

Oil Regulation

Contributing editor
Bob Palmer



2017

GETTING THE
DEAL THROUGH

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Oil Regulation 2017

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Angola

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General

1 Describe, in general terms, the key commercial aspects of the oil sector in your country.

The oil sector is the main industry in Angola, the country being the second-largest oil producer in Africa. In 2016 Angola reached a daily average production of 1.755 million barrels, and in 2017 GDP is expected to grow 1.8 per cent in the oil sector. Currently, oil production exceeds 1.7 million barrels a day, but the medium-term production target has been set at 2 million barrels a day.

For 2017, Angola has set an average export price of US\$46 per barrel, in light of the projections of the main international financial agencies.

According to OPEC's Annual Statistical Bulletin 2016, oil production and its supporting activities accounted for 45 per cent of the country's GDP and over 95 per cent of exports. Angola's proven crude oil reserves are estimated to be over 9,000 billion barrels.

Under the Constitution, natural resources in Angolan territory are the property of the state. To operate in Angola, oil operators must hold a prospecting licence or an oil concession and always operate in association with Sonangol EP (the National Concessionaire).

2 What percentage of your country's energy needs is covered, directly or indirectly, by oil as opposed to gas, electricity, nuclear or non-conventional sources? What percentage of the petroleum product needs of your country is supplied with domestic production? What are your country's energy demand and supply trends, especially as they affect crude oil usage?

Angola's primary energy supply relies on 46.6 per cent oil, 48.8 per cent biofuels or waste, 3.0 per cent hydro and 1.7 per cent natural gas. Production covers the country's needs, but refining capacity is not enough and the country needs to continue importing oil products. The government recently approved new legislation redefining the rules applicable to the construction, operation and maintenance of refineries.

3 Does your country have an overarching policy regarding oil-related activities or a general energy policy?

Since it is an oil-dependent economy the government has always given the oil sector special treatment, approving comprehensive legislation directly applicable to this sector, notably specific foreign exchange, tax, environment, employment and local content and customs legislation.

4 Is there an official, publicly available register for licences and licensees? Is there a register setting out oilfield ownership or operatorship, etc?

The Ministry of Petroleum is responsible for regulating and supervising oil activities and operations in the country. The National Concessionaire is awarded petroleum concessions through a concession decree published in the Official Gazette. The selection of associates of the National Concessionaire is executed through public tendering and final results are approved by the government. The contract between the associates and the National Concessionaire is also published in the Official Gazette.

The Official Gazette is available on a daily basis for purchase in hard copy. It is also available online on payment of a subscription fee.

5 Describe the general legal system in your country.

The Angolan legal system is a civil law jurisdiction, based on statute. In general, the rule of law is upheld and contractual and property rights are enforced as in other civil law countries.

In March 2017 Angola completed the final formalities for the accession procedure to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. The instrument of accession has been submitted to the Secretary-General of the United Nations. The New York Convention entered into force in Angola on 4 June 2017. As for the recognition of foreign court sentences, the process follows the Angolan Code of Civil Procedure.

Also important for assuring legal certainty for foreign investors is the approval of anti-corruption and anti-bribery laws. In Angola, several laws were approved in this regard, such as the Money Laundering Law, the Public Probity Law (setting forth the legal framework for administrative ethics and respect for public property by government officials, also including several anti-corruption provisions) and the Criminal Code (whereby any public official receiving a payment, gift, offer or promise with the corrupt intent of being influenced to obtain or retain business will be held criminally liable).

At an international level, Angola has adopted, among others, the following conventions:

- the African Convention on Preventing and Fighting Corruption;
- the Protocol Against Corruption of the Southern African Development Community; and
- the United Nations Convention Against Corruption.

Also, in 1996, the Anti-Bribery Authority was created to combat corruption and to prevent and fight the abusive use of public offices and harmful actions against the public interest.

