



Petroleum Sector Legal and Institutional Framework

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Petroleum Resources Legal and Institutional Framework

Constitution

Constitution (Resources are the property of the State)

Laws

OPRL

1. Exploration and production agreement
2. Rights and obligations of the IOC's and the state.
3. Relinquishment and Development
4. Profit share
5. State take (Royalty + Profit share + tax)
6. QHSE

Tax Law

1. Corporate Tax
2. Dividend Tax
3. Stamp Duties

Petroleum Fund Law

- Under-preparation

Decrees

Implementation Decrees

1. Block delineation
2. Strategic Environmental Assessment (SEA)
3. Documentation and participation in licensing
4. Petroleum Administration assignment and bylaws
5. Application content and fees
6. Royalty, profit split and fees
7. Petroleum profit distribution and sharing
8. QHSE
9. Management and company head quarters

PSA Decree

- Organization
- Structure
- Mandates

Model Agreement

EPA

Accounting and Financial procedures

Rights and obligation

JOA

Nature of the Lebanese Petroleum Rights Allocation Systems

Licensing System

- Royalty
- Tax

Production Sharing System

- Profit Sharing

Service Agreement System

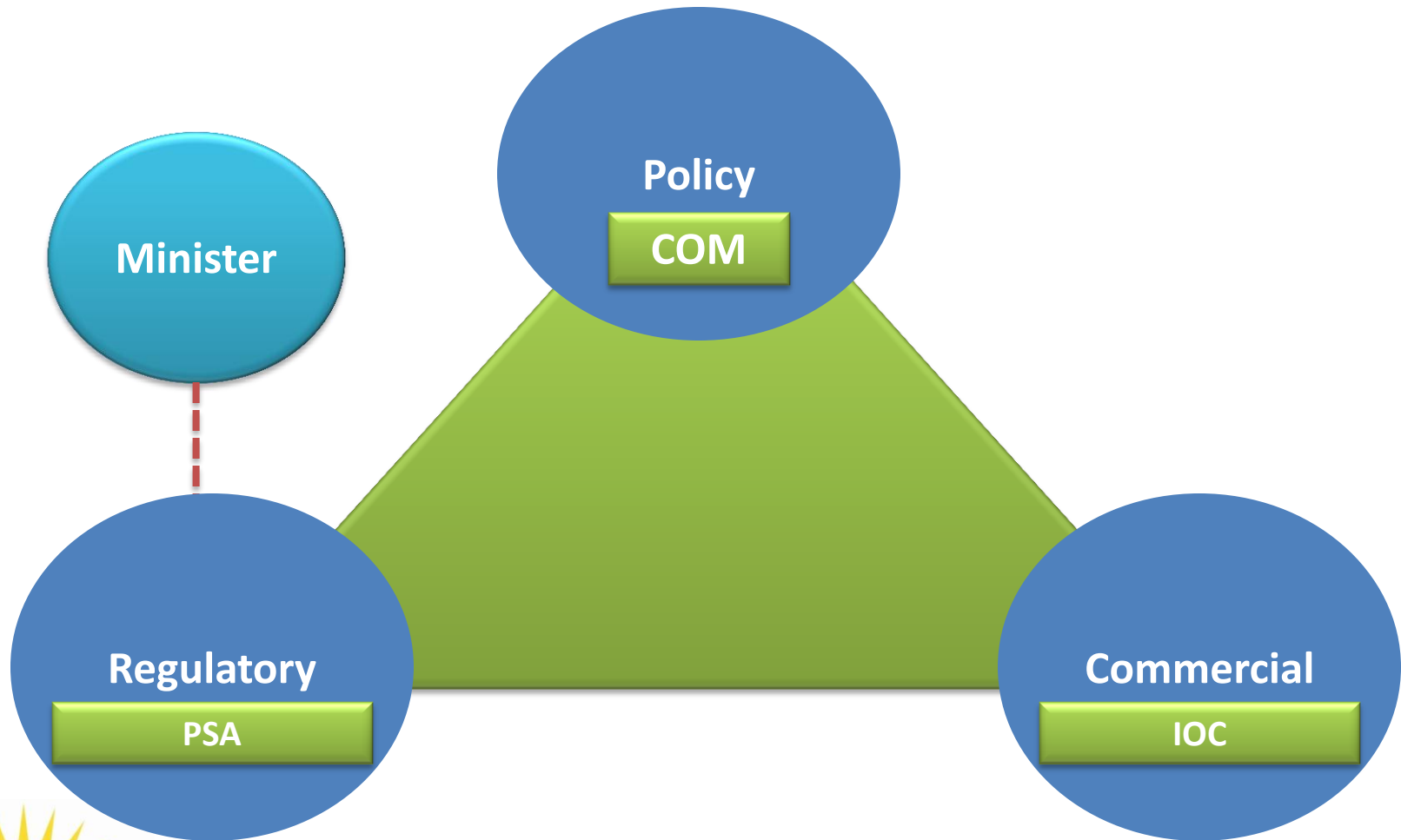
- NOC ↔ IOC

Hybrid System

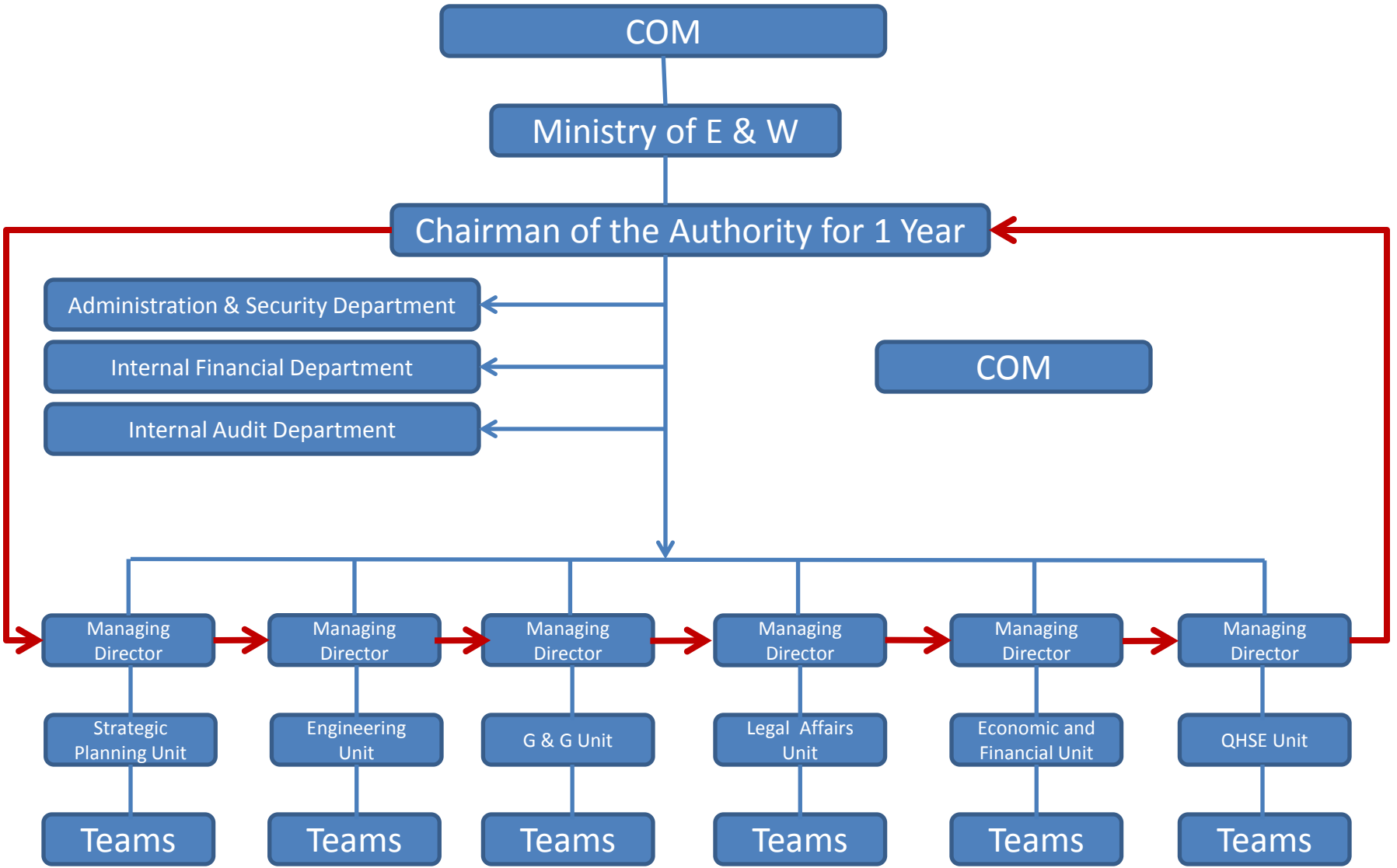
- Royalty
- Tax
- Profit sharing



Governance



Structure of the PSA



National Budget

MEW Budget

PSA Budget

- Salaries
- Expenditure
- Operational Cost

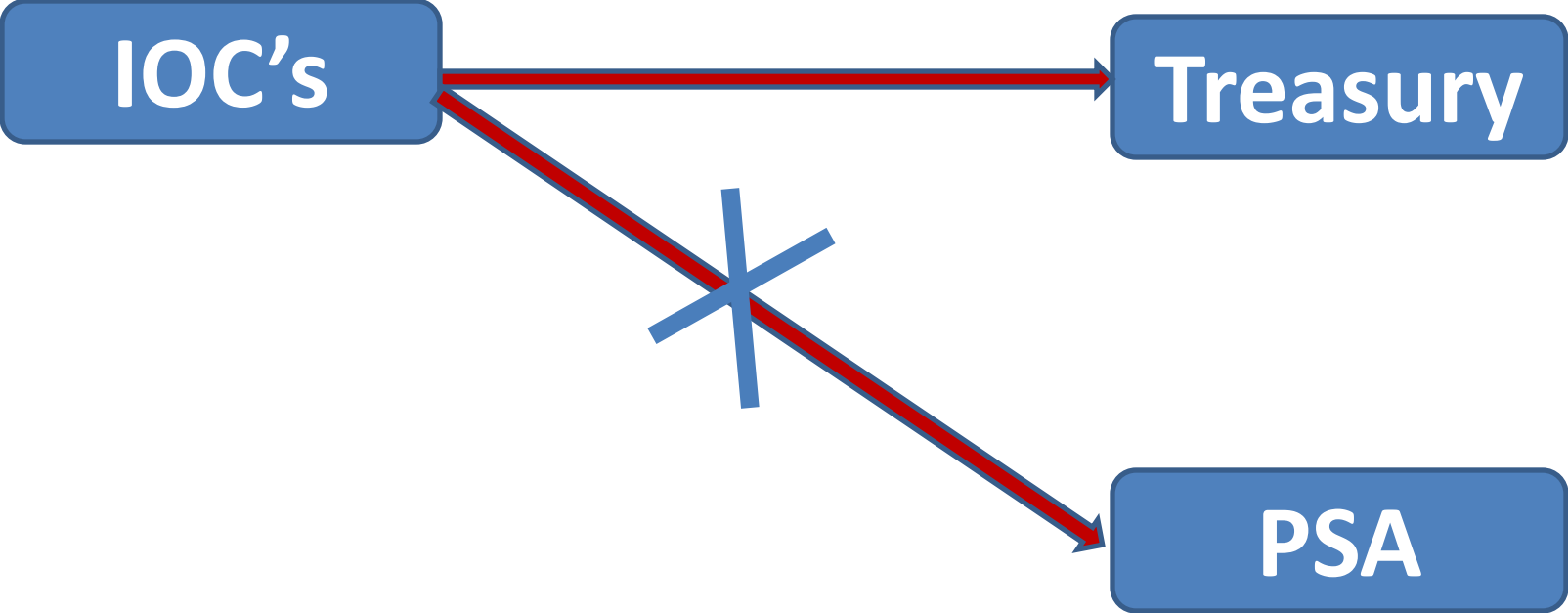
Administration

Administration

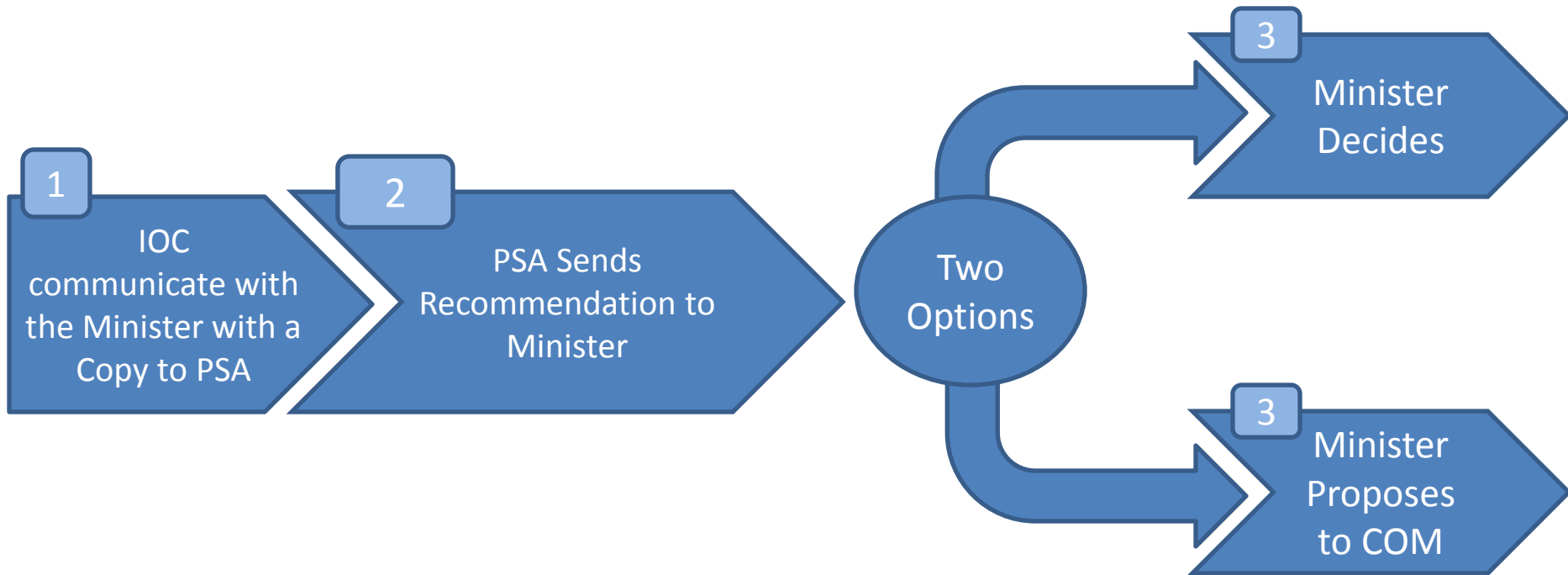
Ministries

Ministries

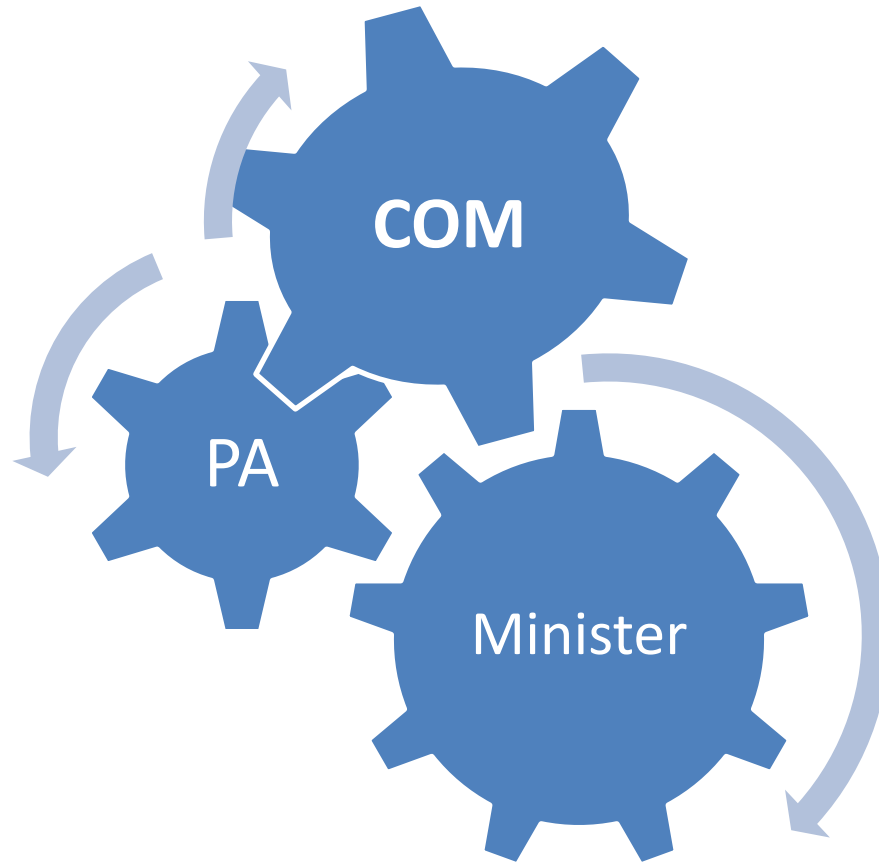
