



**FEDERAL REPUBLIC OF SOMALIA**

**MINISTRY OF PETROLEUM AND  
MINERAL RESOURCES**

**SOMALI PETROLEUM LAW**



**MOGADISHU FEBRUARY 2020**

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## PREFACE:

THE PARLIAMENT OF THE FEDERAL REPUBLIC OF SOMALIA, TAKING INTO ACCOUNT THE ECONOMIC DEVELOPMENT AND ENCOURAGING INVESTMENT IN THE COUNTRY'S NATURAL RESOURCES, ENACTS THE PETROLEUM LAW OF THE FEDERAL REPUBLIC OF SOMALIA.

## CHAPTER I THE GENERAL PROVISIONS

### Article 1

#### Foundations of the Petroleum Law

Pursuant to Article 7(1), 44, [63(b), 69(1)(a)] and 79[(1) (d)] of the Provisional Constitution, the Federal Parliament of Somalia enacts this Law that shall apply in the Federal Republic of Somalia and its territories both offshore and onshore.

### Article 2

#### Definitions

In this Law:

1. **"Authorization"** means a Reconnaissance Authorization, a Production Sharing Agreement, a Surface Access Authorization, or any agreement made by the Government in respect of such an authorization or agreement.
2. **"Authorized Area"** means the area from time to time the subject of an Authorization.
3. **"Authorized Person"** means:
  - (i) In respect of a Production Sharing Agreement, a Contractor; and
  - (ii) In respect of any other Authorization, the Person to whom the Authorization has been granted.
4. **"Calendar Year"** means a period of twelve months commencing on January 1<sup>st</sup> and ending on the following December 31<sup>th</sup>, according to the Gregorian calendar.
5. **"Contract Area"** means the Authorized Area under a Production Sharing Agreement.
6. **"Contractor"** means a Person with whom the Ministry of Petroleum and Mineral Resources has made a Production Sharing Agreement.
7. **"Control"** means, in relation to a Person, the power of another Person to secure:
  - (i) By means of the holding of shares or the possession of voting power, in or in relation to the first Person or any other Person; or
  - (ii) By virtue of any power conferred by the articles of association of, or any other document regulating, the first Person or any other Person that the affairs of the first Person are re-conducted in accordance with the wishes or directions of the other Person.





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8. **"Crude Oil"** means crude mineral oil and all liquid hydrocarbons in their natural state or obtained from Natural Gas by condensation or extraction.
  9. **"Decommission"** means, in respect of the Authorized Area or a part of it, as the case may be, to abandon, decommission, transfer, remove and/or dispose of structures, facilities, installations, equipment and other property, and other works, used in Petroleum Operations in the Authorized Area, to clean up the Authorized Area and make it good and safe, and to protect the environment.
  10. **"Good Oil Field Practice"** has the meaning given in section 36.1.
  11. **"Government"** means the Government of the Somali Republic, acting through its appropriate officials or Ministry, as determined by the Council of Ministers.
  12. **"Inspector"** has the meaning given in section 39.1.
  13. **"Law"** means this Petroleum Law, as amended or modified from time to time.
  14. **"Ministry"** means the ministry from time to time responsible for the administration of this Law, as established by the Government, and which shall initially be the Ministry of Petroleum.
  15. **"Minister"** means the minister of the Government from time to time responsible for the administration of this Law, as established by the Government, and which shall initially be the Ministry of Petroleum and Mineral Resources.
  16. **"Natural Gas"** means all gaseous hydrocarbons and inert, including wet mineral gas, dry mineral gas, casing head gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas, but not Crude Oil.
  17. **"Operator"** means an Authorized Person or other Person named in an Authorization or unitization agreement to organize and supervise Petroleum Operations.
  18. **"Parliament"** means the Federal Parliament of Somalia;
  19. **"Person"** includes a corporation or other legal entity.
  20. **"Petroleum"** means:
    - (i) Any naturally occurring hydrocarbon, whether in a gaseous, liquid or solid state; or
    - (ii) Any mixture of naturally occurring hydrocarbons, whether in a gaseous, liquid or solid state.
  21. **"Petroleum Operations"** means activities for purpose of:
    - (i) Prospecting for Petroleum;
    - (ii) Exploration for, development, production, sale or export of Petroleum; or
    - (iii) Construction, installation or operation of any structures, facilities or



installations for the development, production and export of Petroleum, or decommissioning or removal of any such structure, facility or installation.

22. **"Production Sharing Agreement"** means an agreement made or given pursuant to Article 3, pursuant to which the Contract or receives a share of the Petroleum resulting from the conduct of Petroleum Operations as compensation for its activities.
23. **"Public Officer"** means a civil servant or equivalent individual, members of Parliament or of Government, solicitor general Judges or Public Prosecutors, or an officer the Somali Petroleum Authority.
24. **"Reconnaissance Authorization"** means an authorization granted pursuant to Article 23.
25. **"Regulations"** shall mean those rules and regulations issued from time to time by the Ministry with respect to the management of Petroleum Operations, as contemplated by this Law.
26. **"Reservoir"** means a porous and permeable underground formation containing an individual and separate natural accumulation of producible hydrocarbons (oil and /or gas) that is confined by impermeable rock and /or water barrier sand is characterized by a single natural pressure system.
27. **"State-Owned Contractor"** means a Person incorporated under the laws of Somalia which is controlled, directly or indirectly, by a government of a Federal member state.
28. **"Somali Petroleum Authority" or "SPA"** means the authority established pursuant to Article 19 of this Law.
29. **"SONOC"** means the corporation established pursuant to Article 20.
30. **"Surface Access Authorization"** means an authorization granted pursuant to Article 25;
31. **"Territory of Somalia"** consists of all land, waters, and airspace over which Federal Republic of Somalia has sovereignty, including its territorial sea and its continental shelf, and further includes its exclusive economic zone, which has previously been submitted to the United Nations. Federal Republic of Somalia has sole and exclusive rights for the purposes of exploring for, developing and producing its natural resources;
32. **"Somalia"**: means the Federal Republic of Somalia;
33. **"Well"**: means a perforation in the earth's surface dug or bored for the purpose of producing Petroleum;
34. **"Agreement on ownership, Management and Sharing of the Natural Resources of the Country"**: means the Agreement on ownership, management and sharing of the income from the natural resources of the Country (petroleum & minerals), signed in Baidoa on the 5<sup>th</sup> of June, 2018,





**35. "Heads of the Executive":**

- a. At Federal level: means the Prime Minister of the Federal Republic of Somalia;
- b. At Regional State: means the Presidents of the Regional States and the Benadir Region;

**Article 3**  
**Purpose (s)**

**This Law shall have as its purpose:**

1. to confirm the sovereign rights of Somalia to explore, develop, utilize and manage its petroleum resources, located onshore and offshore.
2. to allow efforts to be undertaken to determine the extent of the Petroleum resources which may exist in Somalia, by creating a regulatory, contractual and financial regime that allows the reconnaissance and exploration of Petroleum, and development, production and marketing of any Petroleum which is discovered;
3. if Petroleum resources are discovered in Somalia, to provide maximum benefit to Somalia and its people from the development and production of Petroleum;
4. to ensure the protection, conservation and preservation of the environment in the conduct of Petroleum Operations;
5. to encourage and support foreign investment which aims to attain the other purposes of this Law;
6. To establish the Somalia Petroleum Authority as the competent regulatory authority to regulate Petroleum Operations, applying regulatory principles of equality, openness, accountability, transparency and non-discrimination;
7. to establish the Somali National Oil Company as an entity Controlled by the Government for the participation in Petroleum Operations in Somalia;
8. to comply with international initiatives to ensure transparency of extractive industries, by enhancing public financial management and accountability, recognizing that management of natural resource wealth for the benefit of Somali citizens is in the domain of the Government, to be exercised in the interests of national development; and
9. to ensure fair treatment of specified legal persons holding rights pursuant to Petroleum grants made by the Somali Democratic Republic on or before December 30, 1990.

**Article 4**  
**Ownership of the Petroleum**

The Petroleum is a national asset which belongs to all the people of Somalia and shall be vested in the Federal Republic of Somalia and the Federal Member States, in trust for the people of Somalia.



**Article 5**  
**Proprietor of Natural Resources**

The Federal Republic of Somalia is the proprietor of its natural resources both onshore and offshore.

**Article 6**  
**Sharing of Petroleum Income**

Petroleum income will be shared between the Federal State and the Regional Federal Member States in accordance with the “Agreement on Ownership, Management and Sharing of the Country’s Natural Resources” (Petroleum & Minerals), in light of Article 44 of the Federal Provisional Constitution.

