the [faulty] pipeline, and we'll do a lot of work in that time.

We're on top of safety critical maintenance, hitting my targets in both our full maintenance catalog and safety critical is on our scorecard. Everybody sees it internally, and it's very visible because it's an important leading indicator for safety and efficiency. And we're going to hit those targets for the year-end. It's just there are some big machine work that have to move with the pipeline [shipment].

So we've -- I mean, Linda said, I've said you should expect that the U.K. production will be flat at this level for the foreseeable. And that is -- some years, it may go up; some years, it may, a little bit, be down, but we're aiming for the combined level for the foreseeable future in the U.K., I think, Nathan, is probably what I'd say there. And hopefully, that's answered both of your questions.

So with that maintenance deferred into before we shut down next year, it's not like there is a big, enormous amount of backlog and it's going to lead to efficiency issues or problems in the future. We'll be caught up, and there's nothing that is safety critical that we're worrying about.

Okay, Linda, do you want to (inaudible) the international?

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Yes, Nathan, thanks for the questions. So in M&A outside the North Sea. Historically, I think what you're suggesting was true and that's why Harbour looked for acquisitions for many years before we made our acquisition in the North Sea. And the reason we ended up in the North Sea was we looked at a number of criteria: one, where are there attractive opportunities from a value standpoint? And number two, can we see the opportunity to get to scale in the region, because it's so important when it comes to operating costs and efficiencies.

And what we saw in the past were opportunities maybe to make value-accretive acquisitions in other regions, but we didn't see a chance to get to a really material position. So that will continue to be one of our criteria. We see too many companies that buy 5,000 or 10,000 or 20,000 barrels a day, and then they get stuck and are unable to grow production and then get efficient. And so we're going to avoid that trap.

I think what's different is we look at what's going on in the sector in general. Major oil companies thinking about exiting whole countries. So not just an interest in the field, but entire countries, in 1 or 2 cases, possibly entire regions, had called from some of them already asking about our future intentions.

So I think the pipeline of opportunities is going to be larger and the opportunities individually are going to be larger. And so we see that dynamic starting to shift.

Phil Kirk - *Chrysaor Holdings Limited - Founder, CEO and Executive Director*

Linda, can I just add to that? Because we're seen as a very good partner by the majors to deal with. We've executed on 2 complicated deals in terms of operatorship, competence with appropriate consultation, you would struggle to see any regulator having too much of a problem. And that gives us a big advantage for material deals. Sorry, Linda.

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Yes. No, and I think the other thing to add is that there aren't that many buyers. So majors are looking to divest billions of dollars. Who are the buyers going to be? Because a lot of the large independents today are focused only on North America, maybe Guyana and Surinam or something big in Africa, but there are not a lot of well-capitalized companies out there who are able to acquire large packages, and we'll be one of few.

So I think the competitive dynamic's going to be in our favor, but we'll see. We will be very, very disciplined, as we have been in the past.

Operator

Our next question comes from Werner Riding of Peel Hunt.

Werner Riding - *Peel Hunt LLP, Research Division - Oil and Gas Analyst*

I haven't yet [read] the prospectus cover to cover, but based on your production expectations, could you say how long Premier's tax losses will shelter the enlarged business from tax in the U.K.? That's the first one.

And the second one concerns your 2C upsize, which, obviously, in any portfolio is key for future growth. So now that you're some way down in the line with the deals. Can you say how much of a priority the Sea Lion development into the future of the business, given it comprises about 40% of your 2C?

Richard Rose - *Premier Oil plc - Finance Director & Executive Director*

Werner, it's Richard down, I'll -- sorry, Linda. I'm going to deal with the first one. I think -- I was expecting a few questions like this. Werner, as we said, that is forward financial forecast information, and we're going to have to, I'm afraid, defer that conversation. So we haven't disclosed exactly what's happening in terms of optimization of the tax position, nor we disclosed what the forward tax cash flows from the combined group is. I'm afraid we're going to have to stay or defer that answer until last the deal completion.

