



APPENDIX 2 TO LETTER OF INVITATION FOR BAFFIN BAY 2020

Letter on Qualification Procedure for Operators and Licensee Companies for Exclusive Licences for Exploration for and Exploitation of Hydrocarbons in Offshore Areas and Onshore Areas in Greenland

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P. O. Box 1340
3900 Nuuk
Tel. (+299) 34 50 00
E-mail: nap@nanoq.gl
www.nanoq.gl

This letter ("Letter on Qualification Procedure") contains general terms and guidelines on the qualification procedure for operators and licensee companies for exclusive licences for exploration for and exploitation of hydrocarbons in offshore areas and onshore areas in Greenland.

This Letter on Qualification Procedure is subject to any specific or other terms or guidelines set or issued for a specific Licensing Round or Open Door Procedure for the possible granting of exclusive licences for exploration for and exploitation of hydrocarbons in offshore areas or onshore areas in Greenland.

1. Background

Pursuant to sections 16 and 22-24 of Greenland Parliament Act No. 7 of 7 December 2009 on mineral resources and mineral resource activities, as amended by Greenland Parliament Act No. 26 of 18 December 2012, Greenland Parliament Act No. 6 of 8 June 2014, Greenland Parliament Act No. 16 of 3 June 2015, Greenland Parliament Act No. 34 of 28 November 2016, Greenland Parliament Act No. 16 of 27 November 2018 and Greenland Parliament Act No. 39 of 28 November 2019 ("Mineral Resources Act"), the Government of Greenland may invite companies to submit application for and may grant companies exclusive licences for exploration for and exploitation of hydrocarbons in offshore areas or onshore areas in Greenland.

All exclusive licences for exploration for and exploitation of hydrocarbons in Greenland must be granted to either (1) one (1) company which is then both a licensee company and the operator for the licence or (2) to a group of companies which are all licensee companies and one (1) of which is the operator for the licence.

The text of the licence will specify the company which is acting as operator for the licence. Any change of the company which is acting as operator for the licence requires a change of the text of the licence by an addendum to the licence. Such addendum must be granted by the Government of Greenland.

Exclusive licences for exploration for and exploitation of hydrocarbons may be granted according to one of the procedures laid down in section 23 of the Mineral Resources Act.

The previous terms for licensing rounds and Open Door Procedures provided that a company which intended to be an operator for a licence had to apply for an approval and be approved by the Government of Greenland as prequalified to be operator for such licences.

The Government of Greenland has decided to maintain the overall principles for the previous prequalification procedure and at the same time expand and further develop the procedure. It is emphasised that companies which are already acting as operators or licensee companies are generally not required to (re)submit an application to the Government of Greenland in connection with this updated procedure.

The expansion and development of the previous procedure include the following:

- (1) The prequalification procedure will be changed to a qualification procedure.
- (2) The qualification procedure will be expanded to include both operators and licensee companies.
- (3) The qualification procedure will be flexible in that the evaluation of the fulfilment of the qualification criteria will be adapted to the conditions in the region applied for.
- (4) The qualification procedure will be separated from specific award procedures. Applications for qualification will be accepted on a continuous basis.

An operator is in charge of the operational functions in the group of licensee companies for the activities carried out under the licence. Therefore, the application requirements relating to qualification as operator are different from the application requirements relating to qualification as licensee company.

Moreover, the working conditions in different geographical areas of Greenland will vary, for example depending on whether the activities are carried out on land or at sea, whether the activities are carried out in areas with or without sea ice or whether the activities are carried out in areas with or without winter darkness etc.

2. Invitation to submit application for qualification

The Government of Greenland hereby invites companies that would like to be operators for exclusive licences for exploration for and exploitation of hydrocarbons in Greenland and companies that would like to be licensee companies under exclusive licences for exploration for and exploitation of hydrocarbons in Greenland to submit an application for qualification as operator or as licensee company, respectively.

The qualification procedure is targeted at companies that would like to submit applications for new licences according to an award procedure established pursuant to section 23 of the Mineral Resources Act.

