Conducting oil and gas activities in Cameroon

Laws and regulations

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

The main legislation relating to petroleum activities is Law no. 99-013 dated 22 December 1999 and implementing Decree no. 2000-465 dated 30 June 2000 (the '**Petroleum Code**').

Due to the general nature of the Petroleum Code, most of the specific provisions governing petroleum exploration and production are included in petroleum contracts ('**Petroleum Contracts**'), which implement the principles of the Extractive Industries Transparency Initiative.

Uniform Acts adopted by the Organisation for the Harmonisation of Business Law in Africa (*Organisation pour l'Harmonisation en Afrique du Droit des Affaires* or 'OHADA'), of which Cameroon is a member State, apply to companies carrying out oil and gas activities in Cameroon, especially the OHADA Companies Act.

Oil and gas activities are subject to Exchange Control Regulations applicable within the Economic and Monetary Community of Central Africa (*Communauté Economique et Monétaire de l'Afrique Centrale* or '**CEMAC**').

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

The main institutions of the Cameroonian hydrocarbons sector include:

1. Ministry of Mines, Industry and Technological Development (*Ministre de l'Industrie, des Mines et du Développement Technologique*) ('**MM**'); and
2. National Hydrocarbons Company (*Société Nationale d'Hydrocarbures* or '**SNH**'), established in March 1980.

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?

According to the Petroleum Code, any contractor carrying out petroleum activities in Cameroon is required to hold a Petroleum Contract. Contractors may operate through a local subsidiary for the whole duration of the Petroleum Contract or through a branch.

Pursuant to the OHADA Companies Act which is directly applicable in Cameroon, any foreign company having registered a branch must transform such branch into a local company after a maximum of 4 years (i.e. an initial 2 year period, renewable once for a further 2 years).

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)?

There is no limitation on foreign investment in the Petroleum Code. Local and foreign investments are treated equally.

Pursuant to Exchange Control Regulations, any investment exceeding CFAF 100,000,000 must be declared to the Economy Minister (*Ministere des Economie*) at least 30 days before the transfer of funds to Cameroon. If such declaration is not made, a fine equal to 20% of the investment may be applied.

Local content requirements are also expressly included in the Petroleum Code and must be reflected in Petroleum Contracts. The relevant undertakings relate to:

1. Giving preference to local companies for construction, supply and services contracts provided they offer equivalent conditions of quality, price, quantities, delivery, payment and after-sale services;
2. Hiring, in priority, skilled local employees; and
3. Financing and establishing training programmes for local employees.

These local content obligations apply to both contractors and sub-contractors.

Licensing

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

Legal
Contractors are granted rights to explore, develop and produce oil and gas by obtaining both an authorisation from the State and entering into a contract with MM defining the terms of such authorisation. Details of the relevant authorisations are as follows:

1. **Non-exclusive prospecting authorisation** (*autorisation de prospection*) under which the holder is entitled to perform preliminary surface prospecting works on a non-exclusive basis. The prospecting period is fixed at 2 years with the possibility of one renewal period of up to 1 year. The prospecting authorisation may confer a preferential right to a Petroleum Contract for the contractor in exceptional circumstances. Transfer or disposal of the rights and obligations arising from this authorisation is forbidden.
2. **Exclusive exploration authorisations**: Exploration permits under Concession Contracts (*permis de recherche d'hydrocarbures*) and exclusive exploration authorisations under PSCs (*autorisation exclusive de recherche*) are granted on an exclusive basis for an initial 3 year period (or 5 years in special petroleum operation zones) with the possibility of two renewal periods of up to 2 years each. The relevant contract (see below) provides for relinquishment obligations of the authorisations at each renewal stage.
3. **Exclusive interim production authorisation** (*autorisation d'exploitation provisoire*) under which an existing exploration permit holder may be granted an interim production right for a maximum of 2 years within the exploration period.
4. **Exclusive production authorisations**: Production concessions under Concession Contracts (*concession d'exploitation*) and exclusive production autorisations under PSCs (*autorisation exclusive d'exploitation*) are granted for a maximum period of 25 years (or 35 years for gas) with one renewal period of up to 10 years.

The Petroleum Code refers to the following 3 types of contracts for upstream activities:

1. **Concession Contract** (*contrat de concession attachés à l'octroi de titres miniers d'hydrocarbures constitués par des permis de recherche et les concessions d'exploitation*) is entered into prior to the grant of an exploration permit and confers rights and obligations during exploration and, in case of a discovery, during production. The Concession Contract holder assumes financial and operating risks and may dispose of the production in accordance with the contract.
2. **Production Sharing Contract** ('**PSC**') (*contrat de partage de production*) under which the State grants an exclusive exploration right and, in case of a discovery, an exclusive right of production. The Concession Contract holder assumes financial and operating risks. Production is shared with the State in accordance with the contract.
3. **Service Contract** (*Contrat de services à risques*) under which the contractor has no entitlement to any portion of the production but is remunerated in cash for its services and reimbursed its petroleum costs.