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Yes. Thanks, Richard. I do think in the prospectus, and it's quite understandable you haven't made your way through it yet. But in the synergy section, there is a bit of language around how we think about the tax losses, so you could have a look at that.

On Sea Lion, I think our approach will be just like it will be for other opportunities. We'll have to look at post completion, get a good view on development costs, look at returns, look at them across a wide range of oil and gas prices, look at breakeven costs on the development. And it'll -- any project, including that one's going to have to rank against the other opportunities that we see.

Operator

(Operator Instructions) Our next question comes from James Carmichael of Berenberg.

James Carmichael - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Just a couple of quick ones. Just firstly on dividend expectations. I appreciate not going to be able to give too much precision at this point. You've outlined twice that the shareholder return is sort of 1/3 of the 3 capital allocation priorities. I'm just wondering if there is anything that you can say to frame any sort of expectations or how we should think about your thoughts around potential dividends?

And then just on the CapEx element. Just keen to get an understanding of where most of that decom is going every year. And also, you mentioned that the CapEx guidance is -- or in the statement yesterday, you mentioned the CapEx guidance is before any post-merger optimization. So just wondering if there's anything you can add on that on where we might see CapEx savings and any potential quantum there.

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Yes. On the dividends, we can't say more than what's in the documents that have been disclosed. And in any event, it's subject to Board approval and market conditions. So I think we're going to have to leave that one there. I understand the interest in it, though.

On CapEx, the decommissioning is largely in the North Sea right now. And the biggest part of it is in the southern North Sea decommissioning program that Phil talked about, which we inherited as part of the acquisition of assets from Conoco in the U.K. That decommissioning program gets completed over the next 2 or 3 years. And so that ramps down.

But we gave guidance on one of the pages in the presentation around, think about it as a couple of hundred million dollars a year.

CapEx synergies, I think too early to tell exactly where the synergies are going to be. So -- and how much they might be. But certainly, we've been able to get more and more efficient over time, drilling, as Phil talked about, in the North Sea, and so we expect that to continue to be a benefit for us. Phil, anything to add?

Phil Kirk - *Chrysaor Holdings Limited - Founder, CEO and Executive Director*

No, not too much, Linda. I think there is some detailed numbers in there where we guide. I think across the portfolio. I think, as I've said, we're only just pulling together. We've only just pulled together the integrated organization for Chrysaor that we're now going to merge with Premier. So we're still pulling together supply chain contracts.

I still have multiple suppliers in some areas. And undoubtedly, there will be benefits from putting those with maybe one supplier or limited the number of people that we deal with and also just the sheer purchasing power, we obviously get very good deals. At the moment, we're drilling rigs, but would anyway due to how active we are.

So again, we would imagine in time, we'd see that right across the portfolio and benefits across all of the projects and economics, which is ultimately the aim. But also optionality in terms of -- Richard talked about how quick we've been up, cut back and our position allows us to do that. We can be very reasonable with suppliers, not put them in trouble or anything. But they know we'll pick up later, and it gives us a lot of flexibility, much more so than a smaller company.

James Carmichael - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

And maybe if I could just ask a quick follow-on on Sea Lion. I appreciate it's still part of the -- but we haven't completed yet. But we saw recently, the U.K. government basically said they're not going to fund any more overseas projects. And obviously, export credit agency finance is a key part of the current package for that asset. Is there anything you can say in your understanding of that and whether you might be prepared to use your own balance sheet to move it forward if it meets your criteria?

Phil Kirk - *Chrysaor Holdings Limited - Founder, CEO and Executive Director*

Linda...

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Yes. Well, the cost to finance and project financing's going to be an important consideration for any project we invest in. So that will come into play and just look at returns, right?

Operator

Our next question comes from Mark Wilson from Jefferies.

Mark Wilson - *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

I'd like to ask 2 things. First one is on Chrysaor's Norway strategy. Actually, it's interesting to see you got some exploration just over the border in Norway. I'm just wondering what this footprint is beyond that and whether you'd like to have and meaningful producing footprint in that country.

Second question I'd like to ask is very clear on the net 0 strategy 2035. Impressive targets. Can I ask what is the CO2 per kilogram emissions of the combined company today. Apologies if it's in the prospectus. That will be the question.

