



# Conducting oil and gas activities in Benin

## Laws and regulations

### List the main legislation governing petroleum exploration and production activity in your country.

Law No. 2006-18 dated 24 July 2006 relating to the Hydrocarbon Code (the '**Hydrocarbon Code**') governs exploration and production and the trade of oil and gas in Benin.

### Identify the Government, regulatory and/or oversight bodies principally responsible for regulating oil and gas activities.

The Ministry of Hydrocarbons and the Department of Hydrocarbon are the government authorities primarily responsible for the regulation of the oil and gas activities in Benin.

## Entry requirements

### What are the registration requirements for becoming a licensee of an oil and gas production sharing contract/ licence/concession ('Licence') in your country? For instance, is it necessary to incorporate a subsidiary, or register a branch?

Any company must be registered in Benin to become a licensee. If the company is based abroad, it is mandatory to incorporate a subsidiary in Benin.

### Are there any foreign investment approval requirements or restrictions when commencing business in your country (e.g. a minimum local shareholding in the entity undertaking the activity)?

As above.

## Licensing

### Identify the main fiscal/legal model granting rights to explore and produce oil and gas.

#### Legal

According to the Hydrocarbon Code, the prospecting, research, exploitation and transportation of oil and gas in Benin are subject to the requirement to obtain permits from the Government.

In order to carry out oil research and exploitation activities, it is required to conclude an agreement permitting such activities with the Government.

#### Fiscal

Fixed fee taxation is payable on:

- The granting of a prospecting authorisation;
- The establishment and renewal of a research permit;
- The establishment and renewal of an exploitation permit;
- The granting of a temporary authorisation to extract hydrocarbons; and
- The granting of an authorisation for oil transportation by pipeline.

Research and exploitation permits are also subject to an annual land royalty.

Profits earned by companies involved in activities relating to research, exploitation, production and sale of hydrocarbons, including transportation within Benin, are subject to corporation tax between 35% and 45% and depending on the research and exploitation contract terms.

**Please outline the procedure to apply to the Government for an interest in a Licence in your country. Please include details of cost and timing for obtaining such interest.**

The Licenses are granted by decree through a public invitation to tender. Details on costs and timing to obtain such an interest are not readily available from the Ministry of Hydrocarbons.

**What is the customary duration of the relevant Licence?**

There are two types of hydrocarbon license in Benin: (i) the research permit; and (ii) the exploitation permit.

The research permit is granted for a period of 3 years and renewable twice for further 3 year periods.

The Exploitation Permit is granted for a period of 25 years which may be extended for an exceptional period of 10 years under the terms and conditions agreed in the related petroleum contract.

Apart from the research permit and exploitation permit, there is also a prospecting authorisation granted for a period of 2 years which may be extended once for a period of 1 year.

**Does the Government have any right to participate and be carried in the Licence? If so, please describe the extent of this entitlement.**

**Is there any mechanism for recovery of carry costs?**

The Government has the right to participate in the research and exploitation activities with the licence holder through a production sharing agreement (the 'PSA') or through another petroleum contract. The PSA determines the obligations of the Government and the licence holder.

**Does the Government have any right to participate in the operatorship of the Licence?**

The Government has the right to participate in the operatorship of the Licence. Under the provision of the Hydrocarbon Code, the Government may engage in all petroleum operations either alone or associated with private capital.

In practice, the Government usually has the option to participate in the operatorship of a permit through the PSA, up to a maximum of 15%.

## Assignment

**What Government and/or regulatory approvals are required for the acquisition of oil and gas interests held under a Licence (whether by asset or corporate sale/ change of control)?**

**If any, what are the timing requirements and costs of obtaining such Government and/or regulatory approvals?**

The prior approval of the Ministry of Hydrocarbons is required for any assignment of interests, assets or obligations relating to the oil activities of the company, as well as for any acts, which cause a change of control of the company. In practice the terms of the notice required by the Ministry of Hydrocarbons for it to approve an assignment or change of control are generally included in the PSA.

The deed of assignment is subject to the approval of the Ministry of Hydrocarbons.

The Hydrocarbon Code does not provide details or guidance relating to the specific timing and costs of obtaining such approval of the Ministry of Hydrocarbons.

**Are there any pre-emptive rights reserved to any Government entities in the event of a proposed assignment of an interest held under a Licence? If so, what are the terms upon which such entities are allowed to acquire the interest?**

There are no pre-emptive rights reserved to the Government or any public bodies.

## Economic support

**Are parental guarantees or other economic supports commonly required to be provided by oil and gas companies?**

The Hydrocarbon Code does not specifically state that parental guarantees are to be provided by oil and gas companies. However, it states that as a condition precedent to the granting of the Licence, the company must prove that it has the financial and technical capacity to perform prospecting, research, exploitation and transportation activities in oil and gas.

**Are security deposits required in respect of work commitments or otherwise?**

There is no obligation within the Hydrocarbons Code to provide security deposits although in practice provisions requiring such security for work commitments are included in the PSA.

## Abandonment and Decommissioning

### What abandonment regime is in place?

### Are security deposits required in respect of future decommissioning liabilities?

Any company, which would like to abandon the exploitation activity before the expiration of the permit is required to obtain the approval of the Ministry of Hydrocarbons.

Under the provision of Article 54 of the Hydrocarbon Code, the holder of an operating licence can abandon their exploitation activity after giving no less than 3 months' notice to the Ministry of Hydrocarbons. The Ministry of Hydrocarbons is only likely to provide its permission to abandon the exploitation activity if the licence holder can demonstrate that it has taken all the measures required of it within the Hydrocarbon Code. In such instances, and in general, the licence holder is required to pay the cost of decommissioning.

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