

Law N°2019/008 of 25 April 2019 To Institute The Petroleum Code

The Parliament deliberated and adopted, the President of the Republic hereby enacts the law set out below:

PART I GENERAL PROVISIONS

SECTION 1: This law institutes the Petroleum Code and shall apply to the upstream petroleum sector. To this end, it shall:

promote petroleum operations throughout the territory of Cameroon;

lay down the conditions for upstream hydrocarbon prospecting, exploration, exploitation, transportation, storage and processing;

lay down the legal, fiscal, customs and foreign exchange regimes of petroleum operations, subject to the provisions of Section 131 below;

determine the rights and obligations relating to petroleum operations.

SECTION 2: For purposes of implementing this law and ensuing regulatory instruments, the following definitions shall apply:

Authorization: any or all of the authorizations granted under this Code;

Exploitation authorization: authorization for hydrocarbon exploitation;

Exclusive exploitation authorization: authorization for hydrocarbon exploitation granted under a production sharing contract or a risk service contract;

Exclusive exploration authorization: authorization for hydrocarbon exploration granted under a production sharing contract or a risk service contract;

Prospecting authorization: authorization for hydrocarbon prospecting;

Provisional exploitation authorization: provisional authorization for hydrocarbon exploitation;

Exploration authorization: authorization for hydrocarbon exploration;

Domestic transportation authorization: authorization issued to an exploitation authorization holder for the conveyance by pipeline or any other means of transportation, of hydrocarbons from exploitation in production facilities right up to treatment and processing plants, or to an export terminal;

Change of control: any transaction whose purpose or effect is to directly or indirectly terminate the control of the party concerned by its shareholders;

Exploitation concession: authorization for hydrocarbon exploitation granted under a concession contract;

Local content: all activities of the national petroleum industry relating to local capacity building, use of local human and material resources, technology transfer, use of local industrial and service companies, and the creation of measurable value added for the local economy;

Concession contract: petroleum contract attached to a hydrocarbon exploration permit and, as the case may be, to one or more exploitation concessions, whereby the holder is responsible for financing petroleum operations and disposes the hydrocarbons extracted during the validity period of the said contract, subject to the right of the State to collect royalty in kind;

Production sharing contract: petroleum contract attached to an exclusive exploration authorization and, as the case may be, to an exclusive exploitation authorization, whereby the holder is responsible for financing petroleum operations and receives remuneration in kind through ownership of a share of the production;

Petroleum contract: concession contract, production sharing contract or risk service contract entered into between the State and a holder for the purpose of carrying out, on an exclusive basis, hydrocarbon exploration and exploitation within a specified area;

Risk service contract: petroleum contract attached to an exclusive exploration authorization and, as the case may be, to an exclusive exploitation authorization whereby the holder is responsible for financing petroleum operations and receives remuneration in cash. Within the meaning of this Code, a contract for the provision of services which does not confer the exercise of exclusive

rights for hydrocarbon exploration and exploitation shall not be a risk service contract;

Control: direct or indirect ownership of a portion of the capital conferring on its holder the majority of voting rights in the general meetings of the Party concerned, and/or

- sole possession of the majority of the voting rights within the Party concerned, pursuant to an agreement concluded with other shareholders of the Party concerned, and/or

- power to determine, de facto, through the voting rights held by the controlling shareholder, the decisions of the general meetings of the Party concerned;

Discovery: existence of an accumulation of liquid or gaseous hydrocarbons confirmed by a well which has penetrated hydrocarbon-impregnated rocks, the existence of which was hitherto unknown. Such hydrocarbons are recoverable at the surface and measurable through the production testing methods currently used in the petroleum industry;

Environment: all the natural or artificial elements and bio-geochemical equilibria which they constitute, as well as the economic, social and cultural factors which are conducive to the existence, transformation and development of the environment, living organisms and human activities;

Environmental and social impact assessment: systematic review to determine the positive and negative effects of a project on the natural and human environment. It helps to mitigate, prevent, eliminate or offset the adverse effects of a project on the environment and the people affected by the project;

Exploitation: operations intended to extract hydrocarbons for commercial purposes, in particular development and production operations as well as ancillary activities such as the abandonment of hydrocarbon wells, deposits and production facilities;

Natural gas: all hydrocarbons existing in a gaseous state under an atmospheric pressure of 1.034 kg/cm² and a temperature of 15.56° Celsius, including associated natural gas and non-associated natural gas and all its constituent elements;

Associated natural gas: gaseous hydrocarbons associated, in any manner, with a reservoir containing liquid hydrocarbons;

Non-associated natural gas: natural gas which is not associated natural gas;

Liquefied petroleum gas: hydrocarbons composed mainly of a mixture of butane and propane;

Dry gas: gaseous hydrocarbons containing mainly methane, ethane and inert gases;

Hydrocarbons: liquid or gaseous compounds found in their natural state, otherwise referred to as crude oil or natural gas, as the case may be, as well as all related products and substances extracted in association with the said hydrocarbons;

Liquid hydrocarbons: crude oil, condensates, natural gas liquids and liquefied petroleum gases;

Operator: petroleum company holder or co-holder with adequate technical and financial capacity entrusted with the responsibility of conducting and carrying out petroleum operations pursuant to the provisions of the petroleum contract. The operator or its staff must have a satisfactory track record, particularly in areas and under conditions similar to those of the area applied for and with regard to environmental protection;

Petroleum operations: hydrocarbon prospecting, exploration, exploitation, transportation, storage and processing activities of the upstream petroleum sector, excluding the refining, storage and distribution of petroleum and gas products classified under the downstream petroleum sector. Activities related to petroleum operations are commercial transactions;

Public body: any public enterprise set up to carry out one or several petroleum operations, or authorized to carry out such activities, in accordance with the laws and regulations in force in the Republic of Cameroon;

Exploration permit: authorization granted under a concession contract to prospect for hydrocar-

bons;

Crude Oil: crude mineral oil, asphalt, ozokerite and any other liquid hydrocarbons in the natural state or obtained from natural gas by condensation or extraction, including condensates and natural gas liquids;

Collection point: place of arrival of products from various hydrocarbon operations intended for a petrochemical, gas-chemical or natural gas liquefaction processing plant;

Petroleum products: all products derived from refining, as well as products derived from the separation of liquefied petroleum gases;

Prospecting: preliminary exploration for and detection of hydrocarbon showings, particularly through the use of geological, geophysical or geochemical methods, excluding drillings exceeding a depth of 300 (three hundred) metres;

Exploration: detailed prospecting activities, including wildcatting, to discover commercially exploitable hydrocarbon deposits, as well as appraisal and delineation of a presumed commercial hydrocarbon find and abandonment of exploration wells;

Upstream petroleum sector: hydrocarbon prospecting, exploration and exploitation activities;

Downstream petroleum sector: conveyance by pipeline, refining, processing, storage, marketing and distribution of hydrocarbons;

Petroleum company: a commercial company or public industrial and commercial establishment with the technical and financial capacity to carry out petroleum operations, in hygienic, safe and environmentally-friendly conditions, in accordance with applicable laws and international standards. Such company may be incorporated under Cameroonian or foreign law. In the latter case, it must, prior to the signing of the petroleum contract, have a subsidiary in the Republic of Cameroon which must be registered in the Trade and Personal Property Credit Register, operational for the duration of the petroleum contract, and carry out its activities in accordance with the applicable laws and regulations governing commercial companies in Cameroon. Cameroonians may hold shares or stocks therein;

Sub-contractor: any natural or legal person providing a service that is part of the petroleum contract holder's main activities;

Storage: receipt and preservation of quantities of hydrocarbons for future use;

Territory of Cameroon: land and maritime areas under the jurisdiction of the Republic of Cameroon, including the Exclusive Economic Zone (EEZ) of Cameroon;

Hydrocarbon mining title: exploration permit or hydrocarbon exploitation concession attached to a concession contract;

Holder: petroleum company or consortium of commercial companies, at least one of whose components is a petroleum company, linked to the State by a petroleum contract. The term "holder" also includes co-holders;

Processing: operation consisting in separating hydrocarbons from their impurities, products and related substances;

Assignment: any form of transfer of the rights and obligations of the petroleum contract holder, particularly by way of disposal, transfer, merger or split-up;

Transportation: activities concerning the conveyance by pipeline or any other means of transportation of extracted hydrocarbons to the points of collection, export, processing, refining, storage, or delivery throughout the territory of Cameroon, excluding the activities governed by Law No. 96/14 of 5 August 1996 governing the transportation by pipeline of hydrocarbons from other countries, as well as pipelines and facilities set up within the exploitation authorization area, and gas networks serving the national market beyond the delivery point;

Unitization: process leading to the exploitation, in the form of a single entity, of a hydrocarbon deposit extending over several contractual areas, covered by separate petroleum contracts within the territory of Cameroon, or involving a neigh-

bouring country;

Special petroleum operations zone: part of the national mining domain where exploration and exploitation operations require greater effort, particularly regarding the type of production, nature, composition and quality of hydrocarbons, the enhanced recovery techniques used, the water depth for deep offshore zones located within the Exclusive Economic Zone of the Republic of Cameroon, the type of terrain, the distance from the means of transportation or the fragility of the environment.

SECTION 3: (1) All deposits or natural accumulations of hydrocarbons located within the soil or sub-soil of the territory of Cameroon, whether or not discovered, are and shall remain the exclusive property of the State.

(2) For purposes of petroleum operations, the State shall exercise sovereign rights over the entire territory of Cameroon.

SECTION 4: (1) Natural or legal persons, including land owners, may carry out petroleum operations only after obtaining prior authorization from the State.

(2) Anybody wishing to undertake petroleum operations may use the land necessary for such operations, both within and outside the area covered by his authorization or petroleum contract. Such land may only be allocated to him for use in accordance with the provisions of this Code, its implementing instruments and the land tenure and State property legislation in force.

(3) Once the authorization is granted or the petroleum contract is concluded, the holder shall submit a valuation survey request to the competent administrative authority to access the said land, under conditions laid down in Part IV, Chapter I of this Code.

SECTION 5: (1) The State shall reserve the right to undertake petroleum operations either directly or through duly mandated public bodies.

(2) The State may also authorize commercial companies to carry out petroleum operations in furtherance of a petroleum contract concluded between them and the State, in accordance with the provisions of this Code.

(3) Where circumstances so require, petroleum contract holders may conclude agreements with the State, represented by any public body duly mandated for that purpose, to set up enterprises to undertake specific general interest of petroleum operations in the upstream petroleum sector. Such operations shall include, but not limited to, the storage and management of export terminals.

