

## REGULATION

### on the Hydrocarbon Research Fund

#### SECTION I

##### Article 1

###### *Organisation*

The Hydrocarbon Research Fund is an educational and research fund relating to hydrocarbon activities in Iceland. The Fund is administered by the Minister of Industry. The Fund's Board shall be composed of one representative from each licensee in addition to the State's representative, who will be appointed by the Minister of Industry. The Energy Fund, under the supervision of the National Energy Authority, shall be responsible for the Hydrocarbon Research Fund's daily administration. Daily administration is defined as the provision of information, acceptance of grant applications, assessment and processing of grant applications and monitoring projects.

##### Article 2

###### *The role of the Hydrocarbon Research Fund*

The Fund's role is to strengthen the development of research and scientific knowledge of hydrocarbon resources on Iceland's continental shelf and the conditions for their formation, together with investigations into technology that may be used under such circumstances.

This shall be done by, among other things:

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 informative 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

###### *The role of the Board of the Hydrocarbon Research Fund*

The Board of the Hydrocarbon Research Fund is responsible for allocating grants from the Fund in accordance with the role of the Fund as defined in the present Regulation. The State representative has the right of veto if the Board's decisions are not in accordance with the Fund's role and its objectives, as defined in the present regulation and rules of procedure established hereunder, as provided for in Paragraph 2 below.

The Board shall establish rules of procedure stating the manner in which grant applications to the Fund shall be processed.

Such rules shall state, among other things, the general criteria of which the Board shall take account when reaching decisions on proposals for grant allocations from the Fund. The rules, moreover, shall include any other conditions that the Board considers necessary.

The Board's rules of procedure with respect to allocations shall be confirmed by the Minister and made public.

Article 4

*Income and expenses*

The Hydrocarbon Research Fund's income consists of the following:

1. Initial contribution from licensees
2. Annual contribution from licensees, amounting to ISK 5 million per licence
3. Interest on the Fund's capital

The Fund's 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. The Fund's capital shall at all times be securely segregated.

All costs of operating the Hydrocarbon Research Fund shall be paid from the income of the Fund.

Article 5

*Preparations of financial budgets and annual financial statements*

The Fund's Board shall, each year, prepare an income and expense estimate in accordance with the role of the Fund and its estimated income. This estimate shall be sent to the Minister and to the National Energy Authority.

The Energy Fund 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 the statement to the Board for confirmation.

Article 6

*Monitoring*

The Fund's Board and the National Energy Authority shall be responsible for monitoring the projects to which the Fund has allocated grants. The rules of procedure shall describe such monitoring in further detail.

Article 7

*Entry into force*

This Regulation, established under the authority of Article 10 of Act No. 13/2001 on the prospecting, exploration and production of hydrocarbons, shall enter into force immediately.

*Ministry of Industry, 21 January 2009*

**Össur Skarphédinsson**

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*Gudjón Axel Gudjónsson.*