

***MINISTRY OF ENERGY AND MINES***

***ALGERIA***

**PROPOSED PROJECT OF NEW  
HYDROCARBONS LAW**

**PRESENTED BY**

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# **PRINCIPAL OBJECTIVES**

- ❑ ESTABLISH COMPETITION IN A FREE MARKET**
- ❑ SET TRANSPARENCY IN CONTRACT AWARD**
- ❑ IMPROVE ENVIRONMENTAL STANDARDS**
- ❑ PROVIDE CLEAR, SIMPLE, & COMPETITIVE FISCAL REGIME & CONTRACTUAL CONDITIONS**
- ❑ SEPARATE GOVERNMENT AND COMMERCIAL ROLES**
- ❑ DECONTROL PRICES**

# SCOPE

- ❑ **COVERS ALL UPSTREAM AND DOWNSTREAM ACTIVITIES EXCEPT NATURAL GAS DISTRIBUTION (GOVERNED BY ELECTRICITY LAW)**
  
- ❑ **OPEN ALL ACTIVITIES TO ALL INVESTORS :**
  - PRIVATE OR PUBLIC**
  - NATIONAL OR INTERNATIONAL**

# **NEW ORGANISATION OF THE SECTOR**

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graph TD; A["COUNCIL OF MINISTERS  
POLITICAL AUTHORITY"] --> B["MINISTRY IN CHARGE OF HYDROCARBONS  
PROPOSE, GET APPROVALS AND IMPLEMENT POLICY OF SECTOR"]; B --> C["REGULATORY AUTHORITY  
NATIONAL AUTHORITY FOR CONTROL & REGULATION OF  
HYDROCARBON SECTOR ACTIVITIES"]; B --> D["ALNAFT  
NATIONAL AGENCY FOR HYDROCARBON RESOURCES  
VALORISATION"];
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# **EXPLORATION &/OR EXPLOITATION**

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- ❑ CONTRACT AWARDED BY TENDER ON BASIS OF SINGLE CRITERIA :**
  - ❑ WORK PROGRAMME OR**
  - ❑ SIGNATURE BONUS OR**
  - ❑ ROYALTY RATE ABOVE MINIMUM FIXED BY THE LAW**

# **MAIN POINTS OF THE CONTRACT**

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- ❑ CONTRACT GRANT EXCLUSIVE RIGHT TO E&P HYDROCARBONS**
- ❑ RESERVES IN PLACE BELONGS TO THE STATE**
- ❑ ALL PRODUCTION OWNED BY CONTRACTOR AT THE MEASUREMENT POINT**
- ❑ CONTRACTOR MARKETS ITS PRODUCTION**
- ❑ CONTRACTOR PAYS ROYALTY AND TAXES IN CASH**

# **TERM OF CONTRACT**

## **□ E & P CONTRACT :**

- **MAX. DURATION 32 YEARS (EXPLO. PERIOD 7 YEARS & EXPLOIT. PERIOD 25 / 30 YEARS)**
- **EXPLOIT CONTRACT : MAY EXPLORE IN EXPLOITATION AREA**
- **CONTRACTOR DECIDE COMMERCIAL EXPLOITABILITY**
- **CONTRACT TERMINATES AT END OF EXPLORATION PERIOD IF NO COMMERCIAL DISCOVERY OR RETENTION PERIOD**

# **PARTICIPATION OPTION**

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- **SONATRACH OPTION TO ASSUME EQUITY INTEREST AS NON OPERATOR (20 % - 30 %)**
- **OPTION TO BE EXERCISED WITHIN 30 DAYS AFTER DEVELOPMENT PLAN APPROVAL FOR DISCOVERY**

# SOME LEGAL ASPECTS

- **INTERNATIONAL ARBITRATION**
- **CONTRACTOR OWNS FIXED ASSETS FOR LIFE CONTRACT**
- **AT END OF CONTRACT, ASSETS PASS TO STATE FREE OF CHARGE**

