

AGREEMENT ON COMPENSATION PURSUANT TO SECTION VI IN AGREEMENT
OF 29 SEPTEMBER 2003

BETWEEN

THE MINISTER FOR ECONOMIC AND BUSINESS AFFAIRS

AND

THE CONCESSIONAIRES PURSUANT TO
THE SOLE CONCESSION OF 8 JULY 1962

Introduction:

This agreement is entered into pursuant to Section VI in agreement of 29 September 2003 (hereinafter “the Agreement”) and contains the rules on compensation that are to be included in the final drafting of the future terms of the Concession.

The background for the agreement on compensation is that the Concessionaires have, by conclusion of the Agreement, accepted stricter conditions for the future utilisation of the existing Sole Concession based on an assumption that the State does not, by intervention in the form of issuance of legislation and other rules of specific importance to the Concessionaires and their partners in Dansk Undergrunds Consortium (DUC), impair the economic terms that constitute the basis of the Agreement.

As the Agreement does not affect the legislature’s right to institute taxation, other law-making powers or the issuance of rules within the framework of the European Union, the compensation scheme implies that the obligations assumed under the Agreement by the Concessionaires and the other DUC Partners are reduced correspondingly in case the financial position of the Concessionaires and the other DUC Partners is impaired due to new or amended legislation and rules, as further specified in this agreement.

1.

Compensation pursuant to Clauses 2-5 below can be claimed by the Concessionaires and the other DUC Partners to the extent that new or amended legislation and rules, cf. Clause 2 below, are related to the activities that they carry out under the Concession.

2.

(1) Compensation can be claimed where the financial position of the Concessionaires and their DUC Partners is impaired due to new or amended legislation and rules compared to the state of the law that applies according to the Danish laws and other existing rules in Denmark, which have been adopted at the time of entering into this agreement, or which the Concessionaires and the other DUC Partners declare themselves familiar with and accept in the final form of the Agreement.

(2) New or amended legislation and rules, as referred to in subclause (1) above, shall only provide an entitlement to compensation to the extent that such changes of the state of the law specifically affect producers of hydrocarbons in the Danish territory, whereas general and non-discriminatory changes of the state of the law shall not provide an entitlement to compensation. It is not in itself considered discriminatory that an amendment of general taxation rules has a greater economical importance for the Concessionaires and their Partners in the DUC than for others..

(3) Compensation pursuant to subclause (2) above shall include e.g. an increase of the Danish hydrocarbon tax or introduction of other more severe fiscal terms that only concern producers of hydrocarbons on Danish territory.

(4) Compensation pursuant to subclause (2) above cannot be claimed in case of non-discriminatory changes of the state of the law that also apply to other businesses than producers of hydrocarbons in the Danish territory, e.g. general increases in corporate taxation or other general taxes and duties, including duties imposed on both imported and domestically produced hydrocarbons, introduction of EU rules binding for producers of hydrocarbons also outside Danish territory, e.g. introduction of CO₂ quotas as a result of EU legislation, or a general regulation of relations between employers and employees.

(5) Even though an amended or new act or rule is drawn up in such a way that its addressees are only producers of hydrocarbons on the Danish territory, such act or rule shall not constitute an entitlement to compensation where the act or rule is implemented as part of a more general and non-discriminatory regulation with a non-fiscal objective designed to regulate behaviour, e.g. initiatives that are part of a general policy to protect the environment or to improve the rules on occupational health and safety.

(6) Future tax bills on thin capitalisation etc. that are introduced on the basis of the EU package, submitted for consultation on 28 August 2003, shall not provide an entitlement to compensation.

(7) The examples in subclauses (3)-(5) above are not exhaustive, but definitely fall within the main rules concerned.

3.

(1) In connection with the calculation of compensation consideration shall be made for the total specific net effect for the Concessionaires and the other DUC Partners in respect of as well increased burdens as relaxations due to such new or amended legislation and rules, which, according to Clause 2 above, are taken into account in relation to compensation.

(2) If, as part of an overall legislation package on readjustment of the taxation system, both general reductions of taxation for trade and industry as a whole and increased taxation, including taxation that specifically affects producers of hydrocarbons in the North Sea, are implemented, the maximum entitlement to compensation in connection with the specific event is limited to the extent to which the legislation package viewed as a whole provides the Concessionaires and their Partners in the DUC with a relatively smaller economic relief than the average of all Danish undertakings.

4.

(1) The total compensation to the Concessionaires and the other DUC Partners cannot exceed the net advantage obtained by the State under the Agreement.

(2) Compensation cannot exceed the net advantage obtained continuously by the State from 1 January 2004 and onwards.

(3) In this context the State's net advantage under the Agreement shall be calculated as profit-sharing/net proceeds of State participation according to section IV of the Agreement and the value of non-utilization of possibilities of passing on the effects of the Agreement and related legislation to DONG, cf. agreements between the DUC Partners and DONG, deducting the advantage that the Concessionaires and other DUC Partners obtain by abolition of royalty pursuant to Clause 10(1) of the 1962 Concession.

5.

(1) Compensation shall be determined with a view to re-establishing the economic balance between the State and the Concessionaires and the other DUC Partners in order for the purpose and result from compensation (within the scope of Clause 4 above) to be to provide the Concessionaires and the other DUC Partners with the same financial position as they would have had if the implemented changes of the state of the law, cf. Clause 2 above, had not existed.

(2) The Concessionaires and the other DUC Partners shall raise a claim for compensation not later than three months after announcement of a change of the state of the law, cf. Clause 2 above, which they invoke, in order to maintain their right to compensation on account thereof. The time-limit is complied with by the Concessionaires' notification of a claim no matter whether a claim can be specified or documented within that time-limit.

(3) If the parties cannot agree on whether compensation can be claimed, the size and/or form of compensation, the dispute shall be settled by arbitration according to the applicable provisions of the Concession.

6.

The State's general right to introduce taxation shall not be affected by this agreement.

7.

This agreement shall be subject to the same conditions and assumptions as the Agreement and thus come into effect only at the same time as the Agreement.

8.

The Parties agree that questions and problems arising in connection with the Concession, including this agreement, shall be subject to negotiation.

The Minister for Economic and Business Affairs

For the Concessionaires:

Copenhagen,

Copenhagen,