Regulation overview

6 Describe the key laws and regulations that make up the principal legal framework regulating oil activities.

- Law No. 10/04 of 12 November – the Petroleum Activities Law – is the main legal instrument covering the rules to access and conduct petroleum activities in Angola;
- Law No. 13/04 of 24 December – the Petroleum Taxation Law – provides the taxation framework applicable to petroleum activities (taxes, rates, deductions, etc);
- Law No. 11/04 of 12 November – the Petroleum Customs Law – is the legal instrument covering the customs regime and incentives specifically applicable to the sector;
- Law No. 2/12 of January 13 – the Law on the Foreign Exchange Regime applicable to the Petroleum Sector – determines a specific foreign exchange regime applicable to the payment of goods, services and capital operations related to the petroleum sector;
- Ministry of Petroleum Order No. 127/03 of 25 November 2003 – the Local Content Regulations – covers the rules applicable to the supply and provision of petroleum related goods and services; and

- Decree No. 48/06 of 1 September – the Public Tendering for the Oil Sector – covers the rules applicable to the awarding of the participating interests in oil and gas concessions.

7 Are there any legislative provisions that allow for expropriation of a licensee's interest and, if so, under what conditions?

The Petroleum Activities Law provides several reasons for extinguishment or termination of a prospection licence, including:

- termination (initiative by the Ministry of Petroleum after consulting the National Concessionaire) if:
 - the licensee fails to perform its obligations under the licence or applicable legislation; or
 - cases of force majeure of a definitive nature occur that make it impossible for the licensee to fulfil its obligations in full; and
- expiry if:
 - the period set within the licence has elapsed;
 - extinguishing of the licence holder occurs; or
 - an expiry condition provided for in the licence is achieved.

In respect of oil concessions, the Petroleum Activities Law also provides for several situations that can lead to the extinction of the concession, including:

- termination (government initiative following justified proposal from the Ministry of Petroleum) in the following circumstances:
 - unjustified failure to carry out operations under the terms set in the approved plans and projects;
 - abandonment of any oil reservoir without the previous authorisation of the Ministry of Petroleum;
 - serious and repeated breach, while carrying out operations, of the Petroleum Activities Law, the Concession Decree or other laws in force; or
 - extraction or intentional production of any mineral that is not covered by the object of the concession, except when such extraction or production is inevitable as a result of the operations undertaken in accordance with usual practice in the oil industry;
- relinquishment: the National Concessionaire may relinquish all or part of the concession area at any time during the production period provided it has performed in full all its legal and contractual obligations and duties;
- redemption: the state may redeem the concession in whole or in part, for reasons of public interest against the payment of fair compensation; and
- expiry in the following circumstances:
 - term of the exploration period (or its extensions) has elapsed;
 - term of the production period (or its extensions) has elapsed;
 - extinction of the National Concessionaire; or
 - achievement of an expiry condition provided for in the concession decree.

Upon extinguishment of the concession, any equipment, instruments, facilities, etc acquired for the carrying out of the operations revert to the National Concessionaire at no charge.

8 Identify and describe the government regulatory and oversight bodies principally responsible for regulating oil exploration and production activities in your country.

The government regulatory and oversight body responsible for regulating oil exploration and production activities is the Ministry of Petroleum. The National Concessionaire is Sonangol EP, which is the holder of the concession rights and has competence to conduct, execute and ensure oil operations in Angola.

9 What government body maintains oil production, export and import statistics?

The Ministry of Petroleum has powers to maintain oil production and monitor the import and export of crude oil (the responsible body for these matters within the ministry is the National Directorate of Trading Oil). Export and import statistics are prepared by the Department of Studies, Planning and Statistics of the Ministry of Petroleum in accordance with the National Statistic System.

Natural resources

10 Who holds title over oil reservoirs? To what extent are mineral rights on private and public lands involved? Is there a legal distinction between surface rights and subsurface mineral rights? At what stage does title to extracted oil transfer to the licensee, lessee or contractor?

In accordance with the Angolan Constitution, all natural resources existing on the soil, subsoil, territorial sea, economic zone and continental shelf under Angolan jurisdiction are the property of the Angolan state. The concession to explore these natural resources is awarded to the National Concessionaire. No title of ownership is transferred. Any natural resources discovered on private or public land, on the surface or subsurface or at sea, shall be considered property of the Angolan state.

11 What is the general character of oil exploration and production activity conducted in your country? Are areas off-limits to exploration and production?