SECTION 6: Any public body duly mandated to carry out petroleum operations on behalf of the State or in its own name, as well as its sub-contractors, shall have the same rights and obligations as the holder and its sub-contractors, particularly regarding tax and customs provisions and the foreign exchange regulations provided for in this Code and its implementing instruments.

SECTION 7: (1) The State, either directly or through a duly mandated public body, shall reserve the right to acquire an interest under any legal form whatsoever, in all or part of the petroleum operations under a petroleum contract, in accordance with the contract terms. In such a case, the agreement to materialize the interest of the State must be concluded prior to issuance of the relevant authorization.

(2) The interest of the State shall take effect from the date of grant of the exploitation authorization referred to in Section 40 of this Law.

(3) In (1) above, the State or the duly mandated public establishment or body shall have the same rights and obligations as the holder, up to the extent of its participation in the petroleum operations under the terms and conditions specified in the petroleum contract.

SECTION 8: (1) A petroleum contract may be entered into only with a petroleum company, or jointly with several commercial companies, at least one of which is a petroleum company. The authorizations derived there from and the hydrocarbon mining titles may be granted only to such companies. A petroleum company may be holder

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of several petroleum contracts.

(2) Several commercial companies, one of which must be a petroleum company, may form a joint venture for the purpose of entering into and executing a petroleum contract. A petroleum company may also form a joint venture with a non-petroleum company under the conditions set forth in the petroleum contract, provided that the non-petroleum company has minority interest in the consortium which is holder of the petroleum contract, and is not the operator.

(3) All protocols, contracts or agreements relating to any joint venture and the appointment of the petroleum company acting as operator, shall be forwarded to the State for information purposes within 30 (thirty) days prior to the signing of the contract.

SECTION 9: (1) Subject to the rights acquired, the State may, after consultation with the relevant public institutions or bodies, determine the areas open to petroleum operations and for which petroleum contracts may be concluded or, as the case may be, grant authorizations or hydrocarbon mining titles.

Such areas may be divided into blocks, in accordance with the terms and conditions laid down by the implementing decree of this Law.

(2) For reasons of general interest, some areas may be closed to petroleum operations by regulation.

SECTION 10: (1) The State shall process offers for petroleum contracts and applications for authorizations at its full discretion. Outright or conditional rejection shall not entitle the applicant to any remedy or to any compensation whatsoever.

(2) Subject to the rights acquired, no right of priority may be claimed in case of competing applications or offers received simultaneously.

(3) The information which must feature in offers for petroleum contracts and applications for authorizations, as well as the criteria for their award and terms for their renewal and assignment, shall be laid down by regulation.

SECTION 11: (1) The validity of an authorization or a petroleum contract over a given area does not preclude the granting of mining titles to another person for the exploration and exploitation of mineral substances other than hydrocarbons over all or part of the given area, pursuant to the provisions of applicable laws and regulations.

Conversely, the validity of mining titles for the exploration and exploitation of mineral substances other than hydrocarbons shall not preclude the entering into a petroleum contract or the grant of authorization over all or part of the area concerned.

(2) Where the rights relating to different mineral substances overlap on the same area, the activity of the holder with the most recent rights shall be carried out in such a way as not to hinder the activity of the holder of the most senior rights

PART II PETROLEUM CONTRACTS CHAPTER I

PROVISIONS COMMON TO PETROLEUM CONTRACTS

SECTION 12: (1) A petroleum contract shall be concluded between the State and the applicant. It shall be negotiated on behalf of the State by a standing commission set up by a public body duly mandated to that effect, comprising representatives of the relevant Ministries and those of the said public establishment or body.

(2) The petroleum contract shall be signed: on behalf of the State, jointly by the Minister in charge of hydrocarbons and the legal representative of the public body duly mandated to that effect; on behalf of the applicant, by its legal representative.

(3) The petroleum contract shall enter into effect on the date of its signature by the parties.

(4) The petroleum contract shall be governed and interpreted in accordance with the laws of Cameroon.

SECTION 13: The petroleum contract and its annexes A (geographical coordinates of the con-

tractual area), B (accounting procedure), C (participation agreement) and D (letter of guaranty) which form an integral part thereto, shall determine:

the area of the exploration authorization;
the minimum exploration works programme which the holder undertakes to implement and the corresponding financial commitments which he undertakes to fulfil for the initial period of validity of the exploration authorization and for each renewal period;

the contract duration and the different periods of validity of the exploration authorization, as well as the conditions for its renewal and extension, including the terms applicable to the reduction of the contract area;

the obligations relating to a commercial discovery and the development of a commercially exploitable field;

the terms and conditions for granting an exploitation authorization, its various validity periods and the conditions for its renewal and extension; the rights and obligations of the contracting parties;

the works programmes and the corresponding budget estimates, as well as the methods for supervising their execution;

the rights and obligations of the holder regarding the transportation of the extracted hydrocarbons, subject to the applicable regulatory provisions; the rules relating to ownership of production and its sharing between the contracting parties;

the legal regime applicable to the movable and immovable property needed to carry out petroleum operations, including the terms and conditions for transfer thereof to the State at the end of the petroleum contract;

the provisions relating to the participation of the State, a public establishment or body duly mandated for such purpose, in all or part of the petroleum operations, as well as the rules governing the joint venture between the State or the public body and its co-holders;

the obligations relating to local content, in particular with a human resource development component (giving priority to Cameroonians with respect to training and recruitment), a local enterprise and industry development component and a technology transfer component;

the financial clauses and accounting rules specific to petroleum operations;

the obligations relating to environmental protection to supplement those prescribed by the laws and regulations in force;

the obligations relating to deposit and well abandonment works which must be carried out prior to expiry of the petroleum contract or authorization;

where the State carries on exploitation after termination or expiry of the petroleum contract, the basic principles governing:

the transfer to the State of the relevant rights and obligations, particularly the provision for abandonment of deposits and the service contracts binding the holder to its employees and sub-contractors,

settlement of outstanding residual liabilities by the holder;

the terms and conditions for the termination of the petroleum contract;

the clauses relating to the stabilization of economic conditions regarding the profitability of investments;

cases of force majeure;

the disputes settlement procedures, subject to the technical dispute settlement laws and regulations in force.

CHAPTER II TYPES OF PETROLEUM CONTRACTS

SECTION 14: (1) Petroleum contracts entered into by the State for purposes of hydrocarbon exploration and exploitation may be:

concession contracts relating to the granting of hydrocarbon mining titles consisting of exploration permits and, where applicable, exploitation concessions;

production sharing contracts;

risk service contracts.

(2) Where circumstances so require, a petroleum contract may be limited to the exploitation of one or several previously discovered and delineated hydrocarbon deposits without requiring the prior granting of an exploration authorization.

I-CONCESSION CONTRACT

SECTION 15: (1) Subject to the implementation of the provisions of Section 14(2) above, a concession contract shall be entered into prior to the grant of a hydrocarbon exploration permit. It shall define the rights and obligations of the State and the holder during the exploration permit validity period and, in the event of discovery of a commercially exploitable hydrocarbon field, during the validity period of the exploitation concession(s) attached thereto.

(2) The concession contract holder shall be responsible for financing petroleum operations and, in accordance with the terms of the contract, dispose of the hydrocarbons extracted during the contract validity period, subject to the right of the State to collect royalties in kind.

II-PRODUCTION SHARING CONTRACT

SECTION 16: (1) Subject to the implementation of the provisions of Section 14(2) above, the State shall, in a production sharing contract, either directly or through a duly mandated public body, hire the services of a holder to exclusively carry exploration on its behalf, within a specified area and carry out exploitation, in the event of discovery of a commercially exploitable hydrocarbon field.

The holder shall be responsible for financing such petroleum operations.

(2) Depending on their nature, petroleum operations under a production sharing contract shall be the subject of an exclusive exploration authorization, or an exclusive exploitation authorization covering the exploitation of a commercially exploitable hydrocarbon field.

SECTION 17: (1) Under a production sharing contract, hydrocarbon production shall be shared between the State and the holder, in accordance with the terms of such contract.

(2) The holder shall therefore receive a share of production as reimbursement for its costs and as compensation in kind, according to the following terms and conditions:

As specified in the petroleum contract, a share of total hydrocarbon production shall be allocated for the reimbursement of petroleum costs actually incurred by the holder under the petroleum operations contract. Such share, commonly referred to as "cost oil" or "cost recovery production", may not exceed the percentage of production specified in the production sharing contract which defines the recoverable petroleum costs, special amortization terms for such costs, as well as the terms and conditions for their recovery through deduction from production;

After deduction of the share pursuant to (a) above, commonly referred to as "profit oil" or "production for compensation", the remainder of the total hydrocarbon production shall be shared between the State and the holder, in accordance with the terms set forth in the petroleum contract.

II-RISK SERVICE CONTRACT

SECTION 18: (1) Subject to the implementation of the provisions of Section 14(2) of this Code, the State or a duly mandated public body shall, in a risk service contract, confer exclusive hydrocarbon exploration and exploitation rights within a specified area on a qualified person taking financial risk.

(2) The holder shall be remunerated in cash.

CHAPTER III ASSIGNMENT AND RELINQUISHMENT I-ASSIGNMENT

SECTION 19: (1) The rights and obligations under petroleum contracts, exploration authorizations, provisional exploitation authorizations, exploitation authorizations and domestic transportation authorizations shall be assignable in whole or in part, subject to prior approval by the Minister in charge of hydrocarbons and the signing of an amendment thereto when the said rights derive

from the petroleum contract, under the terms and conditions laid down in the said contract and the regulations in force.

Where the rights to be assigned were granted by a decree in the specific case of exploration authorizations, exploitation authorizations, transportation authorizations and provisional exploitation authorizations, such rights shall be effectively assigned by a new decree signed by the same authority.

Subject to implementation of the preemptive right provided for under Section 22 below, the petroleum contract may, in addition to prior approval by the Minister in charge of hydrocarbons, lay down special terms and conditions for assigning rights and obligations under the petroleum contract to an affiliate or among co-holders.

(2) The assignee of rights and obligations must fulfil the conditions provided for in this Code and its implementing instruments.

SECTION 20: (1) A petroleum contract holder shall submit to the Minister in charge of hydrocarbons for prior approval, any deed or draft thereof, whereby the holder assigns or promises to assign, in whole or in part, the rights and obligations resulting from the petroleum contract.

(2) Contracts or agreements on the assignment of rights shall be entered into after the prior opinion of the Minister in charge of finance, subject to the suspensive condition of obtaining the approval of the Minister in charge of hydrocarbons. Any deed executed in breach of the provisions of this Section shall be null and void and lead to withdrawal of the authorization and/or forfeiture of the petroleum contract, in accordance with the provisions of Section 126 of this Law.