**Article 7**  
**Management of the Petroleum**

1. The Petroleum resource will be jointly managed by the Federal Government, the present Federal Member States, the future member states and the Benadir Region, according to Article 2 of the Agreement on the Ownership, Management and Sharing of the Income from the Natural Resources of the Country (petroleum & mineral).
2. The National Resources’ Council is the highest council in which are analyzed all the issues related to natural resources that need to be agreed upon and refer all unresolved matters to the other executive councils, namely the executives at the Federal and Member State level.

**Article 8**  
**Planning for distributing the shares of petroleum income  
to non-petroleum regions**

The Federal Government shall ensure that the non-producing regions get their share of petroleum income, in accordance with the Agreement on the Ownership, Management and Sharing of the Country’s Natural Resources (petroleum & mineral).

**Article 9**  
**Petroleum Companies that had Previous  
Dealings with Somali Governments**

1. All agreements pertaining to petroleum that were signed with administrations existing in parts of Somalia or previous provisional governments in the period between December 1990 up to September 2012 are considered null and void.
2. All the agreements signed between foreign companies with the Somali government before 1991 are considered as valid agreements and they will be given good consideration.
3. These companies which had previous agreements before 1991 will have to renew them with the Federal Government of Somalia in accordance with Article 54.





**Article 10**  
**Methods of Securing and protecting**  
**The petroleum after extraction**

The Federal Government of Somalia, in collaboration with the Federal Member states, is responsible to protect and secure petroleum companies and petroleum operations throughout various regions and districts of the country.

**Article 11**  
**Environmental protection**

The petroleum companies that hold licenses should protect the environment of the areas affected by theirs operations in accordance with national laws, international treaties on the environmental protections.

Those companies should protect the safety of:

- a. Humankind.
- b. Animals
- c. Farm and pasture
- d. Seaside
- e. Rivers
- f. Lakes
- g. Atmosphere
- h. Land/Sand
- i. ETC

The Federal Government of Somalia must ensure that those companies fulfill their obligations to protect the environment in accordance with the provisions of this Law and its regulations.

**Article 12**  
**Damage Compensation due to the private assets**

Any exploration or drilling operations damaging any human and private assets must be equitably compensated by the petroleum companies.

**Article 13**  
**Power of issuing the petroleum licenses for exploration**

Foreign companies, national companies and joint companies who are doing the exploration and drilling for petroleum, can only and exclusively make agreement with the Federal government for the conduct of petroleum operations in Somalia, in accordance with Article 19.14 and 24.1 and the Agreement on the Ownership, Management and Sharing of the Country's Natural Resources.



**CHAPTER II**  
**GENERAL PROVISIONS**  
**Article 14**  
**Territorial Scope of Law**

This Law applies to the Territory of Somalia.

**Article 15**  
**Material Scope of Law**

1. Scope: This Law applies to Petroleum Operations.
2. Other Minerals: The existence of an Authorization in force in a given area does not prevent Authorization of the exploration and production of mineral substances other than Petroleum, provided that such other activity does not hinder the proper performance of the Petroleum Operations.

**Article 16**  
**Title to Petroleum**

1. Title to Petroleum. Title to, and control over, Petroleum in the Territory of Somalia are National property and are vested in the Federal Republic of Somalia and Federal Member States, in trust for its people.
2. Transfer of Title after Recovery. A Person may acquire title to Petroleum only after it has been lawfully recovered under a Production Sharing Agreement issued pursuant to this Law.

**Article 17**  
**Exercise by the Ministry and SPA of its Powers and Functions**

1. The Ministry and the Somalia Petroleum Authority shall exercise their powers and discharge their functions under this Law and the Regulations, including under Authorizations made hereunder, in such a manner as:
  - a. to ensure sound resource management;
  - b. to ensure that Petroleum is developed in a way that minimizes damage to the natural environment, is economically sustainable and contributes to the long-term development of Somalia;
  - c. to ensure that it be implemented in a reasonable way and is consistent with Good Oil Field Practice.
2. Opportunity for presenting grievance. Before exercising any such power or discharging any such Function, the Ministry and the Somalia Petroleum Authority may give opportunity to Persons likely to be affected to make grievance to it, and shall give consideration to the relevant grievance received by it, if it deems right.





**Article 18**  
**Functions of Ministry**

1. The Ministry shall perform the following functions:

- a. make decision on strategies, plans and policies for the development of the Petroleum industry;
- b. issue regulations with respect to the management of Petroleum Operations as recommended to the Ministry by the Somalia Petroleum Authority as contemplated by this Law;
- c. make decision on policies and forms of cooperation with foreign entities, including the approval of the forms of Model Authorizations prepared by the Somalia Petroleum Authority;
- d. manage the process of substituting Production Sharing Agreements for rights granted by the Somali Democratic Republic on or before December 30, 1990, as contemplated by paragraph 54.1;
- e. establishing policies to promote or restrict petroleum export to protect the interest of Somalia;
- f. to monitor developments in Petroleum Operations in Somalia and in border regions close to Somalia; and
- g. deal with, in collaboration with, the concerned government institutions, ministries, departments responsible for regulations in adjacent countries regarding Petroleum activities that may have cross-border impacts, such as cross-border Reservoirs or pipelines.
- h. the Government may confer on the Ministry such additional functions in relation to the regulation and monitoring of Petroleum Operations and, where appropriate; associated matters connected with the functions for the time being of the Ministry as are appropriate.

2. Ministry Confidentiality. When staffs of the Ministry at national and regional level perform their lawful functions, they shall be obligated to maintain the confidentiality of commercial secrets of persons and enterprises of which they become aware where the Ministry is satisfied that:

- a. disclosure of the information could reasonably be expected to result in a material loss or gain to a person directly affected by the functions of the Ministry, or could reasonably be expected to prejudice the person's competitive position; or
- b. the financial, commercial, scientific or technical information that is confidential information supplied to the Ministry and the information has been consistently treated as confidential information by a person directly affected by the functions of the Ministry, and the Ministry considers that the person's interest in confidentiality outweighs the public interest in disclosure.



**Article 19**  
**Establishment and Functions of Somalia Petroleum Authority (SPA)**

**1. Establishment of SPA:**

This Law establishes the Somali Petroleum Authority as the competent and inclusive authority to regulate Petroleum Operations under the jurisdiction of the Ministry.

**2. Time of Formation:**

- a. The SPA shall be formed and be entitled to exercise its powers on the date of its formation.
- b. The SPA will be formed and will start performing its functions within 6 months from the day this Law comes into force.

**3. SPA administration.**

- a. The Board of Directors of SPA shall consist of two members (2) representing the Federal Government, with one member representing each existing or future (when they formed) Regional Member States and the Benadir Region.
- b. The members of the SPA shall be selected for their knowledge, professionalism, competence and integrity.
- c. The member states shall submit to the Ministry the names of the members representing them. The Minister shall transmit to the Council of the Ministers both the members representing the Federal Member States along with those representing the Federal Government for approval.
- d. Members shall hold office during good behavior for a period of four years, but may be removed for cause at any time by the Government. Cause for removal shall include any breach of Articles 19.8 or 19.9 or ceasing to be eligible to be a member under Article 19.5.

**4. Staff of SPA.** The Secretary-General and the other staff necessary for the proper conduct of the business of the SPA shall be appointed by the Board of Directors of the SPA.

**5. Qualifications of Members.** A person is not eligible to be appointed or to continue as a member of the SPA if that person is not a Somali citizen or is, as owner, shareholder, director, officer, partner or otherwise, engaged in the business of producing, selling, buying, transmitting, exporting, importing or otherwise dealing in Petroleum in Somalia or holds any bond, debenture or other security of a corporation engaged in any such business.

**6. Qualifications of Staff.** A person is not eligible to be appointed or to continue as staff of the SPA if that person is, as owner, shareholder, director, officer, partner or otherwise, engaged in the business of producing, selling, buying, transmitting, exporting, importing or otherwise dealing in Petroleum in Somalia or holds any bond, debenture or other security of a corporation engaged in any such business.





**7. SPA Chair.** The Government shall designate one of the members to be Chairperson of the Board of Directors of the SPA and another of the members to be Vice-Chairperson of the Board of Directors the SPA. The Chairperson is the Chief Executive Officer of the SPA, and has supervision over and direction of the work and staff of the SPA. If the Chairperson is absent or unable to act or if the office is vacant, the Vice-Chairperson has all the powers and functions of the Chairperson.

**8. Duty of Care.** Members and staff of the SPA shall perform their duties faithfully, do their work according to law and be impartial and honest. They may not take advantage of their positions to seek illegitimate gains.