Oil exploration and production is fundamentally undertaken offshore within Angola's exclusive economic zone. The areas available for E&P activities are divided into predetermined blocks and published in the specific concession decrees.

All areas not covered by concessions are considered off-limits. Concessions are granted safeguarding the country's interest in respect of defence, safety, environment, navigation, management and preservation of natural resources, particularly of the aquatic biological living and non-living. The public entities with powers over the specific sectors must be consulted in case of conflicts.

12 How are rights to explore and produce granted? What is the procedure for applying to the government for such rights?

Petroleum activities are overseen in Angola by the Ministry of Petroleum. Sonangol, as the National Concessionaire, is the holder of all the mining rights. These rights cannot be transferred, neither in whole nor in part. Petroleum operations may only be carried out under a prospecting licence or a petroleum concession.

Any company that wishes to carry out petroleum activities in Angola may only do so together with the National Concessionaire. Association with the National Concessionaire should take the form of a joint venture corporation (JV), a consortium, a production sharing agreement (PSA) or a risk service agreement (RSA). PSAs are the most common form of association.

Applications for prospecting licences must be submitted to the Ministry of Petroleum, together with documentation showing the technical and financial capacity of the applicant. The application should clearly state the objective, intended area, technical and financial resources and the provisional budget.

Application is subject to the payment of a fee and the legislation does not establish a specific time frame for the process.

With regard to concessions, the process begins with the National Concessionaire requesting the Ministry of Petroleum to open a tender procedure. The announcement of the public tender is published in the Official Gazette, newspapers and on Sonangol's website, and must contain the terms of reference for the tendering process and the time frame. No fees are charged for the submission of proposals.

In some specific situations, instead of public tender, direct negotiation may be undertaken. Under certain circumstances, tenders may be limited in order to promote the participation of Angolan companies.

13 Does the government have any right to participate in a licence? If so, is there a maximum participating interest it can obtain and are there any mandatory carry requirements for its interest? What cost-recovery mechanism is in place to recover such carry? Does the government have any right to participate in the operatorship of a licence?

The National Concessionaire is the holder of all the mining rights. Any company that wishes to carry out petroleum activities in Angola may only do so together with the National Concessionaire. Association with the National Concessionaire should take the form of a JV, a consortium, a PSA or an RSA.

As a rule, the National Concessionaire should hold an interest of more than 50 per cent if the operations are undertaken under a JV corporation or a consortium.

The risk of investment in the exploration period shall be borne by the associates to the National Concessionaire. These entities shall not be entitled to recover the capital invested in the event of no economically viable discovery.

The operator shall be indicated in the relevant concession upon proposal from the National Concessionaire.

14 If royalties are paid, what are the royalty rates? Are they fixed? Do they differ between onshore and offshore production? Aside from tax, are there any other payments due to the government? Are there any tax stabilisation measures in place?

There is a royalty-like charge, the petroleum production tax (PPT). PPT is levied on the quantity of crude oil measured at the wellhead deducted from the quantities consumed in nature by petroleum operations. The tax rate is 20 per cent and can be reduced to as little as 10 per cent upon by government decision. PPT can be paid in cash or kind. Production under PSAs are not subject to PPT. In Angola, the only concession subject to this tax is the Block O (Cabinda) Concession.

PSAs normally contain provisions setting forth the payment of social contributions and production and signature bonus as well as stabilisation clauses to grant equilibrium on the rights and obligations.

15 What is the customary duration of oil leases, concessions or licences?

The duration of prospecting licences and concessions is defined in the respective licence and concession decree. The maximum duration of a prospecting licence is three years. This can be extraordinarily extended upon request of the licensee or the National Concessionaire. Concessions are normally granted for a period of approximately 25 years. The duration of a concession may also exceptionally be extended.

16 For offshore production, how far seaward does the regulatory regime extend?

The Petroleum Activities Law is applicable to all petroleum operations in the available areas of the surface and subsurface of the Angolan national territory, inland waters, territorial waters, exclusive economic zone and continental shelf.

Angola is a member state of the United Nations Convention on the Law of the Sea (UNCLOS).

17 Is there a difference between the onshore and offshore regimes? Is there a difference between the regimes governing rights to explore for or produce different hydrocarbons?