The qualification procedure is further targeted at companies that would like to take over a percentage share of a licence in connection with a transfer of a licence share under section 88 of the Mineral Resources Act.

Finally, the qualification procedure is targeted at companies that would like to take over the operatorship of a licence that has already been granted.

Applications for qualification may concern a licence or an award procedure in one or more of the following regions:

- (1) Operator, onshore areas, Jameson Land and Disko-Nuussuaq (region 1).
- (2) Licensee company, onshore areas, Jameson Land and Disko-Nuussuaq (region 1).
- (3) Operator, offshore areas, West Greenland and South Greenland, south of 67° N (region 2).
- (4) Licensee company, offshore areas, West Greenland and South Greenland, south of 67° N (region 2).
- (5) Operator, offshore areas, West Greenland, north of 67° N (region 3).
- (6) Licensee company, offshore areas, West Greenland, north of 67° N (region 3).
- (7) Operator, offshore areas, East Greenland (region 4).
- (8) Licensee company, offshore areas, East Greenland (region 4).

A company which is already acting as operator in Greenland is generally not required to submit an application for qualification as operator for the same region (see also below). However, a company which has previously been prequalified as operator for a region, but which is not acting as such must submit an application for qualification as operator.

A company which is already a licensee company in a region in Greenland is generally not required to submit an application for qualification as licensee company for the same region (but see below).

A qualification for region 1 generally may not be used also for region 2, region 3 and/or region 4.

A qualification for region 3 generally may also be used for region 2.

A qualification for region 4 generally may also be used for region 2 and region 3.

3. Purpose of the qualification procedure

The overall purpose of the qualification procedure for operators and licensee companies is to ensure that activities carried out under exclusive licences for exploration for and exploitation of hydrocarbons in Greenland can be and are carried out in a proper and secure manner as regards health, safety, environment, resource utilisation and social sustainability and in accordance with acknowledged best international practices under similar conditions, see sections 1 and 83 of the Mineral Resources Act.

Companies acting as active operators or licensee companies of exclusive hydrocarbon licences in Greenland must have minimum capabilities within relevant specialist areas, including technical capability, financial capability, health, safety and environment (HSE) and Geology and Geophysics (G&G). In addition, the individual companies involved must

be able to contribute independently to the value creation of hydrocarbon activities in Greenland through one or more key competences.

It must be further ensured that the companies involved are able to fulfil their obligations under the licence and under the legislation applicable in Greenland in general, including their financial obligations.

A company must demonstrate and document the company's fulfilment of the following criteria (among other matters):

- (1) How the company intends to contribute to value creation in the hydrocarbon area in Greenland, including:
 - (a) The company's objectives with its activities in Greenland.
 - (b) How the attainment of these objectives will contribute to developing the Greenland hydrocarbon area.
- (2) That the company's activities in Greenland will be carried out in accordance with the following:
 - (a) Acknowledged best international practice for the activities, adapted to the conditions in the region applied for.
 - (b) The best technology available, adapted to the conditions in the region applied for.
- (3) That the company's health, safety and environment (HSE) organisation is in accordance with documented acknowledged best international practice, adapted to the conditions in the region applied for.
- (4) That the company's social sustainability organisation is in accordance with documented acknowledged best international practice, adapted to the conditions in the region applied for.
- (5) That the company has sufficient financial strength to achieve its objectives for value creation in Greenland as well as to fulfil and comply with its obligations under the licence and for related activities.
 - (a) Financial strength refers to the company's ability to fulfil concrete exploration obligations as well as its ability to provide financial security for other obligations, including potential liability obligations as a result of activities carried out under the licence, including in the form of guarantees pursuant to the terms thereon in the licence.
 - (b) The requirements to the company's financial strength are to be seen in the context of the obligations assumed by the company under a concrete licence and in the context of the financial strength of any other licensee company.