**9. SPA Confidentiality.**

When the SPA and its members and staff perform their lawful functions, they shall be obligated to maintain the confidentiality of commercial secrets of persons and enterprises of which they become aware where the SPA is satisfied that:

- a. disclosure of the information could reasonably be expected to result in a material loss or gain to a person directly affected by the functions of the SPA, or could reasonably be expected to prejudice the person's competitive position; or
- b. the financial, commercial, scientific or technical information that is confidential information supplied to the SPA and the information has been consistently treated as confidential information by a person directly affected by the functions of the SPA, and the Authority considers that the person's interest in confidentiality outweighs the public interest.

**10. The Head Office of SPA.** The head office of Somali Petroleum Authority shall be in Mogadishu, the capital city of the Federal Republic of Somalia.

**11. Subsidiary offices.** The SPA shall keep under review the volume of regulatory work that relates to persons whose Petroleum Operations fall wholly within the boundaries of a particular State of Somalia. Where the SPA finds that the volume of such work justifies the creation of a regional office of the SPA in that State, or that a regional office should be established for more than one State, it shall so advise the Ministry. The Ministry may then issue the authorization of establishing that regional office, the Government shall appoint three members of SPA that shall have an office in that region.

Two of the SPA members from that region will be chosen from a list consisting of five persons who are eligible and competent for that work and shall be submitted by the regions to the Government.

The provisions of this law on appointment, time, termination, terms of employment, confidentiality, and other related matters shall equally be applicable to members of the SPA who operate in that regional office.

Applications, authorizations, decisions, directions or orders which the SPA is required or entitled to handle and that relate to Petroleum Operations that are wholly within the boundaries of a State which the regional office of the SPA has been established to serve shall be handled by that office.





In performing its duties, the regional office of the SPA shall observe federal principles, policies, objectives and standards and adhere to national guidelines specified by the SPA.

**12. Duty of SPA.** The SPA shall regulate Petroleum Operations according to this Law and other laws of Somalia.

**13. Functions of SPA.** The SPA shall perform the following functions:

- a. to regulate, through the issuance, monitoring, modification and enforcement of Authorizations and the issuance of decisions, orders and directions under this Law and the Regulations, the conduct of Petroleum Operations in accordance with and subject to the provisions of this Law;
- b. to ensure proper qualification of Authorized Persons, including without limitation, ensuring that Authorized Persons are commercially and financially competent, and credit worthy persons with the technical capability to perform their obligations;
- c. to ensure compliance by the relevant persons with any Authorization, rule, decision, order or direction issued by the SPA in accordance with this Law;
- d. study and keep under review matters relating to the Petroleum industry which the Ministry requests the SPA to monitor, and report from time to time on such matters and recommend such measures as it considers necessary or advisable in the public interest for the control and development of that industry.

The Government, on the recommendation of the Ministry, may confer on the SPA such additional functions in relation to the regulation, monitoring and control of Petroleum Operations and associated matters connected with its functions deemed appropriate and necessary.

**14. Powers of SPA.** When performing its functions according to law, the SPA shall have the following powers:

- a. to grant Reconnaissance Authorizations in accordance with paragraph of Article 23.1.;
- b. to negotiate Production Sharing Agreements in accordance with paragraph of Article 24.1.;
- c. to grant Surface Access Authorizations in accordance with paragraph of Article 25.1.;
- d. to grant exemptions from burden that may the authorized person face in accordance with Article 34;
- e. to modify and revoke any Authorization in accordance with this Law, the Regulations and the provisions of the Authorization;
- f. to make and enforce directions to ensure compliance with Authorizations;
- g. inquire into, hear and determine any matter where it appears to the SPA that any person has failed to do any act, matter or thing required to be done by this Law, the Regulations or by any Authorization, decision, order or direction made by the SPA, or that any person has done or is





doing any act, matter or thing contrary to or in contravention of this Law, the Regulations or any such Authorization, decision, order or direction;

- h. order and require any person to do at any specified time and in any manner prescribed by the SPA, any act, matter or thing that such person is or may be required to do under this Law, the Regulations or any Authorization or rule, or any decision, order or direction made or given under this Law or the Regulations; and forbid the doing or continuing of any act, matter or thing that is contrary to this Law, the Regulations or any such Authorization, rule, decision, order or direction;
- i. in connection with the foregoing, to gather information, including compelling the provision of information from any Authorized Person;
- j. assess penalties for the breach of any Authorization, decision, order or direction of the SPA, in accordance with Chapter VIII;
- k. work cooperatively with foreign regulators, ministries or departments responsible for regulation in adjacent countries regarding cross-border Petroleum Operations or pipelines;
- l. to make rules in accordance with paragraphs (17) and (18) of Article 19; and
- m. of its own motion inquire into, hear and determine any other matter or thing that under this Law or the Regulations it may inquire into and determine.

#### **15. Investigation.**

It shall be the duty of the SPA to investigate or cause to be investigated whether any relevant requirement or condition of an Authorization has been or is being contravened.

#### **16. Cooperation with SPA.**

When the SPA and its members and staff perform their lawful functions, persons and enterprises under inspection or investigation shall cooperate and provide truthful and relevant documents and materials. Such persons and enterprises may not refuse to cooperate, and should attempt to obstruct inspection or investigation or conceal relevant documents or materials.

#### **17. SPA Operational Rules.**

The SPA may, following consultation with the Ministry, make such rules as appears to it requisite or expedient having regard to its duties and functions, including rules requiring or prohibiting certain commercial conduct of Authorized Persons so as to ensure the orderly functioning of the Petroleum industry in Somalia. Rules made pursuant to this paragraph (17) may not have the effect of amending or materially altering the provisions or conditions of any Authorization. Amendments and material alterations to Authorizations may only occur pursuant to Article 34.

#### **18. SPA Procedural Rules.**

The SPA may make rules respecting the sittings of the SPA, the procedure for making applications, representations and complaints to the SPA and the conduct of hearings before the SPA, and the Manner



of conducting any business before the SPA, and generally, the carrying on of the work of the SPA, the management of its internal affairs and the duties of its staff. When making these rules, the SPA shall seek to incorporate principles of openness, transparency, accountability and independence.

**19. Annual report.** At the end of every year, within six months, the SPA shall submit to the Ministry a report on its yearly activity.

**20. Public Documents.** The SPA shall make available to the public:

- a. the rules established by the SPA pursuant to Article 19.17. and 19.18.;
- b. decisions, orders and directions of the SPA;
- c. penalties imposed by the SPA;
- d. general reports provided in paragraph 19.19.;
- e. the model forms of any Reconnaissance Authorization, Surface Access Authorization or Production Sharing Agreement; and
- f. the Authorizations issued by the SPA.

**21. Ministry's Role re SPA.** The Ministry may provide general policy guidance to the SPA in connection with the performance of the SPA's functions under this Law and the Regulations. Policy guidance provided by the Ministry shall be published by the Ministry in the same manner as other legislative and policy matters are published. When performing its duties under this Law or the Regulations, the SPA shall consider the policy directives issued by the Ministry. The Ministry should not intervene in any specific issue or matter that may be brought before the SPA.

**22. Appeal.** Except as provided in this paragraph (22), every decision, order or direction of the SPA is final and conclusive. An appeal may be made to the SPA from a decision, order or direction of a regional office of the SPA on any question. An appeal may be made to Supreme Court from a decision, order or direction of the SPA on a question of law, or of jurisdiction, or bias on the part of a member of the SPA who participated in the decision, order or direction, or of compliance with the rules of procedural fairness described in paragraph (23) of article 19. No appeal lies from a decision of the SPA on any other grounds. An application for appeal must be made within sixty days after the release of the decision, order or direction sought to be appealed.

**23. Procedural Fairness.** In performing its functions under this Law or the Regulations, the SPA shall:

- a. give notice to interested persons of any application received or hearing that the SPA is to conduct in the manner provided in this Law or the Regulations;
- b. conduct hearings with respect to the issuance, revocation or suspension of Authorizations in those circumstances provided for in this Law or the Regulations;
- c. give written reasons for its decisions, orders and directions, which reasons shall be given at the time of the decision, order or direction; and





- d. where a decision, order or direction is made after a hearing, render its decisions based on the evidence, argument and information presented at the hearing.

**24. Fees, Levies and Charges.** The Ministry, considering the advice of the SPA, may for the purposes of recovering all or a portion of incurred costs as the SPA determines to be attributable to its responsibilities under this Law or the Regulations, impose reasonable fees, levies or charges on any enterprise that hold an Authorization issued pursuant to this Law or the Regulations, and provide for the manner of calculating the fees, levies and charges in respect of the person or company and their payment. The SPA may also specify a certain amount of penalty and the manner of calculating that penalty payable by an enterprise on any fee, levy or charge not paid by the person or company on or before the date it is due.