There is no difference between onshore and offshore legal regimes. The Petroleum Activities Law applies to crude oil, natural gas and other hydrocarbon substances that may be found or extracted under a concession.

18 Which entities may perform exploration and production activities? Describe any registration requirements. What criteria and procedures apply in selecting such entities?

All entities, whether Angolan or foreign, may conduct E&P activities in Angola. If an entity intends to be awarded with an interest in a concession it has to be incorporated as a commercial company (foreign or national) and be associated with the National Concessionaire. This process is undertaken under a public tendering regime or direct negotiation. Normally international oil companies (IOCs) tend to register a branch in Angola.

Under the Public Tendering for the Oil Sector Regime, companies must provide evidence of good reputation and financial capacity to execute E&P activities and, if tendering to be a block operator, to provide evidence of their technical capacity.

19 What is the legal regime for joint ventures?

Joint operation agreements (JOAs) are usually signed between the companies associated to undertake petroleum activities in a certain block. The scope of a JOA usually covers the operating, accounting and reporting rules between associates.

The JOA is published in the Official Gazette after publication of the concession decree.

20 How does reservoir unitisation apply to domestic and cross-border reservoirs?

In the event of two areas being covered by concessions, the Ministry of Petroleum may determine (and inform by written notice to the National Concessionaire and its associates) that the petroleum discovered has to be developed and produced on a joint basis. Subsequently, the National Concessionaire and its associates shall draft a joint development and production plan for the relevant wells and submit it for approval to the Ministry of Petroleum.

In the event of cross-border reservoirs, the Ministry of Petroleum should initiate negotiations with the foreign governments with jurisdiction over the relevant adjacent areas to reach an agreement acceptable to all parties.

21 Is there any limit on a party's liability under a licence, contract or concession?

As referred to above, the risk of investing in the exploration period shall be borne by the associates to the National Concessionaire. These entities shall not be entitled to recover the capital invested in the event of no economically viable discovery.

The associates and the National Concessionaire are obliged to repair the damage caused to third parties in the course of petroleum operations (except in case of no fault). The Angolan state shall not be liable for any loss or damage caused by or resulting from petroleum operations carried out under a licence or concession.

Risk connected to personnel, assets and income related to petroleum operations must be secured by the National Concessionaire whether by insurance or other means.

22 Are parental guarantees or other forms of economic support common practice? Are security deposits required in respect of any work commitment or otherwise?

Within 30 days of the issuance of the prospecting licence or the date of signing of the contract with the National Concessionaire, the licensees and the associates must provide a bank guarantee in the amount of 50 per cent of the work budgeted to guarantee performance of work obligations under the licence or the contract.

In addition, taking into account that the associates are usually subsidiaries of IOCs, it is common for the National Concessionaire to request the latter to grant a parent company guarantee covering the activity of its subsidiary.

Local content requirements

23 Must companies operating in your country prefer, or use a minimum amount of, locally sourced goods, services and capital?

As a general principle the government, together with the National Concessionaire and its associates, shall cooperate to promote the social and economic development of the country and to encourage investment in the petroleum sector by companies owned by Angolan citizens.

According to the Petroleum Activities Law, the National Concessionaire and its associates, when conducting petroleum activities, shall acquire materials, equipment, machinery and consumer goods from national sources, as well as hire national service providers to the extent that they are of the same quality, available for sale, timely delivered, similar to those available on the international market and do not cost more than 10 per cent of the charge made by foreign suppliers and contractors.

This situation is controlled by the Ministry of Petroleum and Ministry of Finance through notification given by the operators to the National Concessionaire.

24 Describe any local content requirements likely to apply to oil companies operating in your country.

There are several regulations in force that cover local content requirements.

There is specific legislation aimed to promote Angolan entrepreneurship in the upstream oil and gas business, with Angolan companies having a special status in bidding procedures. There are also special incentives for Angolan companies to invest in the sector.

In addition, there is a specific local content framework applicable to the hiring of services for petroleum operations. This framework establishes three levels of 'Angolanisation' depending on the nature of the service to be provided. Certain types of services are reserved for Angolan companies, some are open to joint ventures between foreign service providers and Angolan entities and others may be freely provided by foreign service providers.