# **SOME FINANCIAL ASPECTS**

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- **RECEIVING AND MAINTAINING EXPORT REVENUES ABROAD IS ALLOWED**
- **DEPRECIATION AT THE VALUE OF US \$ THE LAST DAY OF FISCAL YEAR**
- **IMPORT FOREIGN EXCHANGE TO COVER LOCAL COSTS ALLOWED**
- **RIGHT TO USE LOCAL CURRENCY REVENUES TO COVER LOCAL COSTS**
- **RIGHT TO REMIT IN FOREIGN EXCHANGE ANY LOCAL CURRENCY SURPLUS**

# **UPSTREAM FISCAL PACKAGE..**

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- ❑ SURFACE RENT : (PER KM<sup>2</sup>, ZONE & PERIOD)**
- ❑ ROYALTY : (ZONE & AVERAGE B.E.P/DAY) PAID MONTHLY IN CASH**
- ❑ COMPLEMENTARY INCOME TAX (CIT) :**  
**CONFORM TO GENERALLY APPLICABLE CORPORATE INCOM TAX**
- ❑ PETROLEUM REVENUE TAX (PRT) :**
  - ❑ DUE ANNUALLY BUT MONTHLY PROVISIONS,**
  - ❑ RATE ESCALATES WITH VALUE OF CUMUL. PROD.**
  - ❑ USE UPLIFTS IN LIEU OF OPERATING COSTS**
  - ❑ PRT DEDUCTIBLE IN CALCULATING CIT**
  - ❑ PRT RATE INCLUDES INCENTIVES FOR ENHANCED RECOVERY**

# .....UPSTREAM FISCAL PACKAGE

- ❑ EXEMPTION FROM ALL OTHER TAXES OR IMPOSITIONS
- ❑ CONSOLIDATION OF ALL ACTIVITIES IN ENERGY SECTOR IN CALCULATING CIT
- ❑ TRANSPARENT, EASILY ADMINISTERED, PROGRESSIVE
- ❑ ALLOW DEVELOPMENT OF MODEST SIZE DISCOVERIES
- ❑ PROVIDE INCENTIVES TO EXPLORE IN FRONTIER AREAS

# DOWNSTREAM..

- ❑ **IMPORTATION AND SALE OF HYDROCARBONS AND PETROLEUM PRODUCTS IN ALGERIA ARE FREE**
- ❑ **DOMESTIC PRICES ARE DECONTROLLED BUT TRANSITION PERIOD :**
  - **MAXIMUM PRICE FOR PETROLEUM PRODUCT ADJUSTED BY MINISTRY FOR 5 YEARS**
  - **MAXIMUM PRICE FOR GAS ADJUSTED BY MINISTRY FOR 10 YEARS.**
  - **ANY SUBSIDY TO COME FROM STATE**

# ..DOWNSTREAM FISCAL ASPECTS

- **INVESTOR SUBJECT TO GENERALLY APPLICABLE FISCAL SYSTEM**
- **TRANSPORTATION BY PIPELINE, LIQUEFACTION, LPG SEPARATION ACTIVITIES EXEMPT FROM :**
  - **VAT PAYMENT**
  - **CUSTOM TAX AND DUTY ON IMPORTED EQUIPMENT**

# **TRANSPORTATION BY PIPELINE**

- ❑ CONCESSION FOR 50 YEARS**
- ❑ OPEN ACCESS**
- ❑ NON DISCRIMINATORY TARIFFS APPROVED BY REGULATORY AUTHORITY**
- ❑ TARIFF SYSTEM**
  - SECURE THE LOWEST COST TO USER AND CONTINUITY OF SERVICE**
  - PERMIT CONCESSIONAIRE TO COVER REASONABLE COSTS, AMORTIZATION, PAYMENT OF TAXES, FINANCING CHARGES AND REASONABLE ROR**