#### **Article 20**

##### **Establishment and Functions of Somali National Oil Company (SONOC)**

1. Somali National Oil Company (SONOC) is established as a juridical person in the form of a corporation.
  - a. The head office of SONOC shall be at a place in capital city of the Federal Republic of Somalia.
  - b. SONOC has, in respect of its powers, all the rights, powers, privileges and capacity of a natural person.
  - c. This Law shall apply to the SONOC in the same terms as is applicable to any other Authorized Person, with the required adaptations.
2. Purpose of SONOC. The purpose of the SONOC is to be a commercial enterprise Controlled by the Government to conduct Petroleum Operations in Somalia. SONOC shall be entitled to exercise the right of participation referred to in article 35(1). SONOC may acquire an Authorization by direct acquisition or pursuant to a bid process conducted by the SPA in the same manner as any other Person.
3. **SONOC Board of Directors.** SONOC shall have a Board of Directors comprised of the General Manager, two members representing the Federal Government and one representative for each Federal Member State.
  - a. The Chairperson is to be appointed by the Government to hold office for a term that the Government considers appropriate.
  - b. The General Manager of SONOC is to be appointed by the Government to hold office with good behaviour for a term that the Government considers appropriate and may be removed for cause. The Managing Director is eligible for reappointment on the expiration of his or her term of office.
  - c. The other directors are to be appointed by the Government based on recommendations of the Ministry, for a term of no more than three years so as to ensure, as far as possible, the



expiration in any one year of the terms of office of not more than half of the directors. Any other director is eligible for reappointment on the expiration of his or her term.

- d. Subject to Section 20.3.5, no individual is eligible to be appointed or to continue as Chairperson, Managing Director or a director unless the individual is a Somali citizen.

4. **Role of SONOC Board.** The Board shall direct and manage the business and affairs of SONOC:

- a. The Board may, by resolution, make by-laws to regulate the business and affairs of SONOC.
- b. The Board may establish an Executive Committee, or any other committee or advisory group that the Board considers advisable, and determine its composition and duties and the tenure of its members.
- c. The Board may delegate power to, and specify duties and authority of, the Executive Committee to act in all matters that are not by this Act or any by-law or resolution specifically reserved to be done by the Board.
- d. The Chairperson shall carry out the duties determined by by-law.
- e. The General Manager is the chief executive officer of SONOC and has, on behalf of the Board, the direction and management of the business and affairs of SONOC with authority to act in all matters that are not by this Law or any by-law or resolution specifically reserved to be done by the Board or the Executive Committee. The Government may change the title of the Managing Director to such other title as it determines appropriate, so long as the functions of the holder of that office retains the role of chief executive officer.
- f. If the General Manager is absent or unable to act, or if the office of General Manager is vacant, the Board may authorize an officer or employee of SONOC to act as General Manager, but that person may not act as General Manager for a period of more than ninety days without the approval of the Government.

5. **SONOC Officers and Employees.** SONOC may employ such officers and employees, and may engage such agents, advisers and consultants, as it considers necessary to carry out the purpose of this Law and for the proper conduct of its business and Somalia Petroleum Corporation may fix the terms and conditions of their employment or engagement.

6. **Remuneration of SONOC Board.** The Chairperson and each director, except the General Manager and any director employed in the public service of Somalia, are entitled to be paid by SONOC the remuneration fixed by the Ministry for their time to attend meetings of the Board or any committee of the Board and to perform their duties under this Law.

7. **SONOC Directors Expenses.** Directors are entitled to be paid by SONOC reasonable travel and living expenses incurred in connection with the performance of their duties under this Act while absent from their ordinary places of residence.





8. **Remuneration of SONOC Officers and Employees.** Officers, employees, agents, advisers and consultants are entitled to be paid by SONOC the remuneration, expenses and benefits that SONOC may determine
9. **Transfer of shares.** If the holder of an authorization decides to transfer all or part of his shares, the SONOC has right to acquire such shares at the market price.
10. **Petroleum Companies of the Federal Member States.** The petroleum companies of the Federal Member States are business enterprises that serve and represent share and the interests of the Federal Member States in the petroleum business of the SONOC, with the responsibility of building and managing the federal member states' fuel infrastructure and marketing the amount of fuel used in the country, without compromising the values of free market principles.

#### **Article 21** **Restrictions to Rights of Public Officers**

##### **1. Conflict of Interest Restrictions.**

Public Officers shall not acquire, attempt to acquire or hold:

- a. an Authorization or an interest, whether direct or indirect, in an Authorization; or
- b. a share in company (or an affiliate of it) that holds an Authorization.

##### **2. Consequence of Contravention.**

Any instrument that grants or purports to grant, to a Public Officer, an interest, whether direct or indirect, in an Authorization shall, to the extent of the grant, be void.

##### **3. Relations.**

The acquisition or holding of an Authorization, interest or share by the minor children or spouses of a Public Officer shall be deemed to be an acquisition or holding by the Public Officer.

##### **4. Exception.**

This Article 21 does not apply to Public Officers who are directors, officers or employees of or consultants to SONOC to the extent that their interest in an Authorization is held by SONOC.

#### **Article 22** **Graticulation**

For the purposes of this Law, the Territory of Somalia, or parts thereof, shall be divided into blocks according to a grid system which conforms to accepted international standards and norms of graticulation.



## **CHAPTER III OF PETROLEUM OPERATIONS**

### **Article 23 Reconnaissance Authorizations**

#### **1. Power to Grant.**

The Somalia Petroleum Authority may grant a Reconnaissance Authorization, in respect of a specified area, to a Person or a group of Persons.

#### **2. Rights under Reconnaissance Authorization.**

- a. A Reconnaissance Authorization grants a right to perform geological, geophysical, geochemical and geotechnical surveys in the Authorized Area.
- b. The Reconnaissance Authorization shall require the Authorized Person to report on the progress and results of such prospecting, and to maintain confidentiality with respect thereto.
- c. Nothing in a Reconnaissance Authorization authorizes the holder to drill a Well or to have any preference or right to enter into a Production Sharing Agreement.

#### **3. Overlapping Authorizations.**

Prior to granting a Reconnaissance Authorization in respect of an area that is the subject of an existing Authorization, the SPA shall give written notice to the holder of the existing Authorization.

#### **4. Surrender and Termination.**

- a. The holder of a Reconnaissance Authorization may surrender it at anytime by written notice to the SPA, provided that the Authorized Person has fulfilled all its obligations thereunder.
- b. If the holder has not complied with a condition to which the Reconnaissance Authorization is subject, the SPA may terminate it by written notice to the holder after giving the holder a reasonable opportunity to cure the condition.

### **Article 24 Production Sharing Agreements**

#### **1. Power to Grant**

The Somalia Petroleum Authority may conclude a Production Sharing Agreement, in respect of a specified area, with a Person or a group of Persons provided that if a group, such group has entered into a joint operating agreement approved by the SPA under article 31 paragraph (1). Each Production Sharing Agreement shall be signed by the Minister, based on a recommendation from the SPA.

#### **2. Qualification of Contractors**

In order to be eligible to enter into a Production Sharing Agreement, a Person must:





- a. have, or have access to, the financial capability, and the technical knowledge and technical ability, to carry out the Petroleum Operations in the Contract Area;
- b. not have a record of non-compliance with principles of good corporate citizenship; and
- c. be a limited liability corporation or entity with limited liability.
- d. must be covered with appropriate international insurance.

### **3. Exclusivity**

- a. Without prejudice to Article 25, or the right of the SPA to grant a Reconnaissance Permit, a Production Sharing Agreement grants to the Contractor the exclusive right to conduct Petroleum Operations in the Contract Area.
- b. The Production Sharing Agreement may be limited to Crude Oil, Natural Gas or other constituents of Petroleum.
- c. The initial contract area under a Production Sharing Agreement may not exceed 5,000 km<sup>2</sup>.

### **4. Notice of Discovery**

- a. A Contractor shall give written notice to the SPA within twenty four (24) hours whenever any Petroleum is discovered in its Authorized Area.
- b. The Contractor shall provide such information relating to the discovery requested by the SPA.

### **5. Work Programs Plans & Budgets**

A Production Sharing Agreement shall oblige the Contractor to carry on Petroleum Operations only in accordance with work programs, plans and budgets approved by the SPA.