From an employment law perspective, there is also a general principle to increase the number of qualified Angolan professionals, so local companies are only entitled to hire up to a maximum of 30 per cent non-resident foreign employees versus 70 per cent of the national workforce (resident foreign employees and national employees).

25 Describe any social programme payment obligations that must be made by a licensee, lessee or contractor.

The social payment obligations are usually foreseen in the PSA and are defined on a case-by-case basis. A common theme across social programmes is investment in people. So these projects usually seek to promote education and build capability at various levels, to develop human resources, enhance the capability of local companies, and promote institutional and social development. This also includes initiatives to reduce poverty, promote social inclusion and environmental conservation.

Transfers to third parties

26 Is government consent required for a company to transfer its interest in a licence, concession or production sharing agreement? Does a change of control require similar approval? What is the process for obtaining approval? Are there any pre-emptive rights reserved for the government?

Associates of the National Concessionaire may only assign part or all of their contractual rights and duties to third parties of recognised capacity, technical knowledge and financial capacity, after having obtained prior authorisation from the Minister of Petroleum.

For the purposes of the Petroleum Activities Law, the transfer of shares representing more than 50 per cent of the associate's share capital represents change of control and is also subject to this prior authorisation. Authorisation will not be necessary if the assignment occurs between affiliated companies.

The National Concessionaire will enjoy a pre-emptive right in respect of such assignments.

27 Is government consent required for a change of operator?

Any change of operator shall be subject to the prior consent of the Ministry of Petroleum, upon the National's Concessionaire proposal.

28 Are there any specific fees or taxes levied by the government on a transfer or change of control?

The gains derived from an assignment of interest are as a general rule subject to taxation under the Petroleum Taxation Law, at the standard 50 per cent petroleum income tax rate. Indirect transfers (change of control) may eventually not be subject to taxation.

Title to facilities and equipment

29 Who holds title to facilities and equipment used for oil exploration, development and transportation activities?

Title to the facilities and equipment used for oil exploration, development and transportation is held by the operator.

Upon extinguishment of the concession, the equipment, instruments, facilities, etc acquired for the carrying out of the operations revert to the National Concessionaire at no charge.

Decommissioning

30 What laws or regulations govern abandonment and decommissioning of oil and gas facilities and pipelines? In summary, what is the obligation and liability regime for decommissioning? Are there any other relevant issues concerning decommissioning?

Abandonment and decommissioning are governed by the Petroleum Activities Law and Regulations. At least one year prior to termination of

the concession or abandonment of an area, the National Concessionaire shall provide the Ministry of Petroleum with a plan for the decommissioning of the wells, facilities, equipment and for the rehabilitation of the landscape or continuing of the petroleum operations.

In the event of abandonment, the National Concessionaire must proceed with the correct abandonment of the well or wells, and shall take all the measures necessary to decommission the facilities and other assets and restore the landscape in accordance with the relevant legislation and best practice of the industry.

According to the concession decrees, during the concession, the associates must allocate funds to a decommissioning fund. Deduction of such provision for taxation purposes may be allowed.

31 Are security deposits required in respect of future decommissioning liabilities? If so, how are such deposits calculated and when does their payment become due?

As referred to above, the associates must allocate funds to a decommissioning fund the limits of which are calculated and accounted for in accordance with the rules established in the PSAs.

Transportation

32 How is transportation of crude oil and crude oil products regulated within the country and across national boundaries? Do different government bodies and authorities regulate pipeline, marine vessel and tanker truck transportation?

Crude oil is mainly transported through the Atlantic from the offshore production units. The Ministry of Petroleum is responsible for regulating and checking this transportation in accordance with Law No. 26/12 of 22 August 2012 (the Law on the Transportation and Storage of Crude Oil and Natural Gas). Notice must also be taken of the regulations approved by the International Maritime Organization (IMO), of which Angola has been a member state since 1977.

33 What are the requisites for obtaining a permit or licence for transporting crude oil and crude oil products?

Transportation of petroleum products is subject to obtaining a licence from the Ministry of Petroleum. The requirements and technical conditions to be fulfilled by the applicant are defined by Law No. 26/12 of 22 August 2012 and include, notably, the need to demonstrate experience in the field, to obtain insurance for the operation, to grant a guarantee if so requested, and to comply with all the applicable rules and regulations in terms of environment, security, etc.

