

COST RECOVERY MECHANISM UNDER PSC & SERVICE CONTRACT

“Strengthening cost recovery compliance, transparency, and financial governance in petroleum contracts”

Schedule

Date	Venue	Fees (Face-to-Face)
04 – 06 Mar 2026	Online	USD 1000 per delegate

► **Available delivery methods:** Face-to-Face & Online Training

Introduction

Cost recovery mechanisms under Production Sharing Contracts (PSCs) and Service Contracts are fundamental to the financial structure of upstream oil and gas projects. A clear understanding of recoverable costs, contractual limitations, and approval processes is essential to ensure transparency, regulatory compliance, and effective cost control.

This intensive three-day online program provides participants with a comprehensive understanding of cost recovery frameworks, contractual clauses, accounting treatments, and audit practices. The course combines conceptual clarity with practical examples to help professionals manage cost recovery efficiently while minimizing disputes and compliance risks.

Objectives

- By the end of this course, participants will be able to:
- Understand the structure and financial logic of PSCs and service contracts
 - Interpret cost recovery clauses and contractual provisions
 - Distinguish between recoverable and non-recoverable costs
 - Apply cost allocation and cost control methodologies
 - Prepare and review cost recovery statements
 - Manage cost recovery audits and compliance requirements
 - Reduce disputes related to cost recovery claims

Why Attend

- Gain in-depth knowledge of PSC and service contract cost recovery systems
- Improve compliance with contractual and regulatory requirements
- Strengthen cost control and financial reporting practices
- Learn how to manage and respond to cost recovery audits
- Minimize financial disputes with partners and regulators
- Enhance professional capability in petroleum contract management

Target Audience

This program is designed for:

- Contract and procurement professionals in the oil & gas sector
- Finance, accounting, and cost control managers
- Petroleum economists and commercial analysts
- Internal and external auditors
- Government officials and regulators overseeing PSCs
- Project managers and legal professionals involved in energy contracts

Individual Benefits

Key competencies that will be developed include:

- Clear understanding of PSC and service contract cost recovery rules
- Ability to identify eligible and non-eligible costs accurately
- Skills in cost allocation, analysis, and reporting
- Knowledge of audit procedures and compliance controls
- Improved confidence in managing contractual financial matters

Organizational Benefits

Upon completing the training course, participants will demonstrate:

- Improved accuracy and transparency in cost recovery reporting
- Reduced risk of audit findings and contractual disputes
- Stronger financial governance and cost control mechanisms
- Better preparedness for regulatory reviews and audits
- Enhanced alignment between contractual terms and financial practices

Instructional Methodology

The course follows a blended learning approach combining theory with practice:

- Strategy Briefings – PSCs, service contracts, and cost recovery frameworks
- Case Studies – Real-life examples of cost recovery issues and resolutions
- Workshops – Practical exercises on cost classification and recovery calculations
- Peer Exchange – Interactive discussions on challenges and best practices
- Tools – Templates for cost recovery statements, audit checklists, and compliance reports

Course Outline

Detailed 3-Day Course Outline

Training Hours: 7:30 AM – 3:30 PM Daily Format: 3–4 Learning Modules | Coffee breaks: 09:30 & 11:15 | Lunch break: 01:00 – 02:00

Day 1: Fundamentals of PSC & Service Contracts

Module 1: Overview of Petroleum Contracts (07:30 – 09:30)

- Structure of PSCs and service contracts
- Roles of contractors, governments, and partners

Module 2: Introduction to Cost Recovery (09:45 – 11:15)

- Purpose and mechanics of cost recovery
- Cost oil, profit oil, and service fee concepts

Module 3: Recoverable vs Non-Recoverable Costs (11:30 – 01:00)

- Eligible costs under PSCs and service contracts
- Common exclusions, caps, and limitations

Module 4: Workshop – Cost Identification (02:00 – 03:30)

- Practical exercises on cost classification

Day 2: Cost Control, Allocation & Reporting

Module 1: Cost Allocation Methodologies (07:30 – 09:30)

- Direct, indirect, and joint cost allocation
- Overhead and shared cost treatment

Module 2: Cost Control & Budgeting (09:45 – 11:15)

- Cost approval procedures
- Monitoring, variance analysis, and reporting

Module 3: Cost Recovery Statements (11:30 – 01:00)

- Preparation and documentation requirements
- Supporting schedules and records

Module 4: Workshop – Cost Recovery Calculations (02:00 – 03:30)

- Hands-on preparation of cost recovery statements

Day 3: Audit, Compliance & Dispute Resolution

Module 1: Cost Recovery Audit Process (07:30 – 09:30)

- Audit rights, scope, and timelines
- Typical audit findings and red flags

Module 2: Compliance & Regulatory Oversight (09:45 – 11:15)

- Government approvals and reporting requirements
- Managing compliance risks

Module 3: Dispute Management in Cost Recovery (11:30 – 01:00)

- Common areas of dispute
- Resolution mechanisms and best practices

Module 4: Workshop & Course Wrap-Up (02:00 – 03:30)

- Case study on cost recovery dispute resolution
- Key takeaways, peer discussion, and Q&A

Certification

Participants will receive a Certificate of Completion in Cost Recovery Mechanism under PSC & Service Contract, validating their expertise in managing, auditing, and controlling cost recovery processes under petroleum production sharing and service contracts.

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