SECTION 21: (1) Where a transaction results in a change of control of the holder company, the said company shall apply for prior approval by the Minister in charge of hydrocarbons concerning the assignment of its rights and obligations under the petroleum contract to the beneficiary of the change of control, in accordance with the terms and conditions specified by the implementing decree of this Law.

(2) The Minister in charge of hydrocarbons may put a stop on such assignment and compel the holder to vest its rights and obligations under the petroleum contract in co-holders or a third party approved by the State, in accordance with the terms and conditions specified in the implementing decree of this Code and in the petroleum contract.

(3) Failure to effect such assignment to co-holders or a third-party approved by the State shall result in the withdrawal of the authorization and/or forfeiture of the petroleum contract, in accordance with the provisions of Section 126 of this Law.

SECTION 22: In any event, in case of assignment of rights and obligations under the petroleum contract and authorizations deriving therefrom, the co-holder State or any public body primarily, and the other co-holders of the petroleum contract, shall have a pre-emptive right which must be exercised within 90 (ninety) days from the date the Minister in charge of hydrocarbons received the request for prior approval provided for in Sections 20 and 21 above.

II-RELINQUISHMENT

SECTION 23: Without prejudice to the provisions of Section 8 above, where several co-holders enter into a petroleum contract, the withdrawal of one or more of such co-holders shall not result in the cancellation or lapse of the authorizations deriving from the contract, or in the termination or lapse of the contract, where the other co-holder(s) take(s) over all the commitments under the contract. Such withdrawal shall take effect from the date of approval by the Minister in charge of hydrocarbons.

SECTION 24: (1) The holder of an exploration authorization may relinquish all or part of its rights over the surface areas covered by its authorization, provided that a two-month notice is given to the Minister in charge of hydrocarbons. Relinquishment shall take effect from the date

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of its approval by the Minister in charge of hydrocarbons. This shall lead to the cancellation of the authorization over the area covered by such relinquishment.

(2) Except otherwise provided for in the petroleum contract, partial relinquishment shall not reduce the holder's contractual obligations.

(3) Total relinquishment shall result in the lapse of the petroleum contract. Such relinquishment shall be accepted only where the holder has fulfilled all the obligations laid down in the petroleum contract and the regulations in force, particularly with regard to environmental protection and the abandonment of deposits and wells, and where he has paid the compensation due the State provided for in Section 34 below.

SECTION 25: (1) Holders of exploitation authorizations may relinquish, in whole or in part, their rights over the surface areas covered by their authorization, provided that a one-year notice is given to the Minister in charge of hydrocarbons and the holder has fulfilled the obligations laid down in the petroleum contract and the regulations in force, especially with regard to environmental protection and the abandonment of deposits and wells.

(2) Relinquishment shall take effect from the date of its approval by the Minister in charge of hydrocarbons.

SECTION 26: Holders of transportation authorizations may relinquish their authorizations, provided that they notify their intention to relinquish and give a one-year notice to the Minister in charge of hydrocarbons, and have fulfilled the obligations laid down in the petroleum contract and the regulations in force, especially with regard to environmental protection and the abandonment of facilities.

**PART III
AUTHORIZATIONS****CHAPTER I
PROSPECTING AUTHORIZATION**

SECTION 27: (1) Prospecting authorizations shall apply to areas not covered by a petroleum contract. They shall be granted to natural or legal persons by decision of the Minister in charge of hydrocarbons laying down the conditions, after the technical opinion of the public body duly mandated to that effect.

(2) Prospecting authorizations shall confer on their holders the non-exclusive right to carry out preliminary prospecting within a specified area. They shall not constitute hydrocarbon mining titles and shall not be transferable or assignable.

(3) Prospecting authorizations shall not confer on their holder any right to obtain a hydrocarbon mining title or to enter into a petroleum contract.

(4) The above provision notwithstanding, and where exceptional circumstances so require, in particular for special petroleum operations zones, a prospecting authorization may, during its validity period, confer a preferential right on its holder to conclude a petroleum contract on equivalent terms and conditions within all or part of the same area, or an exclusive right of limited duration to enter into a petroleum contract for all or part of the area.

(5) Prospecting authorizations shall be granted subject to third-party rights.

(6) The State may also grant prospecting authorizations solely for technical information collection purposes.

SECTION 28: Conditions for obtaining and renewing prospecting authorizations shall be laid down by regulation.

SECTION 29: (1) Several prospecting authorizations may be granted concurrently for the same area.

(2) Subject to the provisions of Section 27(4) above, the State may, at any time, sign a petroleum contract on all or part of the area for which a prospecting authorization has been granted. Such authorization shall automatically elapse with regard to the area concerned, without the prospecting authorization holder being entitled to compensation.

CHAPTER II**EXPLORATION AND PROVISIONAL EXPLOITATION AUTHORIZATIONS****I - EXPLORATION AUTHORIZATION**

SECTION 30: (1) Exploration authorizations attached to petroleum contracts shall be either hydrocarbon exploration permits, in the case of concession contracts, or exclusive exploration authorizations, in the case of production sharing contracts or risk service contracts.

(2) Exploration authorizations shall be granted by decree of the President of the Republic. However, the signing of a petroleum contract shall be considered as granting of the exploration authorization subsequently materialized by a decree of the President of the Republic to establish the granting of such exploration authorization.

SECTION 31: (1) Exploration authorizations shall confer on their holders the exclusive right to carry out, at their risk and expense, hydrocarbon prospecting and exploration within the limits of the relevant area, except as may be otherwise provided for in the petroleum contract.

(2) Exploration authorizations shall also confer on their holders the right to dispose of their share of hydrocarbons that could be extracted during exploration and production tests, subject to prior approval by the Minister in charge of hydrocarbons.

SECTION 32: (1) Exploration authorizations shall be granted for an initial maximum period of three (3) years. However, such period may be extended to a maximum period of five (5) years in the case of a special petroleum operations zone.

(2) Exploitation authorizations shall be renewable twice for a maximum period of two (2) years each. Holders may file an application for renewal of their authorizations following the required procedure, in accordance with renewal terms and conditions laid down by decree, provided that they have fulfilled the obligations of the current validity period. Such renewals shall be granted by decree of the President of the Republic.

(3) Subject to the provisions of (5) above and of Sections 39 and 126 of this Code, the duration of the exploration authorization and that of the two (2) renewals may not exceed seven (7) years, or nine (9) years for special petroleum operations zones.

(4) On the date of each renewal, the surface area of the exploration authorization may be reduced in accordance with the provisions of the petroleum contract.

(5) The exploration authorization validity period may be extended, where necessary, by decree of the President of the Republic under the conditions laid down by the contract to enable:

the completion of ongoing exploration wells and the assessment and delineation of a hydrocarbon discovery, especially in the event of discovery of a non-associated natural gas or discovery in a special petroleum operations zone;

the search for market outlets in the event of discovery of non-associated natural gas;

(6) The extension provided for in (5) above may not exceed twelve (12) months in the event of completion of a well or assessment of a hydrocarbon discovery, and twenty-four (24) months in the event of discovery of a non-associated natural gas. It shall be granted only once during the exploration phase.

(7) The period of twelve (12) months for liquid hydrocarbons and twenty-four (24) months for non-associated natural gas provided for in (6) above may be extended where the Minister in charge of hydrocarbons deems such extension necessary to enable the completion of an ongoing firm and approved assessment programme, or the search for new natural gas market outlets, after consultation with the public body duly mandated for that purpose.

SECTION 33: (1) During the initial period and, where applicable, during each renewal period, the exploration authorization holder shall undertake to implement the minimum exploration and expenditure programme provided for in the exploration authorization and stipulated in the petroleum contract.

(2) The exploration authorization holder shall pro-

vide, for consideration by the Minister in charge of hydrocarbons or any public body duly mandated to that effect, a bank guaranty or a parent company guaranty covering the agreed minimum works programme.

(3) The bank guarantee referred to in (2) above must be provided by a banking establishment selected from among institutions with at least an "AA" rating or its international equivalent, or an equivalent rating approved by the monetary authority.

(4) Conditions for providing and releasing such guarantees shall be laid down by regulation.

SECTION 34: (1) Where the holder of a exploration authorization does not fulfil the works and expenditure obligations provided for in Section 33 above within the prescribed time-limit and in accordance with the terms of the petroleum contract, the State shall claim from such holder the payment of a compensation amount equal to the cost of its unfulfilled obligations, under the conditions specified in the petroleum contract.

(2) Where the holder of an exploration authorization does not fulfil the works and expenditure obligations provided for in Section 33 above within the prescribed time-limit and in accordance with the terms of the petroleum contract, the State shall issue a formal notice to such holder to comply within a period of three (3) months following the date of receipt of the formal notice. Where the works and expenditure obligations have still not been fulfilled at the expiry of this time-limit, the State shall order the withdrawal of the exploration authorization under the conditions provided for in Section 126 of this Code, without the holder being entitled to any compensation.

SECTION 35: (1) All hydrocarbon discoveries shall be notified by the exploration authorization holder, within fifteen (15) days with effect from the date of such discovery, to the Minister in charge of hydrocarbons or any public body duly mandated for that purpose.

Under pain of administrative penalties, no other disclosure concerning the said discovery shall be made by the exploration authorization holder without the prior approval of the Minister in charge of hydrocarbons or any public body duly mandated for that purpose.

(2) Where a hydrocarbon discovery leads to the presumption of the existence of a commercially exploitable deposit, the exploration authorization holder shall diligently carry out the works required for the assessment and delineation of such deposit.

SECTION 36: (1) Any exploration authorization holder who provides evidence of the existence of a commercially exploitable hydrocarbon deposit in the area covered by the authorization shall have the right to request for an exploitation authorization and be bound to carry out exploitation activities within three (3) years with effect from the date of grant of exploitation authorization. In case of non-fulfilment of this obligation, the State shall issue the holder a formal notice to fulfil such obligation within three (3) months. Where exploitation activities have still not been carried out at the expiry of the prescribed time-limit, the State shall order the withdrawal of the exploitation authorization under the conditions provided for in Section 126 of this law, without the holder being entitled to any compensation.

(2) No natural gas discovery shall be the subject of an exploitation authorization where it has not been appraised, delineated and assessed, where its commercial nature has not been established and where at least one market outlet has not been clearly identified and secured by a commercial gas sale agreement or pre-agreement.

(3) The grant of an exploitation authorization shall entail the lapse of the exploration authorization within the exploitation area. It shall however allow the said authorization to remain valid outside such area until its expiry date, without changing the minimum exploration programme incumbent on the holder.