Cost recovery

34 Where oil exploration and production activities are conducted under a production sharing contract, describe how recoverable costs can be determined and how recovery can be realised.

Costs have different tax treatment depending on the classification as exploration, development or production expenses. Development expenses are capitalised and depreciated on a straight-line basis. An uplift may also be applicable to development expenses (case by case). Carry-forward of non-deducted costs is available. An annual cap for admissible cost oil is usually provided for in the PSAs.

There are several costs that are not tax-deductible, for instance, bonuses paid to the National Concessionaire.

Health, safety and environment

35 What health, safety and environment requirements apply to oil-related facility operations? What government body is responsible for this regulation; what enforcement authority does it wield? Are permits or other approvals required? What kind of record-keeping is required? What are the penalties for non-compliance?

The Petroleum Activities Law sets out general guidelines for safety and hygiene in the workplace and environmental protection.

Decree 38/09 of 14 August 2009 establishes the rules and procedures to be followed in oil operations (including upstream oil prospecting, research, evaluation, development and production activities), in accordance with the principles of safety, hygiene and health, based on

Angolan laws, as well as the commonly accepted practices in the oil industry. The government body responsible for regulation and enforcement is the Ministry of Petroleum.

Under these regulations the operator has several responsibilities:

- the operator is responsible, for instance, for ensuring that all personnel involved in the oil operations have the necessary skills and training and for keeping an updated register thereof;
- moreover, the operator must ensure that all employees receive adequate safety training to ensure the safe performance of their work and must inform employees of any possible amendments to the applicable procedures or manuals;
- it is also the operator's obligation to ensure that all oil operations, equipment and procedures are planned and executed in accordance with the applicable national and international standards and best practice;
- the operator must maintain a documented integrated system of health, hygiene and safety management and provide the Ministry of Petroleum with such information or documents, if so requested; and
- these regulations also establish rules for the protection of working conditions, protection against noise and vibration, radiation, use of chemicals and asbestos, and the requirement for use of personal protective equipment suitable for the workplace. The operator also guarantees medical assistance to employees and that its facilities and equipment are tested before operations begin.

Finally, and with respect to environmental protection, regulations establish, notably, the preservation of health, water, soil and subsoil, air, flora and fauna, ecosystems, landscape, atmosphere and cultural, archaeological and aesthetic values in the context of oil activities through a non-comprehensive list of internationally recognised standards and guidelines (ISO, API, DNV, IE, IMCA, EN, OMI and OGP).

Under the regulations, the National Concessionaire and its associates must carry out an environmental impact evaluation and submit this to the Ministry of Petroleum. This document must describe the foreseeable environmental damages and the proposed mitigation measures.

In addition, the National Concessionaire and its associates must also draw up and keep updated a spill prevention plan, as well as a management, removal and deposit plan for the waste generated by the oil activities, an operational discharge plan and a plan for abandon and recovery of the site of installation.

Depending on the type of violation to the legal regime, the Ministry of Petroleum can decide to:

- solve the problem and charge the costs to the operator;
- temporarily suspend operations;
- order the payment of compensation to the employees;
- terminate the concession; or
- impose penalties on the operator, which may range from 2.5 million kwanza to 1 billion kwanza, depending on the nature of the breach.

36 What health, safety and environmental requirements apply to oil and oil product composition? What government body is responsible for this regulation; what enforcement authority does it wield? Is certification or other approval required? What kind of record-keeping is required? What are the penalties for non-compliance?

Law No. 28/11 of 1 September 2011 sets forth the general provisions regarding crude oil refining activities and the storage, transportation, distribution and marketing of refined products.

Companies must adopt measures to reduce environmental impact and respect the applicable legislation on safety, hygiene and health in the workplace.

To undertake these operations, companies must obtain a licence from the Ministry of Petroleum. Any violation of this law can lead to fines from the Ministry of Petroleum.

Executive Decree 288/14 of 25 September 2014 addresses the specifications of petroleum products sold in Angola, notably, diesel, petrol and LPG.