Petroleum Contracts are all negotiated with the MM, are subject to Cameroonian law and contain all dispositions applicable to the relevant exploration and/or production phase, including:

1. Exploration area;
2. Duration of the contract and the relevant authorisations or permits including renewal periods and relinquished areas;
3. Work and investment commitments and relevant securities;
4. Transportation rights;
5. Production ownership and sharing;
6. State participation;
7. Tax and customs regime;
8. Transfer and assignment;
9. Environment, health and safety and rehabilitation of sites;
10. Local preference and local training commitments ;
11. Abandonment obligations including abandonment deposit; and
12. Stability, force majeure, and dispute resolution clauses.

A model contract may be provided by the MM to serve as a basis for negotiations. In practice, only a model form PSC has been issued.

Petroleum Contracts must be signed by the MM or its duly authorised representative.

Fiscal
Contractors are subject to taxes and other contributions under the Cameroonian tax code, the Petroleum Code and the relevant Petroleum Contract:

1. **Bonuses**: a signature bonus may be due upon signature of the Petroleum Contract and a production bonus may be negotiated with the State.

2. **Fixed entry fees**: granting and renewal of petroleum authorisations or permits is subject to payment of fixed entry fees as follows:
   (i) Prospecting authorisation: CFAF 6,000,000
   (ii) Exploration authorisation or permit: CFAF 15,000/km² at the granting and CFAF 10,000/km² at the renewal, with a minimum levy of CFAF 6,000,000
   (iii) Production authorisation: CFAF 250,000,000 at the granting, renewal and transfer.
3. **Surface area royalty**: an annual surface area royalty is due depending on the relevant phase of petroleum operations:
   (i) Exploration authorisation or permit: increases from CFAF 1,750/km² in year 1 to year 5 to CFAF 5,500/km² in year 5 and beyond
   (ii) Production authorisation: CFAF 100,000/km² with a minimum levy of CFAF 6,000,000
4. **Proportional royalty**: holders of Concession Contracts are subject to a monthly proportional royalty based on production volumes as set out in the Concession Contract.
5. **Additional petroleum tax**: holders of Concession Contracts may be subject to an additional petroleum tax based on the profitability of the petroleum operations.
6. **Profit oil and cost oil**: profit oil and cost oil are negotiated in the PSC. Furthermore, contractors have the obligation to supply the domestic market a defined part of their production.
7. **Corporate income tax**: corporate income tax is due on profits at a negotiated rate, usually between 33% and 50%.
8. **VAT**: goods and services related to petroleum activities are exempted from VAT.
9. **Withholding taxes**: distribution of dividends is exempt from taxation.
10. **Customs**: the CEMAC customs regime is applicable. Imports of materials, products, machinery, equipment and tools exclusively related to petroleum operations are exempted from customs duties. A reduced rate of 5% applies to all other imports related to production during the first 5 years of production. Subcontractors are also entitled to the special customs regimes.
11. **Abandonment deposit**: holder of a production authorisation shall deposit abandonment costs as specified under the Petroleum Contract.

In addition to the above fiscal regime, a Petroleum Contract may offer specific tax incentives to the contractor.

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.

Access to the Cameroonian petroleum sector is granted to companies having the required technical and financial capabilities. Block awarding is decided by the government on a discretionary basis either by tender procedure or by direct negotiations with the MM.

In the case of PSCs or Service Contracts, successful negotiations lead to immediate signature and entry into force unless otherwise agreed. As regard Concession Contracts, the exploration permit is delivered after its signature by decree, such signature being the date of entry into force of the Concession Contract.

What is the customary duration of the relevant Licence?

See the 'Legal' section above for details of durations for the relevant Licences.

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 State may, pursuant to the terms of the relevant Petroleum Contract, participate, directly or through SNH, in petroleum operations. The Petroleum Code does not include any minimum rate regarding State participation in the company applying for or holding a Petroleum Contract. However, it may be noted that under the model form PSC, the State is entitled to a minimum 5% and a maximum 25% non-carried interest during the production phase.

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

As above, the State may participate as operator, directly or through SNH, in petroleum operations.

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?

Transfer or disposal of the rights and obligations arising from Petroleum Contracts and authorisations or permits is subject to notification to and prior approval of the MM. The same applies to any change of control. Approval is deemed to be granted where no response to the request for approval is received within 60 days of its filing.

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?

The Petroleum Code does not provide the State with a pre-emptive right. A right of pre-emption in favour of the State may, however, be negotiated in the Petroleum Contract.

Economic support

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

The Petroleum Code does not require a parent company guarantee where one or several of the companies forming the contractor entity are subsidiaries of an oil company. However such guarantee may be negotiated in the Petroleum Contract.

Security interests to be provided will be governed by the provisions of the OHADA Uniform Act organising securities, applicable in Cameroon.

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

Securities in respect of work commitments are not expressly provided for in the Petroleum Code. However, such securities or other types of securities may be negotiated in the Petroleum Contract.

Abandonment and Decommissioning

What abandonment regime is in place?

Are security deposits required in respect of future decommissioning liabilities?

The Petroleum Code requires abandonment and rehabilitation obligations to be included in the Petroleum Contract. In particular, the holder of a production authorisation shall deposit abandonment costs as specified under the Petroleum Contract.

In addition, the Petroleum Code provides for the obligation to include environmental provisions, in particular environmental impact studies and management plans, in the Petroleum Contract.

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