### **6. Required Provisions of PSA**

A Production Sharing Agreement shall include provisions addressing the following matters:

- a. a minimum work obligation to be performed during an exploratory phase of the term of the Production Sharing Agreement;
- b. relinquishment of portions of the contract area during the exploratory phase;
- c. financial terms respecting royalties (if any), and the sharing of Petroleum between the Contractor and the Government;
- d. if appropriate, financial features other than royalties and sharing of Petroleum including signature and production bonuses;
- e. environmental provisions directed at protecting and preserving the environment;
- f. if appropriate, obligations respecting the supply of petroleum to the Somali domestic market, especially in emergency situations;



- g. training and hiring of Somali citizens;
- h. preference for the supply of Somali-sourced goods and services;
- i. if appropriate, assurances of financial and contractual stability; and
- j. International arbitration.

#### **7. Taxation under PSA.**

Taxation under Production Sharing Agreement shall be imposed through special laws in conformity with the financial system of the Country.

#### **8. Surrender and Termination.**

- a. The holder of a Production Sharing Agreement may surrender it at any time by written notice to the SPA, provided that the Contractor has fulfilled all its obligations thereunder.
- b. If the Contractor has not complied with a condition to which the Production Sharing Agreement is subject, the SPA may terminate it by written notice to the Contractor after giving the Contractor a reasonable opportunity to cure the condition.

9. The authorized person must have office in Somalia to conduct petroleum operations and will have a representative with full powers and acting as representative of the authorized person, promises that are obligatory to perform. The authorized person must open current bank account in Somalia.

### **Article 25 Surface Access Authorizations**

#### **1. Power to Grant.**

- a. The Somalia Petroleum Authority may grant a Surface Access Authorization, in respect of a specified area, to a Person or a group of Persons.
- b. The SPA may not grant a Surface Access Authorization in respect of an area that is the subject of a Production Sharing Agreement or a Reconnaissance Authorization until it has taken into account any submissions made by the holders of such Authorizations in such a way that there is no undue interference with the rights of that other Authorized Person.

#### **2. Rights Granted.**

- a. A Surface Access Authorization, while it remains in force, authorizes the holder to do one or more of the following:
  - (i) construct, install and operate structures, facilities and installations;
  - (ii) carry out other works, as specified in the Authorization in the Authorized Area.
- b. Nothing in a Surface Access Authorization authorizes the holder to drill a Well.





### **3. Surrender and Termination.**

#### **a. A Surface Access Authorization:**

- (i) may be surrendered by the holder by written notice to the SPA, provided that the Authorized Person has fulfilled all its obligations thereunder; and
- (ii) may be terminated by the SPA at any time by written notice to the holder, if the holder has not complied with a condition to which the Authorization is subject after giving the holder a reasonable opportunity to cure the condition.

- b. The SPA shall provide written notice of the surrender or termination to any Authorized Person in whose Authorized Area operations were authorized to be carried on by the Surface Access Authorization concerned.

### **4. Coordination of Operations.**

The SPA may give a direction to the holders of Surface Access Authorizations and to other Authorized Persons regarding the coordination of their respective Petroleum Operations.

## **Article 26 Invitation to Apply**

### **1. Application for Authorizations**

- a. The Somalia Petroleum Authority shall invite, wherever possible by public notice, applications for Authorizations, which shall be the preferred method of granting such Authorizations.
- b. Notwithstanding Section 26.1.a, the SPA may elect to award Authorizations through direct negotiation without issuing such invitations, where it is in the public interest to do so, based on a direction from the Ministry or the Government.
- c. If the SPA grants an Authorization without inviting applications, it shall provide reasons for its so doing to the Ministry and the Government.
- d. The application shall be submitted in one of the official or second languages of Somalia or, in the event that they are written in any other language, be accompanied by an official translation into one of the official or second languages of Somalia, and shall be submitted in a closed envelope.

### **2. Contents of Invitation.**

- a. An invitation shall specify the area concerned, the proposed activities, the criteria upon which applications will be assessed, the applicable fees (if any) to be paid with the application, and the time by which, and the manner in which, applications may be made and considered, through the public opening of bids.
- b. Unless the invitation otherwise states, the SPA may choose not to award an Authorization to any of the applicants.



### **3. Contents of Application.**

- a. An application for an Authorization shall include proposals for:
  - i. securing the health, safety and welfare of persons involved in or affected by the Petroleum Operations;
  - ii. protecting the environment, preventing, minimizing and remedying pollution, and other environmental harm from the Petroleum Operations;
  - iii. training of, and giving preference in employment in the Petroleum Operations to, nationals of Somalia;
  - iv. commitments to benefit the local community in the Authorized Area and to minimize and mitigate any adverse effects of Petroleum Operations in the Authorized Area; and
  - v. the acquisition of goods and services from Persons based in Somalia.
- b. An Authorization awarded to an applicant obliges it to comply with its proposals as mentioned in Section 26.3.a.

### **4. Due Consideration of Applications.**

The SPA shall not grant an Authorization in respect of an area until it has given due consideration to all applications made in response to, and in compliance with, an invitation.

#### **Article 27**

#### **Petroleum Operations Generally .**

- 1. Third Party Access.** Every Production Sharing Agreement and Surface Access Authorization shall require that third party access be granted on reasonable terms and conditions.
- 2. Joint and Several.**
  - a. If there is more than one Authorized Person in respect of a particular Authorization, the obligations and liabilities of the Authorized Person under an Authorization are the obligations and liabilities of them all, jointly and severally.
  - b. With respect to a Production Sharing Agreement, the SONOC and any State-Owned Contractor may be exempted by the SPA of the requirement set out in article 27.2.b.
- 3. Effect of Violation of Laws.** An Authorization is void ab initio, if obtained in violation of the laws of Somalia, including laws concerning corruption.





## **Article 28**

### **Environmental Protection**

#### **1. Environmental Duties.**

Authorized Persons conducting Petroleum Operations are required to:

- a. prevent environmental damage;
- b. avoid waste of Petroleum;
- c. prevent damage or waste of Petroleum-bearing strata;
- d. prevent pollution and waste to land and structures, fresh water resources / aquifers, crops, marine and animal life;
- e. prevent the escape of Petroleum into the environment through uncontrolled flows or discharges;
- f. provide for emergency clean-up operations and procedures;
- g. in appropriate circumstances, conduct an environmental baseline study before commencing Petroleum Operations, and an environmental impact assessment of any major proposed Petroleum Operations;
- h. utilize Good Oil Field Practice in the restoration of the environment at the conclusion of Petroleum Operations;
- i. To establish a fund for cleanup of an area effected by pollution and restore damage caused by it.

#### **2. Environmental Regulations.**

The Minister shall enact Regulations which more clearly define the obligations of an Authorized Person under Article 28 (1).

3. The complaint for damage relating to pollution should be submitted to the competent court.

## **Article 29**

### **Restitution and Reparation**

#### **1. Requirement for Authorization.**

No person shall conduct Petroleum Operations in the Territory of Somalia Republic except pursuant to an Authorization issued pursuant to this Law or the Regulations.

#### **2. Restitution.**

Without prejudice to any criminal liability of that Person, a Person who engages in Petroleum Operations other than pursuant to an Authorization shall:

- a. make restitution to Somalia Republic of an amount equal to the market value of Petroleum developed, produced or exported, together with late payment interest thereon at a rate not to exceed the legal rate of interest to be determined by the Ministry;



- b. either forfeit all infrastructure and equipment used in engaging in those Petroleum Operations, or remove such infrastructure and equipment or be liable for the payment of the costs of such removal; and
- c. clean-up pollution resulting from those Petroleum Operations, or reimburse the costs of clean-up to Somalia.

### **3. Quantum.**

The liabilities under Section 29.1 shall apply cumulatively, or not, as is determined to be appropriate by the SPA, with a view to place Somalia in the position in which it would have been were it not for the Petroleum Operations engaged in other than pursuant to an Authorization.

### **4. Joint and Several Liabilities.**

The liabilities, under paragraph (1) of article 29, of Persons who, together, are engaged in, or have engaged in, Petroleum Operations are the liabilities of them all, jointly and severally.

## **Article 30** **Restrictions on Exercise of Rights**

### **1. Fair Compensation to Surface Owners.**

- a. An Authorized Person shall not exercise any of the rights granted under an Authorization or under this Law:
  - i. on any public immovable property without the consent of the SPA;
  - ii. on any private immovable property of the State without the consent of the SPA; or
  - iii. on any private immovable property without payment of fair and reasonable compensation to the owner, as may be determined by the SPA.
- a. The owner of any immovable property in an Authorized Area retains rights to the use of its land except in so far as the use interferes with Petroleum Operations.
- b. An Authorization may limit or otherwise control the use by an Authorized Person of public infrastructure, and the consumption of other natural resources, including trees, sand, gravel, rock and water.
- c. An Authorization does not constitute a waiver of the obligation to seek the written consent of responsible authorities, except as may be specifically described in the Authorization.

