



Adoption of the Decree regulating the Petroleum Administration Authority

March 29, 2012

The long-awaited Decree regulating the "Petroleum Administration Authority" (the "Authority") instituted by virtue of Law No. 132, has finally been issued by the Council of Ministers in its session dated 21 March 2012 and awaits publication in the Lebanese Official Gazette today.

The Decree is divided into two chapters; the first dealing with the administrative organization of the Authority, the second determining its financial organization.

A Board of Directors composed of six (6) full-time members and appointed for a term of six (6) years renewable one time only will form the executive arm of the Authority. This Board is to exercise the prerogatives of the Authority, as established by the Law No 132, such as:

- Conducting studies to promote the potential Lebanese petroleum resources.
- Preparing calls for bids, terms of reference, licenses and related contracts.
- Managing, monitoring and supervising the petroleum activities and the proper implementation of licenses and agreements, and submitting quarterly reports to the Minister of Energy and Water (the "Minister") for ratification.

The Decree determines the required conditions and qualifications for the members of the Board, who must refrain from assuming any responsibility in any company exercising petroleum activities during, and for at least three (3) years after, the end of their term.

The members of the Board are also subject to an obligation of confidentiality, which remains effective after the end of their tenure. To that end, they are prohibited from certain activities such as communicating with companies working in the petroleum sector without prior written notice from the Chairman of the Board.

They are subject to disciplinary and judiciary sanctions, and can be revoked in case of bribery and material breach of duty.

The Authority is to establish six (6) administrative units with specific missions:

- The Strategic Planning Unit
- The Technical and Engineering Affairs Unit
- The Geology and Geophysics Unit
- The Legal Affairs Unit
- The Economic and Financial Affairs Unit
- The Quality, Health, Safety and Environment (QHSE) Unit

The Decree sets the general missions of the Board of Directors and powers of the members. The Director of the Board is granted additional powers and is assisted in his mission by three departments: the department of administrative affairs, the department of financial affairs, and the department of internal audit.

The Board must meet regularly in order to accomplish its mission, and can schedule additional meetings to examine specific questions.

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The Decree sets the rules of quorum and majority for the Board; the decisions of the Board, unless subject to Minister's approval, are effective immediately.

The second part of the decree deals with the financial organization of the Authority, especially its budget and its rules, and the audit of its accounts.

The Decree regulating the "Petroleum Administration Authority" is one of the steps on the road; a decree appointing the members of the Board and many others are to follow in order to complete the legal and institutional framework for the exploitation of the Lebanese petroleum and gas resources.

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