The requirements for fulfilment of the above criteria will be more extensive for operators than for licensee companies. Operators must have sufficient resources to be able to independently carry out and manage the operations and activities concerned according to the rules, terms and guidelines in force from time to time.

A licensee company must be able to fulfil the criteria in the sense that it must be able to contribute positively to the value creation of the combined group of licensee companies.

The Government of Greenland's letter on requirements for qualification as operator for exclusive licences for exploration for and exploitation of hydrocarbons in offshore areas and onshore areas in Greenland ("Letter on Qualification as Operator" Appendix 3 of the Letter of Invitation) contains a list of the information and documents which must accompany an application for qualification as operator.

The Government of Greenland's letter on requirements for qualification as licensee company for exclusive licences for exploration for and exploitation of hydrocarbons in offshore areas and onshore areas in Greenland ("Letter on Qualification as Licensee Company" Appendix 4 of the Letter of Invitation) contains a list of the information and documents which must accompany an application for qualification as licensee company.

4. Application procedure

4.1 Submission of application for qualification

A company may submit an application for qualification as operator or as licensee company, respectively, for one or more of the regions listed in section 2. The application must be submitted to the Government of Greenland.

Applications may be submitted on a continuous basis unless otherwise provided by the Government of Greenland or the Oil and Gas Department.

Applications must be submitted and sent to:

Government of Greenland, Oil and Gas Department
P. O. Box 1340
Imaneq 1 A, 301
DK-3900 Nuuk
Greenland
E-mail: nap@nanoq.gl

The application, including enclosures, shall be submitted in English or Danish.

The full application shall be submitted in two (2) paper copies. In addition, one (1) electronic copy of the application shall be submitted on CD-ROM or USB-stick. The electronic copy shall be in both Microsoft Word format and Adobe PDF format.

Upon submission of the application, an application fee of DKK 50,000 shall be paid by the applicant to the Government of Greenland. The fee is non-refundable. The fee shall be paid free of charge by money transfer to an account of the Oil and Gas Department, as designated by the department.

Documentation for payment of the fee shall be submitted with the application.

4.2 Registration of an application

An application for qualification as operator or as licensee company, respectively, which has been submitted to the Oil and Gas Department is registered by the department with a registered date of application as stated below in this section 4.2.

The registered date of application will be the date on which a correct application, including enclosures, is received by the Oil and Gas Department, subject to the following specifications and any other specification or different term set out above or below in this Letter on Qualification Procedure:

- (1) If a correct application, including its enclosures, is received by the Oil and Gas Department within its office hours (9:00-16:00 local time in Nuuk, Greenland) on a working day, the registered date of application will be the said working day when the correct application, including enclosures, is received by the Oil and Gas Department.
- (2) If a correct application, including its enclosures, is received by the Oil and Gas Department at any other time than within its office hours (9:00-16:00 local time in Nuuk, Greenland) on a working day, the registered date of application will be the first working day after the said day when the correct application, including enclosures, is received by the Oil and Gas Department.
- (3) If an application, including its enclosures, is amended, the registered date of application will be changed as stated below in this section 4.2.

A correct application is an application which (1) contains the required content as stated in section 4.1 and the Letter on Qualification as Operator or the Letter on Qualification as Licensee Company, respectively, and (2) in relation to which the other requirements stated in section 4.1 and the Letter on Qualification as Operator or the Letter on Qualification as Licensee Company, respectively, also are met. In this Letter on Qualification Procedure, the term "correct application" shall have the said meaning and the terms "not correct", "incorrect" and "incomplete" in relation to an application shall have the said opposite meaning unless otherwise provided or apparent from the context.

An application which is not correct cannot be registered with a registered date of application.

If the Oil and Gas Department finds that an application is not correct and therefore cannot be registered, the department will inform the applicant of this and the reason for this as soon as possible and usually no later than fourteen (14) days after the receipt of the application. The applicant may then submit an amended application, including additional information and/or documents, to the Oil and Gas Department no later than fourteen (14) days after the day when the department informed the applicant that the department finds that the application cannot be registered.