SECTION 37: Where an exploration authorization is due renewal or to expire before a decision is taken on the application for renewal or extension

or for an exploitation authorization submitted by its holder, such exploration authorization holder shall be authorized to continue exploration within the limits of the area(s) covered by the application.

SECTION 38: Prior to total or partial expiry of an exploration authorization, either at the end of each validity period or in case of relinquishment, lapse or withdrawal of the authorization by the State, the holder must, at his own expense, carry out the field and well abandonment as well as environmental protection operations provided for by the laws and regulations in force, and by the petroleum contract. The holder shall provide the State with all information and technical data in his possession relating to the area relinquished.

II - PROVISIONAL**EXPLOITATION AUTHORIZATION**

SECTION 39: (1) During the period of validity of an exploration authorization, the holder may apply for a provisional exploitation authorization which shall be granted by decree of the President of the Republic. However, the grant of a provisional exploitation authorization shall allow the exploration authorization to subsist, but shall not prolong its validity period.

(2) The provisional exploitation authorization shall confer on its holder the right to carry out prolonged production tests and/or operate productive wells on a provisional basis for a maximum period of two (2) years during which the holder shall be required to continue delineation and assessment of the commercial exploitability of the relevant deposit, in accordance with the provisions of Section 32 above and the petroleum contract terms.

(3) The provisional exploitation authorization may be withdrawn following the same procedure in the event of non-compliance with the provisions of Sections 33 and 34 above. It shall lapse upon expiry of the exploration authorization for the specified area, unless a prior agreement on the development of the deposit which is the subject of the provisional exploitation authorization is reached between the State or any public body duly mandated for that purpose and the holder, and an application for exploitation authorization is filed before the expiry of the exploration authorization.

(4) Procedures for reviewing and conditions for filing applications for provisional exploitation authorization, its extension to new wells and withdrawal shall be laid down by regulation.

CHAPTER III**EXPLOITATION AUTHORIZATION**

SECTION 40: An exploitation authorization attached to a petroleum contract shall be either an exploitation concession, in the case of a concession contract, or an exclusive exploitation authorization, in the case of a production sharing contract or a risk service contract.

SECTION 41: (1) The exploitation authorization shall cover the surface area of a commercially exploitable hydrocarbon deposit. It shall confer on its holder the exclusive right to carry out, at the holder's risk and expense, all petroleum operations within the limits of the relevant area, as well as the right to dispose of all or part of the hydrocarbon production, in accordance with the terms of the petroleum contract.

(2) The grant of an exploitation authorization shall, under no circumstances, confer ownership of the deposits. It shall create a right of limited duration which shall not be mortgageable and shall be distinct from ownership of the surface area. Such right shall be assignable under the conditions provided for in Sections 19 to 22 above.

SECTION 42: (1) The initial validity period of the exploitation authorization may not exceed twenty-five (25) years for liquid hydrocarbons and thirty-five (35) years for gaseous hydrocarbons.

(2) The exploitation authorization may be renewed only once at the holder's request for a maximum additional period of ten (10) years, following the procedures provided for in Section 45 below, and in accordance with the laws and regulation in force.

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To that end, holders must have fulfilled their obligations and provided evidence of the ability to continue commercial hydrocarbon production beyond the current validity period. Conditions for such renewal may be subject to renegotiation of the petroleum contract terms, at the sole discretion of the State or the public body duly mandated for that purpose.

SECTION 43: Only the holder of a valid exploration authorization may be granted an exploitation authorization within the area covered by the exploration authorization.

SECTION 44: Exploration authorization holders who provide evidence of the existence of a commercially exploitable hydrocarbon deposit within their contractual area and have been granted an exploitation authorization shall be entitled to exploit such deposit, in accordance with the terms and conditions laid down by this Code and its implementing decree, and in line with best international oil and gas industry practices.

SECTION 45: The exploitation authorization shall be granted by decree of the President of the Republic which shall, in particular, specify its duration and the delineation of the exploitation area.

SECTION 46: The size of the exploitation area shall be limited to the surface area determined by vertical lines based on the area defined on the surface, unless otherwise provided for by the petroleum contract. The exploitation area shall be delineated in such a way as to include the surface area of the deposit over which the holder has rights.

SECTION 47: The exploitation authorization holder shall be bound to carry out exploitation activities within three (3) years from the date on which the exploitation authorization was granted. The holder must diligently carry out the exploitation works which may not be suspended for a period exceeding six (6) months.

Where the holder does not fulfil these obligations, the State shall serve him with a formal notice to do so within three (3) months, except in case of force majeure. Where, at the expiry of this time-limit, exploitation activities have still not been carried out, the State shall order the withdrawal of the exploitation authorization, under the conditions provided for in Section 126 of this Code, without the holder being entitled to any compensation.

SECTION 48: (1) Prior to expiry of the exploitation authorization at the end of its normal validity period, at the end of each validity period or in case of relinquishment, lapse, or withdrawal by the State, holders shall, at their own expense, carry out the deposit abandonment and environmental protection operations provided for by the laws and regulations in force and the petroleum contract, unless otherwise decided by the Minister in charge of hydrocarbons, especially where the State decides to continue petroleum operations.

(2) Notwithstanding the provisions of (1) above and without prejudice to the provisions of Section 13(p) of this Law, should the State wish to carry on with exploitation operations, the facilities, materials and lands required to carry on the exploitation shall, at the request of the Minister in charge of hydrocarbons, be transferred to the State, without any compensation to the holder.

(3) Portions of national land relating to the said transfer shall be incorporated into the private land of the State by regulation. The transfer of leases on private land belonging to individuals and required for continuous exploitation by the State shall be authorized by decree of the Prime Minister.

CHAPTER IV DOMESTIC TRANSPORTATION AUTHORIZATION

SECTION 49: (1) During the validity period of a petroleum contract, holders of an exploitation authorization shall, at their request, be granted a domestic transportation authorization by decree of the President of the Republic, under the conditions set forth in this Law.

(2) The domestic transportation authorization shall confer on holders of an exploitation authorization the right to transport the products of

their exploitation activities or share thereof to any collection, export, processing, refining or storage point within the territory of Cameroon, using their facilities or those of third parties while maintaining ownership rights.

(3) The holder of an exploitation authorization whose entire exploitation area and facilities are situated offshore shall not be required to apply for a domestic transportation authorization.

SECTION 50: (1) The domestic transportation authorization shall comprise the approval of the construction plan for pipelines and related facilities. Such plan, whose contents shall be specified by the implementing decree of this Law, shall be appended to the application.

(2) Land shall be used and the public interest statement required for pipelines and related facilities issued under the conditions laid down in Part IV of this Law.

SECTION 51: (1) The domestic transportation authorization referred to in Section 49 above may be transferred to third parties by any holder under the conditions laid down in Sections 19 to 22 of this Law, and in the petroleum contract, subject to prior approval by the Minister in charge of hydrocarbons.

(2) The beneficiaries of the above-mentioned transfer must fulfil the conditions laid down by this Law and its implementing instruments relating to the construction and use of the pipelines and related facilities, as well as the special conditions specified in the petroleum contract.

SECTION 52: (1) Several holders of exploitation authorizations may agree to jointly carry out the transportation of their exploitation products.

(2) All protocols, agreements or contracts entered into between the concerned parties shall be subject to prior approval by the Minister in charge of hydrocarbons.

SECTION 53: (1) The layout and features of pipelines and related facilities shall be such as to ensure that the products extracted from hydrocarbon deposits are collected, transported and removed under the best technical, economic, environmental and safety conditions.

(2) Where several commercially exploitable hydrocarbon deposits are discovered in the same geographical area, the holders or beneficiaries of the transfer referred to in Section 51 above may team up to jointly construct or use the pipelines and related facilities for the removal of all or part of the production derived from the said discoveries.

SECTION 54: (1) Except in case of force majeure, the domestic transportation authorization shall lapse where the holder or beneficiary of the transfer referred to in Section 51 above has not commenced or caused the commencement of planned works within one (1) year with effect from the date of signature of the decree referred to in Section 49 (1) above.

(2) The domestic transportation authorization attached to an exploitation authorization shall lapse after expiry or in case of withdrawal of the said exploitation authorization, save where the facilities concerned are still being used to transport products derived from activities carried out in other exploitation areas.

SECTION 55: (1) Holders of a domestic transportation authorization shall give priority to the transportation of the hydrocarbons derived from the exploitation for which such authorization was granted.

(2) However, and without prejudice to the preferential treatment of the hydrocarbons referred to in (1) above, holders may be required by regulation, within the limits and duration of their excess capacity, to allocate unused transportation capacity for the conveyance of products from exploitations other than the one for which the authorization was granted.

(3) Where holders are required to allocate transportation capacity to a different exploitation, the beneficiary thereof shall in return be obligated to use it and to pay for such use.

(4) Under comparable quality, consistency and output conditions, the products referred to in Sub-section (2) above shall not be subjected to discriminatory transportation tariffs.

(5) Any objections concerning the implementation of the provisions of (4) shall, in default of agreement, be referred to an international expert for settlement, in accordance with the provisions of the implementing decree of this Code on technical dispute settlement.

(6) The terms and conditions for fixing transportation tariffs shall be defined by regulation and in petroleum contracts.

SECTION 56: The provisions of this chapter shall not apply to pipelines and facilities built within the area covered by the exploitation authorization for the needs of such area, as well as those of local market natural gas transportation and distribution networks.

PART IV RELATIONS WITH LANDOWNERS CHAPTER I USE OF LAND ALLOCATED FOR PETROLEUM OPERATIONS

SECTION 57: To obtain the right to use the land referred to in Section 4 of this Law, the holder of an authorization or a petroleum contract shall submit to the competent administrative authority a land enquiry file, the content of which shall be specified by regulation.

The objectives of such land enquiry shall be to:

determine the status of the land covered by the authorization or petroleum contract;

identify the holders of rights and property on portions of the land concerned;

inform the persons referred to in (b) above of the conditions for compensating them for the loss of their rights;

sensitize the population on petroleum operations.

SECTION 58: (1) Based on the findings of the land enquiry, the holder of an authorization or a petroleum contract shall submit to the competent authorities the required applications for land use, in accordance with the laws and regulations in force.

(2) Authorizations for land use shall, where necessary, be granted to the applicant to carry out petroleum operations and where the latter fulfils the conditions laid down by the laws and regulations in force. In other cases, authorizations for land use shall be denied.

(3) When an application relates to national land and private or public State land, authorizations for land use shall be granted by decree of the Prime Minister under the conditions provided for by the land tenure and State property regulations in force.