Non-compliance with the specifications set out in the annexes to this decree is subject to penalties being imposed by Ministry of Petroleum, with fines between 500,000 kwanza and 5 million kwanza.

Update and trends

Recent legislative developments to highlight include:

- the March 2017 completion of the final formality required for the accession procedure to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 10 June 1958;
- approval of a new law in April 2017 regulating the possibility for private companies to conduct refinery operations in Angola, thus opening the market to potential international players from midstream and downstream activities; and
- approval of new regulations in March and April 2017 for expatriate employees, which may lead to some constraints on the hiring of specialised workers for the country.

Angolan entities have suffered in the past few years from a shortage of hard currency in the market. This has suspended or delayed some projects. An adjustment to foreign exchange policy to tackle this problem is expected to occur in the near future.

Labour

37 What government standards apply to oil industry labour? How is foreign labour regulated and restricted? Must a minimum amount of local labour be employed? Are there anti-discrimination requirements? What are the penalties for non-compliance?

The employment rules in Angola follow the principle of Angolanisation, whereby Angolan citizens should be preferably hired over foreign citizens. As a general rule, oil companies must complete their staff plan with national workers. Recruitment of foreign workers is only possible if the company can show that there is not sufficient specialised Angolan manpower available in the country.

National and foreign workers in the same professional category and performing similar duties are entitled to equal salary and welfare benefits.

Regarding regulatory obligations, oil companies must submit several documents and contracts relating to their human resources development plan in compliance with the Ministry of Petroleum and the Ministry of Public Administration, Employment and Social Security regulations.

Oil companies must also pay an annual contribution to the creation of the training and development fund for Angolan human resources in the oil sector. The amount of the contribution will depend on several criteria (eg, type of licence held).

Failure to comply with employment regulations is subject to several penalties depending on the nature of the breach.

It is important to clarify that when there are no specific rules applicable to the recruitment of foreign citizens in the oil sector, employers must comply with the General Employment Law and the legislation on the hiring of expatriates.

Taxation

38 What is the tax regime applicable to oil exploration, production, transportation, and marketing and distribution activities? What government body wields tax authority?

Petroleum E&P activities carried out under a PSA in Angola are subject to petroleum income tax (PIT). PIT is a corporate income tax assessed on taxable income generated by the exploration, development, production, storage, sales, export and transportation of petroleum as well as the wholesale trading of other products resulting from such activities or other incidental profits.

PIT is assessed on a ring-fencing basis and corresponds to the crude oil produced net of the cost oil (deductible expenses) and the National Concessionaire's share. Only recoverable expenses under the PSA are tax-deductible. The tax rate is 50 per cent.

In addition, there is also a surface fee of US\$300 per square kilometre of the concession area and a training contribution to be paid by the associates of the National Concessionaire. Some concessions (not awarded under PSA contracts) may also be subject to PPT (as described in question 14) and a transactional petroleum tax of 70 per cent on the taxable income. In these circumstances PPT and transactional petroleum tax are deductible from PIT.

The Ministry of Finance together with the Ministry of Petroleum are the entities responsible for establishing and conducting the tax policies and charges.

In addition to the specific sectorial taxes, payment of services is commonly subject to 6.5 per cent industrial withholding tax. Consumption tax of 5 per cent or 10 per cent may also apply to the acquisition of certain services. Payment of capital income (interest, royalties, dividends) is subject to investment income tax (rates vary between 10 and 15 per cent).

Commodity price controls

39 Is there a mandatory price-setting regime for crude oil or crude oil products? If so, what are the requirements and penalties for non-compliance?

The Ministry of Petroleum has the responsibility to propose, in coordination with other entities, particularly, the Ministry of Finance, the pricing of oil products and biofuels. In addition, the legislation regarding activities of crude oil refining and storage, transportation, distribution and marketing of refined products provides that a mechanism must be established for regulating retail prices so as to ensure the minimisation of costs for consumers and to take into account existing cost differences between the types of products and regulated activities.

Naturally, and since the oil activity is licensed by the Ministry of Petroleum, fines may be applied to companies that do not comply with the stipulated prices. Since the beginning of 2016 the Angolan government has ended oil subvention. Currently petrol, diesel and other oil product prices are set in a free pricing regime, the National Concessionaire being responsible for determining the price.