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Phil, you want to take...

Phil Kirk - *Chrysaor Holdings Limited - Founder, CEO and Executive Director*

Yes. I'll take Norway. While somebody reminds me what the combined carbon intensity across the portfolio before I guess it. Norway, yes -- which I'm not allowed to do anymore.

Norway, we do have an exploration portfolio. We have a couple of wells potentially drilling next year, which are just across -- over the border from Armada. We've talked about those 2 prospects in [Ilda], which means wolverine pole caps, which must be -- must be very good prospects, I mean, names like that. And that does fit with the infrastructure.

We have a larger portfolio off the back of our initial position that we'd think to build out organically from. Obviously, the business in Norway is completely dominated by tax, as you know, in the U.K., we benefit from a rather sheltered tax position for the next few years. In Norway, the benefit is through the funding and the current legislation. And indeed, the legislation around developments for the next 2 or 3 years that have an enhanced tax position. And that will dominate how we look at the Norwegian business.

We would like and the like to the production stool and see that we could do that in Norway, but it's a different business and different returns. Obviously, the -- your downsides are covered by the government in a way and the upsides are taken in a way by the government. So it's a more sheltered way of running the [MP] portfolio in Norway.

When we -- in terms of carbon intensity, I think we -- I think we -- I think I'll be able to say happily that we're less than 20 kilos a tonne. I think less than 20 kilos. And I think both portfolios are improving. I know the crystal portfolio is tied our overall -- our overall emissions to our cost of borrowing, which Richard said. So I think we're about 20-kilo -- we're about 16 kilos of BOE.

I think the combined is about 20 kilos of BOE. Whilst intensity's important, I think we're -- as Linda has also said, we're really focused on total emissions because that demonstrates we're actually making a difference in our operations and not just adding a per BOE and more per BOEs, which we also have to be really conscious of, how that's viewed in the market and not hide behind that.

So I think I'm on -- just about get the right answer to the question.

Mark Wilson - *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

All right. It's interesting because you mentioned, I think, ESG KPIs in the RBL. We saw something similar recently in another company's refinancing. What sort of things are their banks looking at in those kinds of KPIs?

Richard Rose - *Premier Oil plc - Finance Director & Executive Director*

Yes. I mean, it's effectively intensity metrics. And I mean, it -- I wouldn't overplay it. I mean it's a small kicker. But I think it's a mindset issue. We're all very conscious that investors and stakeholders are very -- taking this issue very seriously. We get a lot of questions when we go out to see investors on this.

And clearly, the lending community is seeing it as an issue as well. So I think this is an area that's going to increase in importance. I think it's positive that the lenders are holding companies to account. And I think it's positive as well that those companies that are able to deliver are able to get some benefits from the back of it.

Phil Kirk - *Chrysaor Holdings Limited - Founder, CEO and Executive Director*

Yes. Also, the Chrysaor -- the RBL that's put in place is a total emissions number and then showing an emissions reduction over the years of the RBL. It's not an intensity. So actually, that's pretty strict. And we were the first -- we did that in the previous RBL that this has just replaced. I think we were the first in Europe and beat whoever the other company was you were nearly mentioning.

I think the other thing to add is we've had emissions reduction targets as part of everybody's pay and bonus, including my own, since the end of last year. So it's one of our scorecard metrics that everybody, from an offshore tech to me, gets rewarded on. And what's visible and gets measured, things happened, a bit like safety metrics, the maintenance stats.

So I think it's a good thing that it's so visible. And that hops back here, to be net 0 and the other projects, they're all real. It's not doffing our cap. It's part of the business.

Operator

Our next question comes from Chris Wheaton of Stifel.

Christopher Courtenay Wheaton - *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

Can I start, Linda, with a question for you about the capital allocation process? You have a core business that is investing -- it's got a set of investment options in the North Sea. But separate from that, there is the strategic question about where Harbour invests strategically in the future. It strikes me that there could be a conflict between those, but you have a set of attractive investment opportunities in the North Sea, but then you have strategic acquisitions that might not make the same returns but are going to fulfill a strategic goal longer term.