(4) Where land use relates to private land owned by natural or legal persons, the Minister in charge of hydrocarbons shall submit an expropriation request to the Minister in charge of national lands in order for the State to acquire and place such land at the disposal of the holder, in accordance with the land tenure and State property regulations in force.

SECTION 59: (1) Depending on the legal status of the lands concerned, the Minister in charge of hydrocarbons may request the Minister in charge of lands to classify as public land, incorporate into the private land of the State, or expropriate for public purposes, portions of land intended, as the case may be, to:

carve out land for construction, operation and maintenance of the hydrocarbons transportation system; or

carve out land to be covered by the protected areas previously specified by the Minister in charge of hydrocarbons and within which petroleum operations may be subject to certain conditions or prohibited, without giving rise to a claim for compensation in favour of the holder of an authorization or a petroleum contract.

Protected areas shall be created to preserve buildings, human settlements, springs, access roads, engineering structures and public interest works, as well as all other places where protected areas are considered necessary for the public interest.

(2) The cost of releasing and making available the land referred to in Sections 58 and 59(1) above, shall be borne by the holder who acquires the use of the land.

SECTION 60: The decree referred to in Section

58(3) above may authorize the holder of an authorization or a petroleum contract to: fell trees for wood required for its petroleum operations within the area of land used, against payment of the duties, taxes and royalties provided for by the laws in force; harness waterfalls and springs not exploited or reserved, subject to the applicable legal and regulatory provisions; carry out the works necessary for its petroleum operations within and outside the area covered by his authorization or the petroleum contract, and the related works referred to in Section 61 below.

SECTION 61: Apart from standard petroleum operations, the following activities and works shall be considered an integral part of petroleum operations where they are directly connected with hydrocarbon exploration and exploitation activities carried out by the holder of a petroleum contract: the building and operation of power plants, stations and lines;

telecommunications systems; emergency facilities; storage and warehousing of materials, equipment, products and waste, as well as facilities intended for ballasting and eliminating pollution; buildings intended for staff accommodation, entertainment, hygiene, care and training; construction or improvement of access routes, in particular roads, bridges, railroads, drains, canals, river or maritime ports, and landing fields; planting of reference and demarcation marks for the assigned land area.

SECTION 62: The facility project referred to in Sections 60 and 61 above may be declared to be in the public interest under the conditions provided for by relevant applicable instruments, and the holder of an authorization or a petroleum contract being absolved of special or supplementary obligations imposed on him.

SECTION 63: The holder of an authorization or a petroleum contract shall bear the expenses, compensation and, generally, all costs resulting from the implementation of Sections 57 to 62 above.

SECTION 64: (1) The telecommunication facilities, power lines, water conveyances, medical, educational, sports or recreational infrastructure constructed by the holder of an authorization or a petroleum contract may be used when needed by neighbouring institutions, if they so request, provided that such use does not hinder the smooth functioning of the said facilities. Such facilities may be open to the public.

(2) The general conditions for use of these facilities shall be determined by the Minister in charge of hydrocarbons, with the assent of the holder.

SECTION 65: (1) Holders of an authorization or a petroleum contract shall repair any damage caused by their petroleum operations to the land area. In such case, they shall be liable in such case to pay compensation commensurate with the damage caused, the amount of which shall be determined by mutual agreement between the parties or, failing which, by the competent court.

SECTION 66: Subject to the implementation of Section 65 above, any other damage resulting from petroleum operations shall be repaired in accordance with the provisions of Section 85 below.

CHAPTER II USE OF LAND ALLOCATED FOR THE TRANSPORTATION OF HYDROCARBONS

SECTION 67: (1) From the findings of the land enquiry referred to in Section 57 above, the State may decide to set aside portions of land to be used as right-of-way for the construction, operation and maintenance of the hydrocarbon transportation system.

To that end, and in accordance with the land tenure and State property laws in force, the State may, depending on the respective statuses of the land concerned, either incorporate such parcels of land into its private or public property or order the expropriation thereof for public purposes.

(2) Holders of the domestic transportation authorization shall be notified of the actions taken by the State to this effect and shall take into account the areas so set aside while carrying on with their petroleum operations.

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SECTION 68: (1) The decree granting the land area shall temporarily allocate the said area for the construction, operation and maintenance of the hydrocarbon transportation system and confer on the holder of the domestic transportation authorization the land rights referred to in Section 69 below. This decree shall specify the time limit within which the holder of the domestic transportation authorization is required to communicate to the Minister in charge of hydrocarbons the coordinates of the land that makes up the hydrocarbon transportation system right-of-way.

(2) In order to create the hydrocarbon transportation system right-of-way, the decree referred to in (1) above may be amended to preserve such land for the operation and maintenance of the hydrocarbon transportation system, in accordance with the land tenure and State property laws in force.

The decree shall limit the rights of the holder of the domestic transportation authorization on the portion of the land area not included in the hydrocarbon transportation system right-of-way, and shall encumber it with easements of use for maintenance works involving excavation.

(3) The lands constituting the right-of-way are and shall remain the private property of the State. They may under no circumstances be disposed of during the term of the petroleum contract, nor become the property of the holder of the domestic transportation authorization.

However, where the pipelines and other facilities referred to in Section 50 above hinder the normal use of the lands, and where the owner so requests, the State shall, at the expense of the holder, expropriate the lands concerned and grant them through leases to the said holder, in accordance with the land tenure and State property laws in force.

(4) Upon completion of construction of the hydrocarbon transportation system, the lands situated within the right-of-way may be allocated for other purposes, subject to the protected areas referred to in Section 59(1) (b) above, provided however that such use does not impede or obstruct the proper functioning and maintenance of the hydrocarbons transportation system.

SECTION 69: (1) The decree referred to in Section 68(1) above shall confer on the holder of the domestic transportation authorization:

the right to use the land;
the right to enjoy the land in compliance with the purpose and intent of the domestic transportation authorization;
the right of free access to the facilities of the hydrocarbon transportation system;
the right to use such facilities.

(2) Pipelines and related facilities of the hydrocarbon transportation system shall be and remain the property of the domestic transportation authorization holder.

SECTION 70: (1) The cost of and compensation for the establishment of easements, incorporation, allocation and release of land for the construction, operation and maintenance of the hydrocarbon transportation system, shall be determined in accordance with the procedure in force relating to expropriation for public purposes.

(2) The compensation due for use of the easements referred to in (1) above shall be commensurate with the value of developments carried out by third parties, in accordance with the provisions of Section 73 below.

SECTION 71: Owners of private lands or their beneficiaries, users of public property, public service concession holders or occupants of national lands, shall not be authorized to undertake any actions or works likely to impede the construction, operation and maintenance of the hydrocarbon transportation system, where such works are carried out in accordance with the provisions of this Code.

SECTION 72: (1) Where their application is deemed justified and upon prior payment of fair compensation, holders of the domestic transportation authorization may be authorized to temporarily use private land located outside the right-of-way for the construction, operation or maintenance of the hydrocarbon transportation system.

(2) The authorization for temporary use shall establish the validity of the application, specify the land required, and authorize the temporary use thereof, pursuant to the applicable land tenure and State property.

SECTION 73: (1) Holders of the domestic transportation authorization may, against payment of compensation to the owners of lands situated outside the right-of-way, and for purposes of construction, operation and maintenance of the hydrocarbon transportation system and related industries, dispose of substances for which concessions may not be granted and which must be removed on account of the works.

(2) Owners of private lands shall, without compensation, retain the right to dispose of substances for which concession may not be granted and which are not used by the holder of the domestic transportation authorization.

SECTION 74: Where the hydrocarbon transportation system permanently prevents the use of land situated outside the right-of-way, the owner of such private land may seek reparation.

SECTION 75: (1) The holder of the domestic transportation authorization may, in accordance with the land tenure and State property laws in force, temporarily use national land, public or private property of the State or of regional and local authorities located outside his right-of-way. Such use shall be authorized by the Minister in charge of State property, upon a no-objection opinion of the assigning regional and local authorities or government agencies, with regard to their respective private property or portions of public property assigned to them.

(2) However, the land use authorization shall not confer ownership of the surface right of the lands concerned on the holder of the domestic transportation authorization.

SECTION 76: Where public property is used, except as may be otherwise provided for by law, holders of the domestic transportation authorization may not initiate legal action against the State, government agencies or regional and local authorities for:

damage that the use of the public property may cause to their facilities;
works carried out on public land for national interest or public safety.

SECTION 77: The holder of a domestic transportation authorization shall be bound to: the provisions of the relevant land tenure and State property legislation not repugnant to the provisions of this Code, as concerns lands and works required for the construction, operation and maintenance of the hydrocarbon transportation system;

the provisions of the relevant mining legislation not repugnant to the provisions of this Code, concerning quarries required for the construction, use and maintenance of the hydrocarbon transportation system.

PART V RIGHTS AND OBLIGATIONS RELATED TO PETROLEUM OPERATIONS CHAPTER I

CONDUCT OF PETROLEUM OPERATIONS

SECTION 78: Holders shall diligently, and in accordance with the current standards and practices in the international petroleum industry, carry out the petroleum operations for which they are responsible.

SECTION 79: (1) Holders may, under their responsibility, sub-contract to qualified enterprises the petroleum operations for which they are responsible.

(2) For purposes and within the limits of the petroleum operations assigned to them, the holder's sub-contractors shall comply with the provisions of the laws and regulations in force.

(3) Sub-contracts of a value above the ceiling amount set in the petroleum contract shall be disclosed to the Minister in charge of hydrocarbons or to any government body duly mandated for that purpose.

(4) Holders of a petroleum contract acting as operator may delegate part of their petroleum op-

erations to another holder equally acting as operator, for less than 12 (twelve) months, subject to prior approval by the Minister in charge of hydrocarbons.

SECTION 80: (1) Holders and their sub-contractors shall comply with the relevant hygiene and safety standards during petroleum operations, in accordance with the legislative and regulatory provisions in force and the current international petroleum industry best practices.

Holders shall, within forty-eight (48) hours, inform the competent administrative authorities about any serious accident during the conduct of petroleum operations.

(2) Holders shall comply with all measures they may be instructed to take by the Minister in charge of hydrocarbons, including the installation, at their expense, of equipment required to prevent or eliminate dangers that their petroleum operations may cause to public safety, the safety of civilians, personnel, the environment, or the conservation of classified sites and reserves, water sources or public roads, as provided for by the legislation and regulation in force

(3) However, holders shall be consulted regarding the conditions for carrying out such works in order to protect the interests of various parties.