Competition, trade and merger control

40 What government bodies have the authority to prevent or punish anticompetitive practices in connection with the extraction, transportation, refining or marketing of crude oil or crude oil products?

Although Angola does not yet have a law on competition, or a competition authority specifically for the oil sector, the Angolan government has shown some signs of progress in this area by approving the creation of the Market and Competition Institute, which sets rules of conduct for economic operators and prevents or corrects discriminatory or privileged situations in the market to ensure competitiveness on price formation.

The Ministry of Petroleum is the government body responsible for oversight activities of extraction, transportation, refining and commercialisation of petroleum products.

41 What is the process for procuring a government determination that a proposed action does not violate any anticompetitive standards? How long does the process generally take?

At this stage, Angola does not yet have a competition authority. Although theoretically possible, it is not common practice to claim violation of anticompetitive standards.

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International**42 To what extent is regulatory policy or activity affected by international treaties or other multinational agreements?**

Angola is a member of the Organization of Petroleum Exporting Countries (OPEC), among other international treaties. It has also recently adhered to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which entered into force in Angola on 4 June 2017.

Since 1977 Angola has also been a member state of the IMO and is also a party to the UNCLOS.

43 Are there special requirements or limitations on the acquisition of oil-related interests by foreign companies or individuals? Must foreign investors have a local presence?

As referred to above, foreign individuals or companies only have access to E&P activities in Angola in association with the National Concessionaire after a bidding process. This is usually undertaken under an association formalised by the issuance of a concession decree and the signing of a PSA. It has been common practice through the years for IOCs to operate in Angola through registered branches.

44 Do special rules apply to cross-border sales or deliveries of crude oil or crude oil products? Are there any volumetric supply obligations for the local market that prevail over the export rights of the oil producer?

The associates of the National Concessionaire may freely dispose of their share of the petroleum produced. However, the government may require the National Concessionaire and its associates to supply a specific entity a certain quantity of oil from their respective share of the output to meet domestic consumption requirements.

Notwithstanding, the participation of the National Concessionaire and its associates in the satisfaction of the country's domestic consumption needs shall not exceed the difference between the annual output derived from the concession area and Angola's total annual output, nor exceed 40 per cent of the total output of the concession area in question. Finally, the government can also demand the whole or part of the oil production in the event of a national emergency, or even demand increase of production up to the maximum viable limit. In the same circumstances the government may also take over the oil facilities of a concession.

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Getting the Deal Through

Acquisition Finance	Equity Derivatives	Pharmaceutical Antitrust
Advertising & Marketing	Executive Compensation & Employee Benefits	Ports & Terminals
Agribusiness	Financial Services Litigation	Private Antitrust Litigation
Air Transport	Fintech	Private Banking & Wealth Management
Anti-Corruption Regulation	Foreign Investment Review	Private Client
Anti-Money Laundering	Franchise	Private Equity
Arbitration	Fund Management	Product Liability
Asset Recovery	Gas Regulation	Product Recall
Automotive	Government Investigations	Project Finance
Aviation Finance & Leasing	Healthcare Enforcement & Litigation	Public-Private Partnerships
Banking Regulation	High-Yield Debt	Public Procurement
Cartel Regulation	Initial Public Offerings	Real Estate
Class Actions	Insurance & Reinsurance	Restructuring & Insolvency
Commercial Contracts	Insurance Litigation	Right of Publicity
Construction	Intellectual Property & Antitrust	Securities Finance
Copyright	Investment Treaty Arbitration	Securities Litigation
Corporate Governance	Islamic Finance & Markets	Shareholder Activism & Engagement
Corporate Immigration	Labour & Employment	Ship Finance
Cybersecurity	Legal Privilege & Professional Secrecy	Shipbuilding
Data Protection & Privacy	Licensing	Shipping
Debt Capital Markets	Life Sciences	State Aid
Dispute Resolution	Loans & Secured Financing	Structured Finance & Securitisation
Distribution & Agency	Mediation	Tax Controversy
Domains & Domain Names	Merger Control	Tax on Inbound Investment
Dominance	Mergers & Acquisitions	Telecoms & Media
e-Commerce	Mining	Trade & Customs
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