Now you make that strategic decision, but Phil runs the North Sea to maximize returns there. How are you going to cope with the potential dichotomy between those 2 goals, please?

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Yes. It's funny because I think about it not as a dichotomy or a difficult thing, but actually a great thing to have because what I've seen over years and years and years is that if people have more money than opportunities, a lot of times, they make bad decisions.

And so I like being in a place where we have lots of things to choose from. And we're going to have to think about not just next year or the next year, but how we create a company that has longevity to it and that can pay a sustainable dividend over time and that means balancing a number of things.

And so we'll have to look at that allocation of capital from year-to-year and take into account, not just short term, but also long term decisions when we do that. But things are going to have to rank. There'll be a minimum IRR payback criteria. And so just waiving someone's arms and saying something is strategic if the returns aren't there, I don't think it's going to make the cut.

A lot of the time, we think about it as the U.K. North Sea is the goose laying our golden egg of cash flow, and we're not going to want to starve that of cash.

Phil Kirk - *Chrysaor Holdings Limited - Founder, CEO and Executive Director*

Thank you, Linda. That was absolutely the right answer. Thank you. But it's -- I think the U.K. is with -- along with Indonesia and Vietnam, is where we've got the core competence and the people.

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

I mean, our track record is that we've made very good returns on our acquisitions historically. So our aim is not to kind of lower the bar to do something not "strategic."

Christopher Courtenay Wheaton - *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

That's very helpful answer. Can I follow up with 1 question for Phil and Richard, please? Can I just understand a bit more some of the underlying conditions under your 2021 guidance? Could you perhaps decompose the sort of the decline in production 2021 versus 2020 into sort of the higher maintenance and underlying portfolio decline? Because obviously, there's quite a significant maintenance season in '21 versus 2020.

And then also, are there any one-off costs in that -- due to that maintenance in that $14 a barrel? Because what I'm trying to do is get what the underlying portfolio looks like in terms of an operating cost basis on a sort of normal year, which 2021 clearly isn't.

Phil Kirk - *Chrysaor Holdings Limited - Founder, CEO and Executive Director*

Right. I've been told to be very cautious about breaking down the numbers that are in the -- that are either in the prospectus or all the guidance. Contrary to normally what I would be doing, so not only as maintenance moved, but you've also got to see that we took a big delay in drilling. We basically stopped drilling as well for 6 months. And we've got a blend of wells next year, some of which deliver immediate production, some where we're chasing barrels. But the biggest delta is obviously the size of the forward ship then and the associate platform shutdowns.

But we -- I'm afraid we've pretty well guided as much as I could guide you that we're aiming to stay flat. We've given you a per barrel capital that we seem to have delivered against for the next few years. And the OpEx, we've said less than $15 a barrel and -- we would aim. You saw where we trended over the last few years in the longer run, I might be aiming a little bit less than that, but time will tell. I was pretty clear without me getting a bit too specific, sorry.

Richard Rose - *Premier Oil plc - Finance Director & Executive Director*

Yes, Chris, I mean, I'm afraid we're hiding behind the fact that we can give limited disclosure. And I think Phil is right. I mean, going forward, obviously, there will be more granularity, but we are where we are.

I mean, just on the OpEx number in our per barrel number, I mean it's quite right to say, obviously, both businesses have quite -- have a large number of fixed costs in the business as well as variable costs, and the OpEx number reflects both a slightly declining production number to give the slightly higher per barrel number.

And yes, inevitably, there will be some additional maintenance costs in there. But at this stage, we're not -- we can't unfortunately give more specific guidance and granularity.

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Yes. Chris, if I could just chime in on that because I thought about -- you look at what we produced this year in the U.K. or what we're estimating and then you look at our guidance for next year. And it's natural that people connect those 2 dots. So okay, that's the decline rate.

I think there are 2 things to think about. One, we've talked about the high level of maintenance in 2021. The other thing to think about is that in 2020, we had a really low -- an unusually low level of maintenance. So we had more uptime than we might normally have had. And so it's kind of looking across both years and thinking about that.