SECTION 81: (1) In the case of commercial hydrocarbon production, and where the Minister in charge of hydrocarbons so requests to satisfy the needs of the Cameroonian domestic market, holders shall, as a matter of priority, sell to the State or any duly mandated government body, the share of the hydrocarbon production to which they are entitled. The terms and conditions for fulfilling such obligation shall be specified by regulation.

(2) Where the needs of the Cameroonian domestic market are satisfied, holders shall freely dispose of the share of hydrocarbon production to which they are entitled.

(3) The conclusion of a petroleum contract shall, under no circumstances whatsoever, confer any right to refine or process hydrocarbons and/or sell and distribute products derived there from within the territory of Cameroon, since the said activities fall under the downstream petroleum sector, unless expressly authorized by the State.

SECTION 82: (1) Where a hydrocarbon deposit covers several contract areas granted to different holders or resulting from separate petroleum contracts containing different provisions with regard to entitlement to hydrocarbons, the holders may enter into an agreement known as "unitization agreement" to exploit such deposit under the best possible economic and technical conditions. This agreement, which contains the joint exploitation plan, shall be approved by the Minister in charge of hydrocarbons and by any government body duly mandated for that purpose, where applicable.

(2) Where a hydrocarbon deposit covers several contract areas located in different States, the holders may enter into a "unitization agreement" in order to exploit such deposit under the best possible economic and technical conditions.

This agreement, which contains the joint exploitation plan, shall be approved by the competent authorities of each State.

SECTION 83: Where the nature and duration of the works so require, the holder of a prospecting authorization shall enjoy the same rights and fulfil the same obligations as the petroleum contract holder for similar works, as provided for in this Part and in Parts VI and VII below.

CHAPTER II COMPULSORY INSURANCE AND CIVIL LIABILITY

SECTION 84: (1) Holders and their sub-contractors shall be bound to take out insurance policies with local insurance companies to cover civil liability and damages resulting from the conduct of petroleum operations.

(2) The terms and conditions for such insurance policies shall be laid down by regulation.

(3) The petroleum contract shall lay down the terms and conditions for guaranties and insurance policies which the holder is bound to take out for

the State, third parties, the public and the environment, pursuant to the implementation of this Section.

SECTION 85: (1) Notwithstanding any applicable criminal sanctions, holders of a petroleum authorization or contract who, due to their actions or that of their sub-contractors, cause any physical, material or environmental damage shall, without need for proof of fault, be subject to civil liability when such damage is related directly or indirectly to the conduct of petroleum operations, related activities or facilities located within or outside the contract area. Failing reparation in kind, the compensation paid shall fully repay the damage caused.

(2) Where the State is not a holder, it may incur direct or indirect liability toward third parties for any damage resulting from the conduct of the holder's petroleum operations.

CHAPTER III LOCAL CONTENT

SECTION 86: The development of national petroleum resources must help to assess local content as defined in Section 2 of this Code.

SECTION 87: (1) The local content referred to in Section 86 above shall comprise a human resources development component and a component pertaining to the use of local services and goods supply companies.

(2) The local content adopted in Petroleum Contracts shall include:

a vocational and technical training programme for Cameroonians in order to scale up their skills in the petroleum trades;
any other aspect likely to enhance local content.

SECTION 88: Petroleum contract holders shall, in case of equal competence and, as a matter of priority, to recruit qualified Cameroonians in all socio-professional categories and at all positions for the conduct of their petroleum operations.

SECTION 89: Petroleum contract holders and their sub-contractors shall be bound, as a matter of priority, to award construction, insurance, goods and services, materials, equipment and products supply contracts directly or indirectly related to petroleum operations to companies under Cameroonian law that have their registered offices in Cameroon and meet internationally recognized standards.

SECTION 90: The Minister in charge of hydrocarbons and/or any duly mandated government body or establishment shall ensure the implementation and monitoring of the provisions of Sections 86, 87, 88 and 89 above.

CHAPTER IV ENVIRONMENTAL PROTECTION

SECTION 91: Holders shall carry out petroleum operations in such a manner as to ensure, under all circumstances, the conservation of natural resources, in particular hydrocarbon deposits, and due protection of essential features of the environment. In this respect, holders shall take all the necessary measures to preserve the safety of persons and property, and protect the environment, natural surroundings and ecosystems.

SECTION 92: (1) Petroleum contract holders shall, at their own expense, carry out an environmental and social impact assessment in accordance with the environmental protection laws and regulation in force.

Such assessment shall help to evaluate the direct or indirect impacts of petroleum operations on the ecological balance of the contract and surrounding areas, the people's living environment and quality of life and the environment in general.

(2) The impact assessment shall be one of the documents submitted for public inquiry, where such a procedure is required.

(3) The terms and conditions for implementing the provisions of this Section, in particular the list of petroleum operations, the performance of which is subject to an impact assessment, the contents of the said assessment, as well as the conditions under which it shall be made public, shall be laid down by regulation.

CHAPTER V TECHNICAL SUPERVISION AND FINANCIAL

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AND ACCOUNTING CONTROL

SECTION 93: Petroleum operations shall be subject to the supervision, control and safety conditions provided for in this Code and its implementing instruments.

SECTION 94: (1) The Minister in charge of hydrocarbons shall ensure the implementation of the provisions of this Code and its implementing instruments, as well as fulfilment of obligations by petroleum contract holders. The Minister shall take the required regulatory measures and, in collaboration with any duly mandated government body, ensure the administrative and technical supervision, as well as the economic, accounting and financial control of petroleum operations.

(2) The terms and conditions for carrying out administrative and technical supervision, as well as economic and accounting monitoring, shall be laid down by regulation.

SECTION 95: The State shall have the right to audit the accounts of the holder, in accordance with the provisions of Section 121 below.

SECTION 96: Under pain of legal proceedings, civil servants, public officials and employees of public or semi-public bodies shall not, in petroleum companies or petroleum operations under their direct or indirect supervision or related to them, either in their own name or through an intermediary or under any name whatsoever, have any interest that might impair or restrict their independence.

CHAPTER VI

RULES GOVERNING CONTROL AND DISCLOSURE

SECTION 97: (1) The holder shall provide the Minister in charge of hydrocarbons and/or any duly mandated government body with data within a maximum period of thirty (30) days with effect from the date the data was generated. Such data shall include all field measurements, documents, information, samples and periodic reports derived or resulting from petroleum operations, in accordance with the provisions of the implementing decree of this Code.

(2) All the data referred to in (1) above, generated during petroleum operations, shall be and remain the property of the State. The terms and conditions for submitting such data to the State shall be specified in the petroleum contract.

SECTION 98: (1) The data referred to in Section 97 (1) above generated during petroleum operations and relating to the national mining estate, shall remain confidential for periods specified in the implementing decree of this Code.

(2) Beyond these periods, such data shall become part of the public domain and may be accessed by any interested natural or legal person.

SECTION 99: Any activity likely to cause prejudice to the interests of the State shall be suspended by decision of the Minister in charge of hydrocarbons. Such activity shall resume when the causes for its suspension cease to exist.

PART VI

TAXATION AND CUSTOMS PROVISION, AND FOREIGN EXCHANGE REGULATIONS

CHAPTER I

TAXATION

SECTION 100: In view of their exploration and exploitation activities within the territory of Cameroon, petroleum contract holders and their partner companies under the protocols or agreements referred to in Sections 8 and 19 above, shall be liable to payment of the taxes, duties and royalties provided for in this Chapter, in particular those contained in the General Tax Code, subject to the provisions of the said chapter applicable to petroleum operations.

SECTION 101: (1) Applications for grant, renewal, relinquishment or assignment of petroleum contracts and the authorizations deriving therefrom shall be liable to the payment of flat rate fees, the amounts and payment conditions of which shall be laid down by the applicable finance law. (2) The same principle shall apply to the grant or renewal of prospecting authorizations.

SECTION 102: Holders of petroleum contracts and authorizations deriving therefrom shall be liable to payment of an annual surface rental fee, the amounts and payment conditions of which

shall be determined by the applicable finance law.

SECTION 103: Holders of the concession contracts referred to in Section 15 of this Code shall pay a monthly royalty proportionate to production. The rate of such royalty and the rules governing its basis and collection method, which may be different for liquid or gaseous hydrocarbons, shall be specified in the concession contract.

The royalty shall be paid in kind or in cash, pursuant to the terms of the concession contract.

SECTION 104: (1) Subject to the provisions of this Code, the rules governing company tax basis and methods of collection shall be the provisions applicable to corporate income tax provided for by the tax legislation in force in the Republic of Cameroon.

(2) The holders of petroleum contracts and companies referred to Section 100 above shall, under the conditions set out in this Chapter, be liable to corporate income tax calculated on the basis of the net profits derived from all of their exploration and exploitation activities in the contract area, whether they carry out such activities alone or in partnership with other companies.

(3) Each petroleum contract holder or company, irrespective of their nationality, shall, each fiscal year, keep separate accounts for their petroleum operations. Such accounting helps to establish a profit and loss account and a balance sheet highlighting the results of such operations, as well as the assets and liabilities allocated or directly related thereto.

(4) The net taxable income referred to in (2) above is formed by the difference between the values of the net assets at the close and the beginning of the fiscal year, less additional capital contributions, and increased by the withdrawals made during such fiscal year by the company or its partners. The net assets made up of the surplus of the value of assets over the total liability reflected in third-party debts, depreciation and authorized or justified reserves.

(5) The amount of the non-absorbed deficit which the holder or company proves to have incurred from petroleum operations shall be deducted from taxable profit, pursuant to the provisions relating to the carry forward period provided for in the General Tax Code.

However, the petroleum contract may provide for a much longer carry forward period in order to take into account special circumstances which may affect exploitation costs.

SECTION 105: The following items shall be recorded as credit in the profit and loss account referred to in Section 104 above:

the value of the holder's commercialized production which must be in line with the current international market prices set in accordance with the conditions laid down by the implementing decree; the value of the share of production paid in kind to the State as royalty proportional to production, pursuant to the provisions of Section 103 above; revenue from the storage, processing and transportation of hydrocarbons and the sale of related substances, where applicable; capital gains realized in Cameroon or abroad from the transfer or assignment of any asset items, be they indirect, shares, securities and other rights devolving from petroleum contracts; all other revenue or proceeds from petroleum or related operations.

SECTION 106: Net profit shall be determined after deducting all expenses incurred in the conduct of petroleum operations within the area covered by the petroleum contract. Such expenses include:

all types of overheads, personnel and personnel-related expenses, building rentals, costs of supply of goods and services to holders.