If the applicant has not submitted a correct application no later than fourteen (14) days after the day when the department informed the applicant that the department finds that the application is not correct and therefore cannot be registered, the department may reject the incorrect or incomplete application and return it to the applicant. If the department rejects and returns the application, the applicant may thereafter resubmit the

application with amendments to the department. If the amended application is a correct application, the department will register the amended application with the date on which the amended application is received by the department as the registered date of application. If such a correct application is received by the department no later than six (6) months from the date on which the department received the first incorrect or incomplete application from the applicant, the applicant shall not pay a new application fee.

If the applicant submits a correct application no later than fourteen (14) days after the day when the department informed the applicant that the department finds that the application is not correct and therefore cannot be registered, the department will register the application with the date on which the incorrect application was first received by the department as the registered date of application.

4.3 Registration and decision making procedure

Applications shall be submitted to the Oil and Gas Department and will be registered by the department.

The Government of Greenland makes decisions on any possible approval of qualification as operator or as licensee company, respectively, see section 5.

The Government of Greenland decides whether it will grant or not grant any such approval of qualification as operator or as a licensee company.

The Government of Greenland may decide not to grant any such approval of qualification on the basis of any application for approval submitted to the Oil and Gas Department.

5. Evaluation procedure

The Oil and Gas Department will convene the relevant authorities and set up an evaluation committee composed of representatives from:

- (1) The Oil and Gas Department.
- (2) The Ministry of Science and Environment.

The evaluation committee may convene the applicant company to an initial meeting. The initial meeting may take place either physically in Greenland or as a video or telephone conference, if agreed. The purpose of such initial meeting is for the applicant company to present its application to the evaluation committee and for the evaluation committee to introduce the applicant company to, for example, relevant laws, rules and guidelines applicable in Greenland.

The evaluation committee will evaluate the application submitted by the applicant company based on the procedure stated in this Letter of Qualification Procedure and the requirements stated in the Letter on Qualification as Operator or the Letter on Qualification as Licensee Company, respectively.

In some cases, it may be proposed by the evaluation committee that the applicant company provides a plan for upgrading within a few areas, which enables the applicant company to be qualified at a later point in time. In such case, the evaluation procedure will be discontinued until the applicant company has documented within an agreed period of time that the agreed upgrading is complete. However, this is only possible if the applicant company based on an overall assessment meets the requirements for qualification as operator or as licensee company, respectively, as well as the purpose of the application procedure but has a few areas within which an upgrading of the applicant company is required and will be possible within an agreed period of time.

The evaluation committee will prepare a comprehensive recommendation based on the application submitted by the applicant company and submit such recommendation to the Government of Greenland. The Government of Greenland will then decide on the application and communicate this decision to the applicant company.

The evaluation and decision making procedure are generally expected to be completed no later than three (3) months after the date on which the Oil and Gas Department has confirmed its receipt of a correct application, see section 4.2.

6. Qualification and licences

If a company is approved by the Government of Greenland as operator or as licensee company, respectively, the company may apply for operatorship, a licence or a percentage share of a licence on the basis of such approval for the subsequent eighteen (18) months. If more than eighteen (18) months have passed from the date the company was approved as operator or as licensee company, respectively, to the date the company submits its application for operatorship or (percentage share of) an exclusive licence for exploration for and exploitation of hydrocarbons, the company must reapply for such qualification.

Exclusive licences for exploration for and exploitation of hydrocarbons, addenda to licences (for example in the case of transfer of operatorship) as well as approval of a transfer of a percentage share of a licence are granted by the Government of Greenland.

The fact that a company has been qualified as operator or as licensee company, respectively, does not imply that the Government of Greenland will grant a licence or an addendum to a licence or approve a transfer of a percentage share of a licence.

7. Miscellaneous

In this Letter on Qualification Procedure, "including" means including without limitation or prejudice to the generality of any description, definition, term or expression preceding that word. In this Letter on Qualification Procedure, "including" also means including but not limited to. The word "include" and its derivatives shall be interpreted accordingly.