Operator

(Operator Instructions)

Our next question is from Colin Smith of Panmure Gordon.

Colin Saville Smith - *Panmure Gordon (UK) Limited, Research Division - Oil and Gas Analyst*

Basically, I think I heard there perhaps a more positive outlook for international growth. And I wondered if you could just flesh that out a little bit in terms of sort of materiality, a bit more in the characteristics?

And also, if it's going to be all scale and through acquisition, that's potentially quite a large number. So I'm also interested if you're thinking that equity is on the table to fund this as well, or whether it would have to be through other forms of funding mechanism that you achieved that international growth?

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Yes. I think all TBD, Colin, and it will depend on the nature of the opportunity. But I think what we can say is that getting to scale will be important because they're having subscale assets in parts, distant regions, usually, isn't the most efficient way to build a company.

So we'll be looking for scale, and we'll also be looking for similar things that we've purchased in the past in the North Sea. So cash flow producing conventional assets. And those usually can support some level of financing.

And so I wouldn't jump to the conclusion that it's going to be acquisition by equity raise because if we're looking for cash flow producing assets, they should be accretive to the borrowing base and our existing portfolio should delever fairly quickly. So at least that's what our focus will be, to create the room for additional acquisitions if we choose to do them.

Colin Saville Smith - *Panmure Gordon (UK) Limited, Research Division - Oil and Gas Analyst*

Okay. If I could ask a slightly different angle on it. I mean, would you still be open? I think you mentioned not exploration that's got a far off return, potentially more challenging. But would you be open, for example, to taking significant new development project exposure as part of that expansion?

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

I don't rule that out. But I would say our preference is always going to be for assets that we can operate and that are in our fairway in terms of being conventional offshore producing. So I would say our priority is there. And not taking a minority interest in somebody else's multibillion-dollar development project. It just strategically, doesn't check too many boxes for us.

Operator

We have a follow-up question from Mark Wilson from Jefferies.

Mark Wilson - *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

Yes. I'd just like to follow up, Phil, on the 200,000 barrels a day level to be maintained in the U.K. and the CapEx last year versus this year. You told us what the decom is going forward. What is a general maintenance level of CapEx in order to maintain that level beyond? And I appreciate there's only so much forward inside if you do.

Phil Kirk - *Chrysaor Holdings Limited - Founder, CEO and Executive Director*

Most of our maintenance costs will be in OpEx. I think it would be fair to say there'll be little that is capitalized, and we've given you our sustaining CapEx guidelines with that number in the update and also in this presentation.

So I really -- I can't go a lot further than that. We're guiding you pretty well. And then in time, you'll get, I'm sure, as will everybody, more granularity. I'm just not in a position where I can go much further out. That's quite a few numbers taken out in the presentation overnight to the East. So I've got to dance carefully.

I appreciate your interest, but I can't go any further on that one.

Richard Rose - *Premier Oil plc - Finance Director & Executive Director*

Can I just check -- I mean, in terms of timing, if we can have one more question or if that's possible, and then that will be it.

Operator

(Operator Instructions)

Phil Kirk - *Chrysaor Holdings Limited - Founder, CEO and Executive Director*

Or certainly we can have the matter for it to early finish.

Operator

No further questions at this time.

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Great. Is that it, Adam?

Operator

Yes. No further questions at this time.

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Good. Well, let me thank everyone, again, for joining, and wish everyone the best for the holidays. Richard, anything else to add?

Richard Rose - *Premier Oil plc - Finance Director & Executive Director*

No, thank you. I mean, thanks for everybody for joining. Thanks, Phil and Linda, for running through. And as usual, if there are other questions, please feel free to contact Investor Relations.

And as I said at the beginning, we are slightly hamstrung about what we can say at the moment, but we'll endeavor to answer those questions to the best of our ability. And reiterating what Linda said, thank you for your time today.

Phil Kirk - *Chrysaor Holdings Limited - Founder, CEO and Executive Director*

Thank you. Merry Christmas and a happy New Year.

Linda Zarda Cook - *Harbour Energy, Ltd - CEO and Director*

Thanks, everyone.