However, for such expenses: costs for personnel, supplies or goods and services provided by affiliates to holders should not exceed those normally charged under fully competitive conditions between independent buyers and sellers for the provision of similar goods or services.

Only justifiable amounts of remunerations paid to staff working abroad for the holder or any of its affiliates shall be deductible, where such work-

force is assigned to petroleum operations carried out by the holder within the territory of Cameroon. However, recorded expenses and all types of costs incurred in relation to transactions with physical persons domiciled or established in a territory or a State considered as a tax haven, shall not be deductible;

A reasonable portion of the administrative expenses of the holder's registered office abroad which is chargeable to petroleum operations in the territory of Cameroon shall also be deductible, provided such amounts are not overstated, in accordance with the petroleum contract;

Depreciation recorded in the holder's accounting books, within the limits of the rates and terms defined in the petroleum contract, including depreciations which should have been deferred during the previous deficit fiscal years. The depreciation shall begin from the date of first use of the assets and continue until they are fully depreciated;

interest on capital made available to the holder by third parties to carry out petroleum operations for the development and exploitation of hydrocarbon deposits excluding exploration operations, where the interest rates applied do not exceed the normal rates accepted on international financial markets for similar loans.

This shall also apply to interest paid to partners or affiliates on sums provided to the holder in addition to their own share of capital, on condition that such sums do not exceed, for all the partners, one and a half times the amount of equity capital, where such sums are allocated to cover a reasonable portion of investment expenditure for the development and exploitation of hydrocarbon deposits, provided that the interest rates applied do not exceed those mentioned in the preceding paragraph.

Moreover, where borrowings from third parties are made abroad, they should be the subject of prior declaration to the Minister in charge of finance;

loss of materials or property resulting from destruction or damage, property abandoned or scrapped in the course of the year, bad debts and compensation paid to third parties for damages; the total amount of the royalty proportional to production paid in cash or in kind to the State, pursuant to the provisions of Section 103 above; necessary provisions made to cover losses or expenses and rendered probable by ongoing events, notably provision for abandonment of deposits set aside in compliance with the regulations in force and pursuant to the petroleum contract; without prejudice to contrary contract terms, any other losses or charges directly related to petroleum operations, except the amount of company tax referred to in Section 104 above.

SECTION 107: (1) The rate of company tax applicable to revenue derived from exploration and exploitation operations shall be 35%.

(2) The rules governing corporate tax bases and methods of collection shall be those laid down by the tax legislation in force in the Republic of Cameroon, unless otherwise provided for in this Code.

(3) Petroleum contract holders carrying out petroleum operations within the territory of Cameroon shall be authorized to keep their accounts in U.S. dollars and denominate their share capital in such currency. The terms and conditions for such accounting shall be specified in the petroleum contract.

(4) The petroleum contract may provide for accounting rules specific to petroleum operations, particularly regarding company tax recovery methods.

SECTION 108: The petroleum contract shall provide for a bonus referred to as "signature bonus" which the holder shall be bound to pay to the State, as well as a bonus referred to as "production bonus" which the holder shall pay to the State in proportion to the quantities of hydrocarbons produced, in accordance with the terms and conditions specified in the petroleum contract.

SECTION 109: The concession contract holder referred to in Section 15 above shall be liable to payment of an additional petroleum or gas levy

calculated on the basis of the profits derived from petroleum operations. The terms and conditions of such levy shall be specified in the contract.

SECTION 110: (1) With the exception of the corporate tax referred to in Section 104 above, production royalty, additional petroleum or gas levy and the other taxes, duties and royalties referred to in Section 101, 102, 103, 108 and 109 above, the petroleum contract holder shall be exempted from:

any tax or duty on profits and dividends paid to the holder's shareholders, subject to the tax conventions signed by Cameroon;

any direct tax on revenue derived from petroleum operations carried out on behalf of the State, regional or local authorities and any legal person under public law, for the activities referred to in Section 104 above;

all export duties and taxes for the activities referred to in Section 104 above;

value added tax (VAT) on the supply of all kinds of goods and services, including studies directly related to the conduct of petroleum operations, special tax on petroleum products (STPP) or similar taxes on the supply of all kinds of goods and services, including studies directly related to the conduct of petroleum operations.

(2) For the conduct of petroleum exploration and development operations, holders and their sub-contractors shall be exempted from payment of the special income tax on revenue provided for in the General Tax Code.

Such exemption shall cover assistance, rental of equipment and materials and the provision of all other services to the holder by its sub-contractors for the conduct of petroleum operations provided that the said sub-contractors:

do not have a permanent establishment in Cameroon;

private goods and services for petroleum operations at the cost price, on behalf of the holder.

(3) For each exploitation authorization, holders shall forfeit the aforementioned special tax exemption at the end of the development phase.

(4) A list of goods and services eligible for such exemption shall be established by the Minister in charge of finance, after due consultation with the Minister in charge of hydrocarbons. The said list shall be reviewed periodically to take into account technological developments, with the assent of the competent public institutions or bodies.

(5) However, the holder shall, under conditions of ordinary law, be liable for registration and stamp duties, toll fees, land registration and motor vehicle taxes, with the exception of registration fees in relation to loans, guaranties and contracts directly related to petroleum operations.

SECTION 111: The holder shall remain subject to all tax bases and payment obligations concerning taxes and duties deducted at source on behalf of the Treasury, particularly taxes on salaries, profits, revenue and property, with the exception of all taxes or duties on interest paid to non-resident lenders for funds reserved for the development of investments.

SECTION 112: The holder shall submit to the Minister in charge of finance all the documents and declarations required by ordinary law regulation, even where such documents and declarations concern transactions exempt from all duties and taxes, pursuant to this Code.

SECTION 113: The holder shall remain liable to taxes or royalties collected in remuneration for services rendered, and generally, to all non-fiscal levies.

CHAPTER II

CUSTOMS PROVISIONS

SECTION 114: Subject to the special provisions set out in Sections 115 to 119 below applicable to petroleum operations, holders and their sub-contractors shall comply with the provisions of the Customs Code.

SECTION 115: (1) Holders and their sub-contractors may import into the Republic of Cameroon materials, supplies, machinery and equipment necessary for the conduct of petroleum operations, subject to the provisions of Section 89 above.

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(2) Materials and equipment for petroleum prospecting and research operations mentioned in the Annex of Act 2/98-UDEAC-1508-CD-61 of 21 July 1998 shall be imported duty-free.

(3) Equipment, machinery and tools used directly to carry out the activities of holders, their dealers, affiliates and sub-contractors shall also be eligible for temporary admission under normal or special procedure, as the case may be, where such materials are intended for re-export after use in Cameroon.

SECTION 116: (1) During the petroleum development operation phase covering the first five (5) years of commercial production under the exploitation authorization, the equipment, machinery, materials, tools and chemicals referred to in Section 115 above, which are directly used and necessary for this phase, whether imported directly by holders, their dealers, affiliates or sub-contractors, shall benefit from an overall reduced rate of five (5%) percent on import duties and taxes.

This preferential customs regime, which covers parts and spares of machinery and equipment necessary for petroleum operations, shall also be applicable throughout the two-year term of the provisional exploitation authorization

(2) Beyond the five-year period referred to in the first paragraph of (1) above, imports of equipment, machinery, materials, tools and chemicals relating to petroleum operations shall be subject to customs duties and taxes under the ordinary law system.

(3) Benefit of the reduced rate referred to in (1) above shall be granted by the Minister in charge of finance, subject to the production of:

a general import programme validated by competent government services, with the assent of the Minister in charge of hydrocarbons;

specific applications for eligibility for the aforementioned reduced rate.

(4) A list of materials, machines and equipment eligible for the preferential regime of the overall reduced rate of five (5%) percent on import duties and taxes shall be established by the Minister in charge of hydrocarbons, and approved by the Minister in charge of finance. The said list shall be reviewed periodically on the initiative of the Minister in charge of hydrocarbons or any duly mandated establishment or public body, and approved by the Minister in charge of finance

(5) The imported equipment, materials and products not directly used for petroleum operations during the prospecting, exploration or development phases, shall be subject to the customs duties and taxes laid down in the Customs Tariff.

SECTION 117: Imports and exports shall be subject to all the formalities required by the Customs Administration. However, the Minister in charge of finance may, where necessary and after due consultation with the persons concerned, take special measures to accelerate the customs clearance procedure.

SECTION 118: (1) Petroleum contract holders shall be liable to a zero point forty-five (0.45%) percent computer service fee. The amount of such fee shall be capped at CFAF (100 000) one hundred thousand per declaration.

(2) Sub-contractors shall enjoy the benefits listed in this Section, subject to receipt of their imports by the holder.

SECTION 119: Holders may export, free of all export taxes and duties, their share of hydrocarbons under their petroleum contracts.

CHAPTER III

FOREIGN EXCHANGE REGULATIONS

SECTION 120: (1) Petroleum contract holders shall be subject to the foreign exchange regulations applicable in the Republic of Cameroon, subject to the provisions of this chapter applicable to petroleum operations.

(2) During the period of validity of their petroleum contracts and subject to compliance with their obligations, particularly regarding foreign exchange regulations and tax legislation, holders shall enjoy the following benefits:

the right to open, in the Republic of Cameroon and abroad, local and foreign currency accounts and to use them for their transactions;

the right to receive and freely keep abroad funds acquired or borrowed abroad, including proceeds from the sale of their share of production, and to freely dispose of same, within the limits of their tax obligation surplus amounts and their local needs concerning petroleum operations carried out within the territory of Cameroon;

the right to transfer and freely keep abroad, revenue from the sale of hydrocarbons, any dividends and returns on invested capital, as well as proceeds from the liquidation or increase in their assets;

the right to pay directly abroad non-resident suppliers of goods and services used to carry out petroleum operations.

(3) Holders' expatriate personnel residing in the Republic of Cameroon shall be guaranteed the free exchange and transfer to their country of origin of all or part of the amounts to which they shall be entitled, subject to the payment of taxes and other charges for which they may be liable under the regulations in force.

(4) The petroleum contract may stipulate that the petroleum contract holders' sub-contractors, who are foreign nationals and their expatriate employees, shall enjoy the same benefits.

(5) The holder shall be bound to periodically provide the State with all information on the movement of funds between the Republic of Cameroon and a foreign country, deposits and withdrawals from accounts opened abroad and related to petroleum operations which the State deems necessary for updating public accounts with respect to the balance of trade and balance of payments.

The holder shall transmit such information concurrently to the Minister in charge of finance, the Minister in charge of external trade and the Minister in charge of hydrocarbons.

