



Liability Management Engagement

Presenting Our Perspective

Edmonton, 10-11th May 2017



Introduction to QUATRE

QUATRE was founded in 2013 in London by Paul Jardine and provides specialist technical expertise to oil and gas exploration and production companies around the world.

A particular focus of the business has been the development of a team to address particular issues associated with the financing of:

- Plugging and abandonment of offshore and onshore wells; and
- Decommissioning of offshore and onshore facilities.

QUATRE has developed a cost-efficient solution using a special purpose trust that may be established in the Bailiwick of Guernsey under the regulatory authority of the Guernsey Financial Services Commission.

QUATRE has assembled an integrated team of outstanding financial services and other professionals with expertise in Insurance Brokerage, Investment Management, Legal, Taxation, Trust Management and Exploration and Production Operations.

The QUATRE product offering comprises the creation of a managed fund solution to the issue of future decommissioning liabilities associated with the closure of oil and gas assets.

In summary, the fund comprises:

- The creation of a Special Purpose Trust (SPT);
- This SPT can only be used to fund future decommissioning costs;
- The SPT allows contributions to be made and to grow over the life of the field; and
- Incorporates protection post decommissioning insurance.

The objective of the product is therefore to ensure that the decommissioning costs of assets are adequately funded, reducing the risk of:

- Damage to the environment occurring; and
- The requirement of the regulator (and therefore, the public purse) to pay for the clean up of these assets.

1. Improvements needed to the liability management system IV/E quatre ^{Ltd.}

Develop management systems that:

- Provide fiscal resources; and
- Regulatory powers

required to tackle existing and ongoing problems in the future.

To achieve this:

- **Encourage** operators (ie tax relief);
- **Support** products that allow transfer of risk; and
- **Enforce** the requirement for these products.

2. Potential options to address the improvements needed

QUATRE have products available that:

- Provide secure ring fencing of provision for decomm;
- Insurance pre and post decomm environmental liability; and
- Allow the development of fighting funds for orphan sites.

To achieve this:

- **Ensure technical ability to achieve decomm;**
- Standardise policies and procedures;
- Develop risk based post decomm monitoring standards.

3. Outcomes your organization would like to see from the review

1. A clear regulatory regime to support the correct financial provision;
2. A willingness to allow these products to develop and improve over time; and
3. Adequate enforcement to ensure that these products are taken up and a market is created.

Please Note:

Quatre Limited

Quatre Limited is an Appointed Representative (AR) of Property Insurance Initiatives Limited who are authorised and regulated by the Financial Conduct Authority.

Accordingly, all insurance will be placed through Property Insurance Initiatives Limited with no client monies being held by Quatre Limited. A copy of the Property Insurance Initiatives Limited "Terms of Business Agreement" will be forwarded for your information under separate cover.

The Insurance Act 2015

The Insurance Act 2015 (which came into effect on 12th August 2016) seeks to provide protection for policyholders against insurers cancelling policies for not disclosing information ("material facts"). The act introduces a new basis of "fair presentation". Policy holders will also have some protection against insurers voiding policies following breach of warranties.

We will seek to ensure that we comply with the Act by requesting sufficient information for insurers to provide accurate quotations and comprehensive cover. If you require further information on the act please use the following link or contact us in order to find out more
http://www.legislation.gov.uk/ukpga/2015/4/pdfs/ukpga_20150004_en.pdf

You are entitled, at any time, to request information regarding any commission which we may have received as a result of placing your insurance business.

Material Facts – Your Duty to Dull Disclose All Information

It is essential that Insurers are kept informed of all material facts that have changed or arisen since the insurance was first taken out and/or last renewed.

It is your responsibility to provide complete and accurate information to insurers when you take out or renew your insurance. It is also important that all statements you make at any point during the policy are accurate and all material facts are disclosed.

If you fail to mention any inaccuracy your insurance cover could become invalidated and all or part of a claim may not be paid. Always err on the side of caution and disclose any information so that we can assist you.

Regulation & Reporting of SPT's

The trust company will be regulated by the Guernsey Financial Services Commission and be run by an independent professional trustee company, therefore ensuring the highest standards of accountability and governance, transparency and protection of trust funds.

As trustee, will be accountable to settlor companies and responsible for holding all assets for the stated purpose of funding decommissioning costs.

All assets held in trust will be ring-fenced (i.e., beyond the reach of any creditors of settlor companies or the trustee itself, including in an insolvency situation).

Reporting by the trustee to each settlor company tailored to their requirements.

Reporting requirements either formally designated within the trust documentation or agreed flexibly with each settlor company to suit requirements; offering benefits of either certainty of fixed reporting or flexibility of easily adaptable future reporting.

Initial suggestion would be monthly (or at the outside quarterly) reporting to settlor companies, so that they have regular information on their investments.

Reporting to include information on projected payment model, cash flow, expenditure and investment performance and valuation.