

## **Procedures and terms for allocation of grants from the Hydrocarbon Research Fund**

### *Article 1 Hydrocarbon Research Fund*

The Hydrocarbon Research Fund (the Fund) is an educational and research fund relating to hydrocarbon activities in Iceland in accordance with Regulation No. 39/2009 (the Regulation).

The Fund is administered by the Minister of Industry and Commerce (the Minister).

The Board of Directors (the Board) shall be composed of one representative for each exploration and production licence and a state representative appointed by the Minister, who is the Chairman of the Board.

Orkustofnun is responsible for the Fund's daily administration, which includes i.a. the provision of information, reception of applications, assessment and processing of grant applications, and supervision.

Information on the Fund shall be made available on the web-site of Orkustofnun.

### *Article 2 The role of the Fund*

The role of the Fund is to strengthen the development of research and scientific knowledge of hydrocarbon resources on the continental shelf of Iceland, the conditions for their formation and to enhance the development of technologies that can improve performance under conditions prevailing there. This shall i.a. be done by:

1. Awarding grants to research projects and specialised academic courses with the participation and/or support of Icelandic educational and research institutions.
2. Awarding grants to individuals for studies in subjects connected with research into hydrocarbons and their processing.
3. Awarding grants to specialised projects in the field of hydrocarbons, including for educational and informatory purposes.
4. Awarding grants for research on samples and measurement data collected in connection with hydrocarbon prospecting.
5. Awarding grants to strengthen international co-operation in projects involving the Icelandic continental shelf.

### *Article 3 Income*

The income of the Fund consists of:

1. Initial fees from new licensees.
2. Annual fees from licensees.
3. Interests on assets.

The Board may negotiate with parties authorised to provide financial custody services pursuant to law, for the management and secure custody of the Fund's capital, which shall at all times be securely segregated. All costs of operating the Fund shall be paid from its income and approved by the Board.

*Article 4*  
*Preparations of financial budgets and annual financial statements*

Orkustofnun shall, each year, prepare an income and expense estimate in accordance with the role of the Fund and its estimated income and submit to the Board for approval. Orkustofnun shall prepare, or have prepared, the Fund's annual financial statements no later than 1 March of each year, for the preceding year, and submit to the Board for confirmation.

*Article 5*  
*The role of the Board*

The Board is responsible for allocating grants and formulating strategy for the fund in accordance with the Regulation. The Chairman has the right of veto if the Board's decisions are not in accordance with the role and objectives of the Fund, as defined in the Regulation and these Procedures:

1. The Board shall attempt to reach consensus on issues. If this is not possible, the majority shall rule. If the votes should be tied then the vote of the Chairman shall be a tie-breaker.
2. The Board shall meet at least annually. The time of the next meeting shall be determined by the end of each meeting.
3. Documentation shall be sent out at least 4 weeks prior to an announced meeting.
4. Should two or more Board members request a meeting, then a meeting shall be announced within four weeks from the request. Such meetings can be organized i.e. as a conference call or by other similar means, to ensure that all Board members are able to attend the meeting.
5. The quorum of the meeting shall be all Board members.
6. Board meetings shall be held in Iceland, or according to an agreement each time.

*Article 6*  
*Allocation of grants*

1. The annual financial- and payment budget shall define the total available grant amount.
2. A Call of Grants shall be advertised in February each year unless otherwise decided by the Board. The Call shall be published on the web-site of Orkustofnun. If the Board so decides, the Call can be advertised in other media.
3. The Board can decide for each year or period that the Call for Grants will be limited to specific project fields in accordance with the first Paragraph of Article 2.
4. The duration of projects shall generally not exceed two years
5. Applicants shall submit their applications to the Fund on appropriate application forms available on the web-site of Orkustofnun.

If more than one application on a similar topic is being processed at the same time, the Board may request that the applicants cooperate on a joint project.

After the application deadline, Orkustofnun ranks the applications and ensures that all required information is included in the application before they are submitted to the Board for deliberation. Evaluation Guidelines, approved by the Board, are used as basis for the ranking by Orkustofnun. All applicants will be informed on the results of their application in due course.

*Article 7*  
*Terms for payment of grants*

The following is required prior to the authorization of first payment:

1. The Board has approved the funding.
2. If applicable, written confirmation of co-financing.
3. Signed agreement between the Fund and applicant on the planned progress of the project.
4. Written confirmation from the grantee that the project has been initiated.

In general, grants are paid in three payments.

1. The first payment upon the initiation of the project.
2. The second payment upon the approval by Orkustofnun of a progress report. Orkustofnun is authorized to seek the opinion of experts in the relevant field prior to the approval of the progress report.
3. The third and final payment takes place following the submission by the grantee of the final report on the project.
4. The results and final reports of projects funded by the Fund shall be available to the public on the web-site of Orkustofnun.

*Article 8*  
*Termination*

In the case of end of licence activities on the Icelandic continental shelf, possible balance for the Fund shall be transferred to the Ministry of Industries and Innovation.

*Article 9*  
*Entry into force*

These Procedures are established on the basis of Regulation No. 39/2009 on the Hydrocarbon Research Fund and Article 10 of Act No. 13/2001 on the prospecting, exploration and production of hydrocarbons, and enter into force immediately.

Ministry of Industries and Innovation, 16 February 2015

Sign.

Ragnheiður Elín Árnadóttir  
Minister of Industry and Commerce

/ Ingvi Már Pálsson