SECTION 121: Pursuant to Section 95 above, the Minister in charge of hydrocarbons or any duly mandated public body shall have the right to audit the accounts of the holder, in accordance with the terms and conditions specified in the petroleum contract.

SECTION 122: Conditions for the implementation of this part shall be laid down by regulation.

PART VII

STABILIZATION, SETTLEMENT OF DISPUTES, WITHDRAWAL AUTHORIZATIONS AND CANCELLATION OF PETROLEUM CONTRACT

SECTION 123: Petroleum contract and authorization holders shall be subject to the laws and regulations of the Republic of Cameroon.

SECTION 124: The petroleum contract may provide for special regimes with regard to the stabilization of economic conditions, particularly where conditions for the execution of the said petroleum contract are aggravated by the introduction, in the Republic of Cameroon, of laws or regulations after its effective date.

SECTION 125: (1) Cameroonian courts shall have jurisdiction over any violation of the provisions of this Code, its implementing instruments and petroleum authorizations and contracts.

(2) However, the petroleum contract may include a clause providing for a conciliation and arbitration procedure to settle any dispute between the State and the holder relating to the interpretation or execution of the said petroleum contract.

SECTION 126: (1) Where the petroleum authorization or contract holder violates the provisions of this Code or its implementing instruments, the authorization or petroleum contract, or are in a situation of bankruptcy, judicial settlement or disposal of assets, the Minister in charge of hydrocarbons shall serve such a holder a formal notice to remedy such duly established lapses within 3 (three) months.

(2) Where upon the expiry of this deadline, the formal notice is not heeded, the Minister in charge of hydrocarbons shall order the withdrawal of the authorization and/or cancellation of the petroleum contract concerned, without prejudice to the other penalties provided for by the laws and regulations in force. However, where the authorization was granted by decree, it shall be withdrawn by decree

of the same public authority.

(3) The provisions of (1) and (2) above shall apply individually to each petroleum authorization or contract co-holder.

SECTION 127: The withdrawal of the authorization or the cancellation of the petroleum contract shall not release the holder from his contractual or third-party obligations due on the date of withdrawal or cancellation.

Such obligations shall include the restoration of the sites, financial, tax and social obligations.

PART VIII

INVESTMENT INCENTIVES IN THE UPSTREAM PETROLEUM SECTOR

SECTION 128: (1) Notwithstanding the provisions of Part VI of this Law, where exceptional circumstances so warrant, the State, through the public body duly mandated to manage its interests in this sector, may provide the appropriate incentives to revive exploration and exploitation activities, and support hydrocarbon production throughout the national mining sector, notably to:

- encourage the onshore exploration of inaccessible mining property, or offshore exploration at depths of more than 200 metres, or difficult and high-risk exploration themes; or
- encourage the implementation of tertiary recovery programmes to increase the productivity of deposits; or
- in case of a significant drop in investments in the upstream petroleum sector.

2) The measures referred to in (1) above shall consist notably in readjusting the fiscal or economic terms of the contracts concluded between the State and petroleum companies to speed up the recovery of investments and improve their profitability.

For the implementation of paragraph (1) above: the State, through a public body duly mandated to that effect, shall examine the aforementioned special circumstances, after the opinion of the standing commission referred to in Section 12 of this law;

petroleum companies with the required technical and financial capacity, and having firm investment projects can benefit from the incentives, following an application submitted to the duly mandated public body. However, for petroleum contract holders, the application shall be admissible only when all the contractual obligations towards the State have been fulfilled and where their activities are in accordance with the provisions of the laws and regulations in force;

incentives shall take into account the work programmes submitted by the applicant, the risks taken, the size of the hydrocarbon discoveries expected from the exploration work, and their production increase potential, for appraisal and tertiary recovery programmes submitted;

the implementation incentives may not be intended to reduce the oil revenue of the State to a threshold below 51% of the total oil revenue obtained from the activities of the holder in the mining property of the State.

SECTION 129: (1) Depending on the circumstances and provided they are economically profitable, the incentives that the State may grant shall include one or more of the following:

waiver from paying the signature bonus for petroleum contracts entered into from the date of promulgation of this law;

exemption from payment of corporate tax for a maximum period of five (5) years for liquid hydrocarbons and seven (7) years for gaseous hydrocarbons, in view of the amount of investments to be carried out and the duration of the production plateau attached to the investment programme submitted;

adjustment of the economic parameters of the petroleum contract, with notably a possible reduction of State participation in exploitation, the modification of the "profit oil" and/or "cost oil" for production sharing contracts, and the reduction of the rate of royalty proportional to production for concession contracts;

possibility to recover from production, in any given exploitation area, the seismic acquisition and dry exploration expenses incurred in any

other contractual area where the applicant conducts petroleum operations;

tax consolidation of exploration expenses.

(2) Incentives shall be granted to petroleum companies through petroleum contract amendments or, as appropriate, through a new petroleum contract, under the conditions laid down in Section 12 of this Code.

(3) Conditions for granting these incentives shall be laid down by law.

PART IX

OFFENCES AND PENALTIES CHAPTER I OFFENCES

SECTION 130: Within the meaning of this law, the following shall be considered as offences:

conduct of hydrocarbon exploration and exploitation operations in violation of the provisions of the Law to institute the Petroleum Code and the implementing instruments thereof;

non-compliance with contractual commitments relating to the agreed works programme;

violation of accounting, tax and customs rules, as well as foreign exchange regulations;

non-disclosure to the State of the information, documents or data that must be submitted to it;

non-compliance with the provisions of Law No. 96/12 of 5 August 1996: Framework law on environmental management and the implementing instruments thereof;

non-compliance with contractual commitments relating to local content;

disclosure of a discovery without the prior approval of the Minister in charge of hydrocarbons, or any establishment or public body duly mandated for such purpose;

non-compliance with the provisions of Law No. 98/015 of 14 July 1998 governing establishments classified as dangerous, unhealthy and obnoxious, and the implementing instruments thereof;

non-compliance with technical, safety and health rules for hydrocarbon exploration and exploitation operations;

obstruction to control by sworn and/or authorized officers.

CHAPTER II PENALTIES

SECTION 131: (1) Where petroleum contract holders and/or their sub-contractor fail to comply with the obligations laid down by this law or commit any of the offences referred to in Section 128 above, the Minister in charge of hydrocarbons or any public body duly mandated for such purpose shall serve such holders a formal notice to comply with their obligations within a maximum period of three (3) months, under pain of penalty which should be specified in the formal notice sent to the holder.

(2) Where the formal notice remains unheeded after expiry of the prescribed deadline, one of the following penalties shall be imposed on the petroleum contract holder:

fining;

withdrawal of the authorization and/or forfeiture of the petroleum contract under which the petroleum activities are carried out by the holder. Withdrawal of the authorization and/or forfeiture of the petroleum contract shall be ordered under the conditions laid down in Section 126 (2) above.

SECTION 132: (1) The penalties referred to in Section 130 above shall be pronounced by the Minister in charge of hydrocarbons, or by any competent public body, without prejudice to all other penalties provided for by the laws and regulations in force.

Penalties shall vary depending on the nature, frequency or gravity of the offence committed, as appreciated by the Minister in charge of hydrocarbons, or by any public body duly mandated to that effect.

(2) The amount of fines shall be as follows:

- non-compliance with the provisions of the Law to institute the Petroleum Code during hydrocarbons exploration and exploitation operations: CFA 500 000 000 (five hundred million) francs;
- non-compliance with contractual commitments relating to the agreed works programme: CFA (500 000 000) five hundred million francs;

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non-compliance with technical, safety, health or environmental rules: CFA (200 000000) two hundred million francs;

non-compliance with contractual commitments relating to local content: CFA (200 000000) two hundred million francs;

non-disclosure to the State of the information, documents or data that must be submitted to it: CFA 200 000000 (two hundred million) francs;

non-compliance with the accounting rules provided for in the Law to institute the Petroleum Code: CFA 200 000000 (two hundred million) francs;

disclosure of a discovery without the prior approval of the Minister in charge of hydrocarbons, or any public body duly mandated for that purpose: CFA 200 000000 (two hundred million) francs;

obstruction to control by sworn and/or authorized officers: CFA 75 000000 (seventy-five million) francs;

Fine default: the above fines shall increase by 10%, for each month of delay from the date on which the default payment is established by the com-

petent authority. The term "month" shall correspond to a period of thirty (30) successive days.

PART X

MISCELLANEOUS, TRANSITIONAL AND FINAL PROVISIONS

SECTION 133: (1) This law shall apply to the petroleum contracts entered into from the date of its promulgation.

(2) Petroleum contracts entered into between the State and petroleum companies prior to the date of promulgation of this law, as well as hydrocarbon mining titles and related authorizations, shall remain valid for the period for which they were concluded or granted. Holders shall remain entitled to obtain and renew their exploration or exploitation authorizations under the said contracts.

(3) Establishment agreements and partnership contracts concluded between the State and petroleum companies before the date of promulgation of this law, as well as hydrocarbon mining titles and related authorizations, shall remain valid for the period for which they were concluded or granted. Holders shall have the latitude to grant

or renew exploration or exploitation authorizations under the said contracts.

(4) Holders of the petroleum contracts, establishment agreements and partnership contracts in force on the date of promulgation of this law shall remain subject to the provisions contained therein as they may be subsequently amended by the parties during their validity period.

(5) Any holder referred to in the preceding paragraphs wishing to implement the provisions of this law for the purpose of improving the economic balance of agreements binding it to the State, shall be bound to accept to renegotiate the said agreements as laid down by this law and its implementing instruments.

SECTION 134: (1) The bases, rates and methods of collecting the fixed duties and land royalties provided for in Sections 101 and 102 above, shall be regulated by the applicable finance law. (2) Considering the provisions of Section 101 of this Code and pending the adoption of special instruments, the bases, rates and methods of collection of fixed duties relating to applications for authorization relinquishment and assignment

shall be the same as those for the granting of the authorization concerned.

SECTION 135: The provisions of Law No. 2002/4 of 19 April 2002 to institute the Investment Charter of the Republic of Cameroon, or any subsequent instrument superseding and replacing it shall not apply to petroleum contract holders and petroleum operations, where such provisions are repugnant to this law and its implementing instruments.

SECTION 136: All previous provisions repugnant hereto are hereby repealed, notably those of Law No. 99/13 of 22 December 1999 to institute the Petroleum Code.

SECTION 137: The conditions for implementing this law shall be laid down by regulation.

SECTION 138: This law shall be registered, published according to the procedure of urgency and inserted in the Official Gazette in English and French.

Yaounde, 25th April 2019
(s) Paul BIYA
President of the Republic