Fees



Communication with the PSA



System is well established



Features of petroleum legal system in Lebanon

1- Ownership of petroleum resources constitution (*article 89*) offshore petroleum resources law (*article 4*)

2- The establishment of an agency with the mandate to implement the policy of the sector (*article 10*) PSA



Features of petroleum legal system in Lebanon

3- Comprehensive legal setup

- Reconnaissance license (*article 11*)
- Exploration and production *agreement* (*article 19*)
- Development (*article 26*)
- National oil company participation (*not in the 1st licensee round*)
- Transportation and storage license (*article 31*)



Features of petroleum legal system in Lebanon

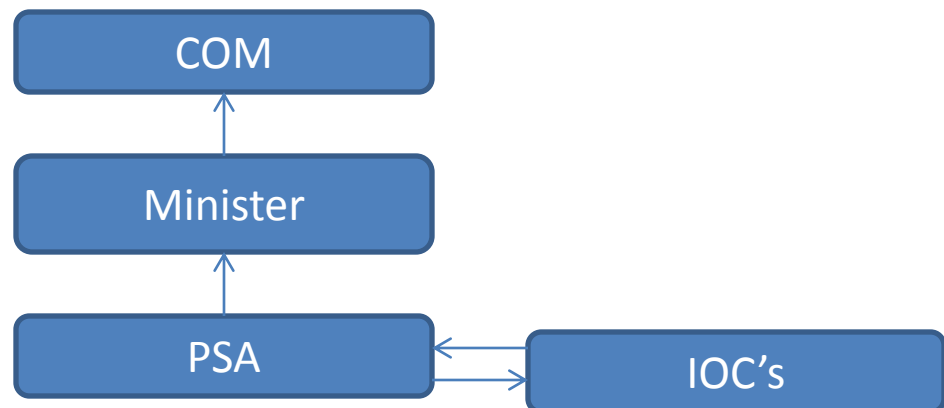
4- Legal tools under international norms

- Decrees (fiscal decree, operations decree, HSE decree)