### **2. No Interference with Lawful Offshore Activities.**

An Authorized Person shall not exercise any of the rights under an Authorization or under this Law or the Regulations in a way that interferes with fishing, navigation or any other lawful offshore operation without the written consent of the responsible authority.

### **3. Compensation for Disturbance.**





- a. The Authorized Person is liable to pay fair and reasonable compensation as determined by the SPA if, in the course of Petroleum Operations, it:
  - i. disturbs the rights of the owner of any immovable property, or causes any damage thereon; or
  - ii. Demonstrably interferes with fishing, navigation or any other lawful offshore activities.
- b. Where the value of any rights have been enhanced by the Petroleum Operations, compensation payable in respect of such rights shall not exceed any amount which would be payable if the value had not been so enhanced.

#### **4. Fair and Reasonable Compensation.**

What constitutes fair and reasonable compensation under this Article 30 shall be decided by the SPA, after having considered representations by interested parties.

#### **5. Failure to pay compensation.**

If the authorized person fails to pay the compensation mentioned in paragraph 2, when requested, or if the owner or the occupier is not satisfied with the amount of compensation offered to him, he/she may, within 30 days from the date on which the offer is made, initiated proceedings or file claim before the competent local court.

### **Article 31 Approvals by SPA**

#### **1. Approval of Agreements.**

A joint operating agreement, a lifting arrangement and any agreement related to the Petroleum Operations, as well as any changes to such agreements, shall be subject to prior approval by the SPA. The SPA shall approve any such agreements or amendments where they are consistent with the Authorizations, the Law and the Regulations.

#### **2. Approval of Change in Control.**

- a. All changes in Control of an Authorized Person shall be subject to prior approval by the SPA.
- b. Where a change in Control occurs without the prior approval of the SPA, the SPA may terminate the applicable Authorization.
- c. For the purposes of Article 31.2.1, change in Control includes a Person ceasing to be in Control (whether or not another Person becomes in Control), and a Person obtaining Control (whether or not another Person was in Control).



### **3. Approval of Transfers.**

Except with the prior written consent of the SPA (which consent may not be unreasonably withheld or delayed), or as explicitly provided in the terms of the Authorization, no assignment, transfer, conveyance, novation, merger, encumbrance or other similar dealing in respect of an Authorization shall be of any force or effect. The Regulations shall describe the criteria by which the SPA shall assess the suitability of its consent.

## **Article 32 Unitization Contract**

### **1. Unitization.**

- a. If and when a Reservoir is discovered to lie partly within a Contract Area, and partly in another Contract Area:
  - i. the SPA may require by written notice the Contractors to enter into a unitization agreement with each other for the purpose of securing the more effective and optimized production of Petroleum from the Reservoir; and
  - ii. if no agreement has been reached within a period of eighteen (18) months from receipt of written notice as required in sub-paragraph (1/a.) of article 32, the SPA shall decide on the unitization agreement.
- a. If and when a Reservoir is discovered to lie partly within a Contract Area and partly in an area that is not the subject of a Production Sharing Agreement:
  - i. the SPA may require by written notice the Contractor to enter into a unitization agreement with the SPA for the purpose of securing the more effective and optimized production of Petroleum from the Reservoir; and
  - ii. if no agreement has been reached within a period of eighteen (18) months from receipt of written notice as required in article 32 subparagraph 1.b.i, the SPA shall decide on the unitization agreement, unless otherwise provided in the Production Sharing Agreement.

### **2. Unitization Agreement.**

Without limiting the matters to be dealt with, the unitization agreement shall define the amount of Petroleum in each area covered by the unitization agreement, and shall appoint the Operator responsible for production of the Petroleum covered by the unitization agreement.

### **3. Requirement of Approval**

The SPA may approve the continued development or production of a Reservoir partly within a Contract Area under Section 32.2 only after it has approved or decided the unitization agreement.

### **4. Approval of Changes.**

Any changes to the unitization agreement shall be subject to prior approval by the SPA.





## **Article 33 Resolution of Disputes**

### **1. SPA Role in Disputes.**

- a. The SPA may inquire into and decide all disputes involving Persons engaged in Petroleum Operations, either:
  - i. among themselves, where agreements between them do not specify a dispute resolution mechanism; or
  - ii. in relation to third parties (other than the Government) not so engaged, as long as these third parties accept the jurisdiction of the SPA for the resolution of the dispute.
- b. The SPA may refuse to decide any dispute referred to it and, if it does so, it shall notify the parties to the dispute in writing.
- c. The SPA may, taking into account all relevant circumstances, give any direction which may be necessary for the purpose of giving effect to its decision in proceedings pursuant to this Article 20, including ordering the payment, by any party to a dispute, to any other party to the dispute of such compensation as may be fair and reasonable.

### **2. Disputes relating to Authorizations.**

- a. If a dispute arises relating to the interpretation and/or application of the terms of an Authorization between an Authorized Person and the SPA, the parties shall attempt to resolve that dispute by means of negotiation.
- b. If the dispute cannot be resolved amicably by negotiation, either Party may submit the dispute to international arbitration under recognized rules, in a neutral venue, or to the Supreme Court, at the election of the submitting Party.

## **Article 34 Exemption from or Variation of Conditions**

The SPA may exempt an Authorized Person from complying with the conditions of its Authorization, and may also agree to vary or suspend those conditions, either with or without conditions and either temporarily or permanently, provided that the SPA shall provide written reasons for its doing so to the Ministry. This Article 34 does not include the power to waive or suspend an obligation to pay any amount due under an Authorization.

## **CHAPTER IV SOMALI PARTICIPATION**

### **Article 35 SONOC and State Participation in Petroleum Operations**

#### **1. SONOC and State Participation.**

Each Production Sharing Agreement shall stipulate:



- a. the right of SONOC to participate in Petroleum Operations, up to a maximum participation right of 20%; and
- b. the right of a State-Owned Contractor which is Controlled by the Federal Member State of the Federal Republic of Somalia in which the Authorized Area is located to participate in Petroleum Operations, up to a maximum participation right of 10%.

## **2. Decision to Participate.**

The decision by SONOC to participate in Petroleum Operations under a particular Production Sharing Agreement shall be made by the Minister, if a recommendation to participate has been made by SONOC. The decision by a State-Owned Contractor which is Controlled by the State of the Somalia Republic in which the Authorized Area is located to participate in Petroleum Operations shall be made by the government of the State in which the Authorized Area is located.

## **3. Timing of Decision.**

The participation rights under Section 35.1 may occur during any phase of Petroleum Operations in accordance with the terms and conditions established in the Production Sharing Agreement.

# **CHAPTER V CONDUCT OF PETROLEUM ACTIVITIES**

## **Article 36 Work Practices**

### **1. Good Oil Field Practice.**

Petroleum Operations shall be conducted in accordance with Good Oil Field Practice, that is, in accordance with such practices and procedures employed in the petroleum industry worldwide by prudent and diligent operators under conditions and circumstances similar to those experienced in connection with the relevant aspect or aspects of the Petroleum Operations, principally aimed at guaranteeing:

- a. Conservation of Petroleum resources, which implies the utilization of adequate methods and processes to maximize the recovery of hydrocarbons in a technically and economically sustainable manner, with a corresponding control of reserves decline, using principles of maximum efficient production rates and other conservation principles, and to minimize losses at the surface;
- b. operational safety, which entails the use of methods and processes that promote occupational security and the prevention of accidents;
- c. environmental protection, that calls for the adoption of methods and processes which minimize the impact of Petroleum Operations on the environment;





## **2. Conservation.**

Production of Petroleum shall take place:

- a. in such a manner that as much as possible of the Petroleum in place in each individual Petroleum deposit, or in several deposits in combination, will be produced;
- b. in accordance with Good Oil Field Practice and sound economic principles;
- c. and in such a manner that waste of Petroleum or reservoir energy is avoided.

## **3. Continuous Evaluation.**

Contractors shall carry out continuous evaluation of production strategy and technical solutions, shall take the necessary measures in order to achieve this, and shall inform the SPA of any relevant changes, in accordance with Good Oil Field Practice.

## **Article 37 Decommissioning**

### **1. Timing of Decommissioning.**

An Authorized Person shall decommission on the earlier of:

- a. termination of the Authorization; and
- b. when no longer required for Petroleum Operations;
- c. except with the consent in writing of the SPA and in accordance with the conditions of the consent; or
- d. unless the Authorization otherwise provides.

### **2. Detail in Authorizations and Regulations.**

Authorizations shall contain provisions addressing the Decommissioning of Petroleum Operations. The Ministry, based on advice and recommendations from the SPA, may make Regulations under this Law relating to Decommissioning of Petroleum Operations.

