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Evaluating the Usefulness of the Interventionist Approach as a Policy Tool to Influence Oil and Gas Investment Activities: the Case of the UK

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Abstract

The UK petroleum fiscal regime was established in 1975 and tightened up with a number of different new taxes up until 1981. The objective of the tight fiscal terms was to secure more rent from the UK oil resources for the nation. However, the period 1983-2000 witnessed three petroleum tax relaxations. These took place in 1983, 1987-88, and 1993, and presented a clear change in the type of UK governance of its petroleum resources from a proprietorial to a non-proprietorial regime. This might be because of depending on wrong judgment to any potential petroleum resources in situ. This paper aims first at exploring the historical rationales which underpinned the UK petroleum tax relaxations, and secondly, at testing them from an ex-post position. The testing helped in deciding whether the Government policies behind the rationales for the tax relaxations were achieved. Moreover, testing clarified the type of mineral governance that is being used in the UK and evaluated its success. Furthermore, it evaluated the usefulness of the interventionist approach in trying to accelerate oil and gas investments by using the fiscal regime. The results of this paper showed that the UK Government was always the revenue loser as a consequence of these tax relaxations.

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