- Model EPA
- Model JOA
- AFP

Features of petroleum legal system in Lebanon

5-Flexibility in the system

Decision making has to start through the PSA Minister-Council of Ministers



Features of petroleum legal system in Lebanon

6-Explicit obligations and rights

- Financial resources
 - Technical competence
 - Professional skills
- exclusivity licenses
- right to monetize profits



Features of petroleum legal system in Lebanon

7-Competitive fiscal package

- Reduction of uncertainties
- Clear picture of applicable regime
- No negotiations on taxes
- Fair And equitable tax treatment for IOC's
- No double taxation and reasonable period of tax stability
- Easily applicable exploration and production agreement



Features of petroleum legal system in Lebanon

8- Fiscal and operational provisions are fully covered

- Importation and permitting of goods
- Convertibility and non discriminatory exchange rates
- Access to local capital markets and banking facilities
- Right to retain profits from export sales



Features of petroleum legal system in Lebanon

9-Stability of tax regulations

Last amendments of income tax is from the 1998

10-Best environment protection practices



Features of petroleum legal system in Lebanon

- 11- International arbitration in a neutral forum (law of civil procedures). (article 762, ...)**
- 12- Access to land to conduct petroleum operations (requisition law);**
- 13- Local content and preferences (article 67);**
- 14- Training and employment of Lebanese personnel, article 75**
- 15- Unitization of overlapping deposits; (article 38)**



Petroleum License Awarding Process