### **3. Fund for decommissioning.**

The authorized person must establish a fund for the decommissioning, immediately after the approval of production and operation or issuance of the authorization for the transportation system, as provided in the regulations. The decommissioning must be sufficient to fully cover the expenses of the decommission.



**CHAPTER VI**  
**INFORMATION AND INVESTIGATION**  
**Article 38**  
**Data and Information**

**1. Title to Data and Information.**

Somalia shall have title to all data and information, whether raw, derived, processed, interpreted or analyzed, obtained pursuant to any Authorization. Appropriate obligations of confidentiality shall apply, as contemplated by Sections 18.2 and 19.9.

**2. Export of Data.**

Data and information acquired during the course of Petroleum Operations may be freely exported by Authorized Persons provided that the SPA may require that an original, or in the case of a core, rock, fluid or other physical sample, a usable portion of the original, of all data and information, both physical and electronic, be kept in Somalia.

**Article 39**  
**Audit and Inspection**

**1. Inspector.**

- a. The SPA may appoint a person to be an inspector for the purposes of this Law (an "Inspector").
- b. The Inspector will have the powers and rights provided to it in the Regulations.

**2. Access to Books and Accounts.**

On request, an Authorized Person shall make its books and accounts available to the SPA for auditing.

**Article 40**  
**Termination of Authorizations**

**1. Termination.**

- a. Termination of an Authorization for any reason is without prejudice to rights and obligations expressed in this Law, the Regulations or the Authorization to survive termination, or to rights and obligations accrued thereunder prior to termination, and all provisions of an Authorization reasonably necessary for the full enjoyment and enforcement of those rights and obligations survive termination for the period so necessary.
- b. The SPA shall have the power to terminate an Authorization as set out in the Authorization.

**2. Multiple Authorized Persons.**

- a. If there is more than one Authorized Person in respect of a particular Authorization and circumstances arise in which the SPA may terminate an Authorization, the SPA may elect to terminate an Authorization only in respect of those Authorized Persons whose acts or omissions (or in relation to whom acts, omissions or events have occurred which) have led to such circumstances, and shall so notify the remaining Authorized Persons.





- b. Should the SPA terminate an Authorization under Section 40.2.b. it shall give the remaining Authorized Persons right of preference in the acquisition of the terminated share, in proportion to their respective shares. Any share not acquired by the remaining Authorized Persons shall revert to Somalia.

#### **Article 41**

#### **Indemnification of the Government and Ministry and SPA**

##### **1. Indemnification.**

An Authorized Person shall:

- a. defend, indemnify and hold harmless the Government, Ministry and the SPA from all claims by third parties resulting, directly or indirectly, from Petroleum Operations, and pay all compensations relating to any civil liability claims, pretensions or demands; and
- b. unless the Ministry is satisfied, after consultation with the Authorized Person, that the potential liability under article 41.1.1. can be covered by other means, including the posting of corporate or bank guarantees or standby letters of credit, maintain insurance in respect thereof on a strict liability basis for such amount as the Ministry requires from time to time.

#### **CHAPTER VII**

#### **PUBLIC INFORMATION**

#### **Article 42**

#### **Publication by SPA**

##### **1. Publication.**

The SPA shall publish, in the Official Bulletin:

- a. notice of the grant of Authorizations, and a summary of the terms of such Authorizations;
- b. invitations for applications for Authorizations under article 26.1.1.
- c. notice of the termination of Authorizations.

##### **2. Publishing Invitations.**

The SPA shall publish invitations for applications for Authorizations under article 26.1.1. in the media, in such manner as is required by the Regulations.

#### **Article 43**

#### **Public Information**

##### **1. Public Access.**

a. The SPA shall make available to the public:

- i. summaries of key terms of all Authorizations and amendments thereto, whether or not terminated;



- ii. details of exemptions from, or variations or suspensions of, the conditions of an Authorization under Article 34; and
  - iii. copies of all unitization agreements.
- b. The SPA shall make available to the public, within a reasonable period of time of a request having been made therefor, summary details of:
- i. an approved Development Plan;
  - ii. all assignments and other dealings consented to in respect of Authorizations, subject to commercial confidence as to the commercial terms.

## **2. Publication of Reasons.**

Within ten (10) business days of a request having been made, the SPA shall publish brief reasons for:

- a. granting an Authorization subsequent to an invitation, as contemplated at article 26.1.1.;
- b. granting an Authorization without inviting applications, as contemplated at article 26.1.2.;
- c. approving a Development Plan under a Production Sharing Agreement;
- d. granting an exemption from, or agreeing to a variation or suspension of, the conditions of an Authorization under Article 34; and
- e. making any decision or granting any approval that, under an Authorization, requires publication.

## **3. Compliance Reports.**

- a. Companies shall report on their compliance with requirements under the Law and Authorizations in such manner and detail as required by their Authorization and as provided by the Regulations.
- b. The SPA shall make available such reports to the public, except for any portions of such reports which the Authorized Person requests be maintained confidential, and which the SPA reasonably considers to be commercially confidential.

## **4. Public Access to Payment Information.**

The SPA shall make available to the public such reports by Authorized Persons on payments relating to Petroleum Operations made to the Government of Somalia.

## **5. Fees for Access.**

The information contemplated in this Article 43 shall be available to any Person on payment of the fee therefor, to be provided by regulation.

## **6. Language.**

The information contemplated in article 43.1.2. shall be available in at least one official or second language of Somalia.





## **Article 44**

### **Transparency**

#### **1. Transparency Principles.**

The following principles shall apply in respect of Petroleum Operations, and shall be implemented in this Law, and in Regulations enacted pursuant to this Law, and in the rules, directions, decisions and orders made pursuant to this Law:

- a. There shall be regular publication of all material Petroleum-related payments by Authorized Persons to the Government and all material revenues received by the Government from Authorized Persons to a wide audience in a publicly accessible, comprehensive and comprehensible manner.
- b. All material payments and revenues are the subject of a credible, independent audit, applying international auditing standards.
- c. All material payments and revenues are to be reconciled by a credible, independent administrator appointed by the Government, applying international auditing standards and with publication of the administrator's opinion regarding that reconciliation including discrepancies, should any be identified.
- d. Persons representing the Somali business community who are not involved in Petroleum activities shall be actively engaged as a participant in the design, monitoring and evaluation of the processes contemplated by this Article 44.1.
- e. These principles shall apply to SONOC and any other State-Owned Contractor.

## **CHAPTER VIII**

### **REGULATIONS AND DIRECTIONS**

#### **Article 45**

#### **Regulations**

#### **1. Power to Make Regulations**

The Ministry, based on advice and recommendations from the SPA, may make Regulations under this Law relating to the following:

- a. graticulation of the Territory of Somalia;
- b. the exploration for and the development and production of Petroleum;
- c. the use and disclosure of data, information, records and reports;
- d. the measurement and sale or disposal of Petroleum;
- e. health and safety;
- f. protection and restoration of the environment;
- g. resource management;



- h. structures, facilities and installations;
- i. the clean-up or other remedying of the effects of the escape of Petroleum;
- j. abandonment and Decommissioning;
- k. the control of movement into, within and out of Somalia of persons, vessels, aircraft, vehicles and any other man-made platforms and structures;
- l. work programmes and budgets;
- m. the control of tariffs charged for third party access;
- n. the auditing of an Authorized Person and of its accounts and records;
- o. reporting by Authorized Persons on compliance with obligations set out in the Law and Authorizations, including in relation to:
  - i. the training and employment of Somalia nationals,
  - ii. procurement of Somalia goods and services,
  - iii. occupational health and safety, and
  - iv. environmental protection.
- p. fees to be paid, including by applicants for Authorizations, Authorized Persons, and Persons wishing to inspect the public register; and
- q. any other matters relating to this Law.

## **2. Regulatory Principles.**

When making regulations, the Government shall seek to minimize prescriptive provisions in favour of results-based or performance-based provisions, and utilize accepted international standards to the greatest extent possible.

## **3. Publication of Regulations.**

The Ministry shall publish regulations in the official Bulletin.

### **Article 46 Directions**

In addition to its power to give directions under article 25.4. and article 33.1.3., the SPA may give a direction to an Authorized Person:

- a. relating to any matter set out in article 45.1.; or
- b. otherwise requiring compliance with this Law, the Regulations or its Authorization.





## **CHAPTER IX PENALTY PROVISIONS**

### **Article 47**

#### **Territorial and Material Scope of this Chapter**

The provisions of this Chapter are without prejudice to criminal and civil liability under the general law.

### **Article 48**

#### **Offence and penalties**

Offences resulting from unauthorized petroleum operations; danger to people, property and environment; hindering the exercise of powers by the Inspector; false or misleading information; non-compliance with regulation or directions and fundamental terms of authorization; and penalties and fines related to the said offences shall be provided with special law.

### **Article 49**

#### **Liability of Legal Persons, Corporations and Other Legal Entities**

##### **1. Liability of Entities and Representatives.**

Legal persons, corporations or any other legal entities, including those without juridical personality, are liable for contraventions provided for in this Chapter when committed by its organs or representatives in its name and in the collective interest.

##### **2. Due Diligence Defense.**

The liability is excluded where the agent has acted against express orders or instructions properly issued.

##### **3. Agent Liability.**

The liability of the entities mentioned in Section 49.1 does not exclude the individual liability of the respective agents.

##### **4. Joint and Several Liability.**

The entities mentioned in Section 49.1 are jointly and severally liable, as provided for in civil law, for the payment of any fines or compensations, or for the fulfillment of any obligations, derived from the facts or with incidence on matters covered by the scope of this Law.

### **Article 50**

#### **Fines to Legal Persons, Corporations and Other Legal Entities**

##### **1. Fines.**

In the case of legal persons, corporations or any other legal entities, including those without juridical personality, the amount of the fines shall be as determined by the court, taking into account the economic and financial situation of the legal person, corporation or other legal entity and the severity and consequences of the offence.



## **2. Access to Assets.**

If the fine is applied to an entity without juridical personality, its payment will be guaranteed by the entity's assets and, in the event of non-existence of such assets or under-capitalization, jointly and severally, the assets of each of the associates.

### **Article 51 Inspection**

The SPA and the Inspector, as well as any other organs of the public administration to which inspection duties may be delegated in accordance with law and regulations, are responsible to ensure the inspection of compliance with the provisions of this Law or the Regulations.

### **Article 52 Extrajudicial Writ of Execution**

For purposes of coercive collection under general law, a certification issued by the SPA in relation to a debt constituted, or amount due, as a result of the application of the provisions of this Law or the Regulations, which is not paid within a reasonable period to be determined by the SPA, and which shall be notified in writing to the debtor, constitutes an extrajudicial writ of execution.

### **Article 53 Subsidiary Legislation**

#### **1. Criminal and Other Legislation.**

The general criminal law, as well as relevant administrative and civil legislation, of Somalia is applicable in a subsidiary manner, with the required adaptations, to give effect to the provisions of this Chapter.

#### **2. No Conflict.**

To the extent that the provisions of any other laws of Somalia conflict with the provisions of this Law or the Regulations, they shall be null and void as regards their application to Petroleum Operations.

## **CHAPTER X OTHER AND FINAL PROVISIONS**

### **Article 54 Transitional Provision**

**1. Prior Grants.** With the approval of the Government, the Ministry shall issue Regulations setting out the administrative procedure to be followed, as well as obligations to be undertaken, by Persons who have engaged in or are engaging in Petroleum Operations ("Prior Contractors") pursuant to rights granted by the Somali Democratic Republic on or before December 30, 1990 ("Prior Grants"). Such Regulations shall include the following provisions:

a. a Prior Contractor shall have the right to convert its Prior Grant into the form of Authorization that is most similar to the Prior Grant. A Prior Grant in the form of a concession entitling the Prior Contractor to conduct exclusive Petroleum Operations shall be convertible into a Production Sharing Agreement.





- i. A Prior Contractor wishing to convert its Prior Grant shall provide to the Ministry:
    - a true copy of a fully executed Prior Grant;
    - evidence satisfactory to the Ministry that it was on December 30, 1990 in full compliance with its obligations under the Prior Grant;
    - a copy of a record of its performance under the Prior Grant, including the relinquishment of any part of the contract area under the Prior Grant;
    - a copy of all data and information required by the Prior Grant to be delivered to the Government;
    - identification of the current parties to the Prior Grant, and how the current parties acquired their interest in the Prior Grant from the original parties;
  - ii. agree that its Decommissioning obligations under the new Authorization shall include Decommissioning of its activities conducted pursuant to the Prior Grant;
  - iii. agree to the terms of a new Authorization between the Prior Contractor and the Ministry on or before a date specified by the Ministry, which shall not be later than the date described in Article 54.2.
- b. an Authorization under Article 54.1 shall be consistent with the principles of this Law, the Regulations and the model contract published by the SPA pursuant to Article 19.20.e.
- 2. Effort to Contact.** The Ministry shall make reasonable efforts to contact each Prior Contractor, so far as it is able to determine who they may be, to advise them of their rights under Article 54.1. Where a Prior Grant appears to be held by more than one Person, the Ministry need only make a reasonable effort to contact the Person who appears to the Ministry to be the operator. No Prior Contractor shall have any right against the Ministry or the Government for a failure by the Ministry to fulfill this Article 54.2.
- 3. Deadline for Conversion.** If any Prior Grant that has not been converted into a Production Sharing Agreement under this Law on the first anniversary of the coming into force of this Law, then:
- a. the Prior Grant shall terminate and cease to be a binding obligation on the Government on the first anniversary of the coming into force of this Law;
  - b. the Government shall not be liable for any loss, costs, claim or damage resulting from such termination of the Prior Grant; and
  - c. as a sovereign entity, the Government declares itself immune from any claim made by a Prior Contractor for termination of its Prior Grant.
- 4. Post-1990 Grants.** Effective on the date of the coming into force of this Law:
- a. any right to conduct Petroleum Operations in Somalia granted after December 30, 1990 shall terminate and cease to be a binding obligation on the Government;



- b. the Government shall not be liable for any loss, costs, claim or damage resulting from such termination; and
- c. as a sovereign entity, the Government declares itself immune from any claim made by any Person for termination of any such right.

**Article 55**  
**Entry into Force**

This Law shall come into force when it signed by the President of the Federal Republic of Somalia and published in the Official Bulletin of the Federal Republic of Somalia.







**Federal Republic of Somalia**  
*Office of the President*

**SHARCI LR. 19**  
**ANSIXINTA SHARCIGA BATROOLKA JF SOOMAALIYA**

**Taariikh: 08/02/2020**

**MADAXWEYNAHA J.F.S**

**MARKUU ARKAY:** Qodobka 87aad, Faqradda 1aad iyo Faqradda 2aad ee Dastuurka KMG

**MARKUU ARKAY:** Qodobka 90aad, Xarafka "F" ee Dastuurks KMG

**MARKUU ARKAY:** Warqadda Gudoomiyaha Golaha Shacabka Lr.GSH241/12/01/B-10/20  
taariikh 09/01/2020 kuna saabsan ansixinta Sharciga Batroolka  
Soomaaliya

**MARKUU TIXGELIYAY:** Baahida loo qabo in la ansixiyo lana meel-mariyo Sharcigan

**Waxa uu Madaxweynuhu soo saaray Sharcigan:**

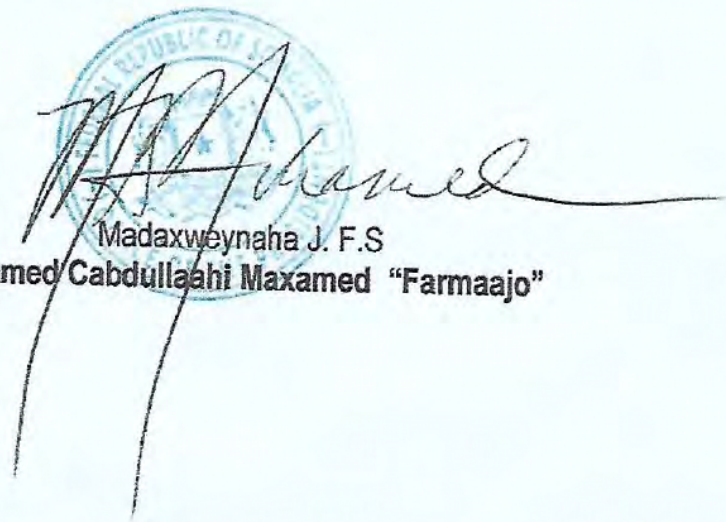
**Qodobka 1aad**

Laga billaabo marka uu Madaxweynuhu saxiixo Sharcigan, waxa si rasmi ah loo  
oggolaaday Sharciga Batroolka JF Soomaaliya.

**Qodobka 2aad**

Marka uu Madaxweynaha JFS saxiixo Sharcigan, waxa lagu soo daabici doonaa Faafinta  
Rasmiga ah ee Jamhuuriyadda Federaalka Soomaaliyeed.

**MUQDISHO: 08/02/2020**

  
**Madaxweynaha J. F.S**  
**Maxamed Cabdullaahi Maxamed "Farmaajo"**