



**AN ACT TO AMEND AND RESTATE THE
NEW PETROLEUM LAW OF LIBERIA 2002
THEREBY ESTABLISHING THE NEW PETROLEUM
(EXPLORATION AND PRODUCTION)
REFORM LAW OF LIBERIA, 2014**

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**AN ACT TO REPEAL THE NEW PETROLEUM LAW OF
LIBERIA 2002 AND ESTABLISH THE NEW
PETROLEUM (EXPLORATION AND PRODUCTION)
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REPUBLIC OF LIBERIA

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A BILL
ENTITLED
PETROLEUM (EXPLORATION AND PRODUCTION)
ACT, 2014

AN ACT to provide for the establishment of a fiscal and legal regulatory framework for the management and regulation of petroleum activities in accordance with Articles 7 and 22(b) of the Constitution of the Republic of Liberia and for related matters.

Preamble

WHEREAS, Article 7 of the Constitution of the Republic of Liberia provides that: "*The Republic of Liberia shall, consistent with the principle of individual freedom and social justice enshrined in this Constitution, manage the national economy and the natural resources of Liberia in such manner as shall ensure the maximum feasible participation of Liberian citizens under conditions of equality as to advance the general welfare of the Liberian people and the economic development of Liberia.*"

WHEREAS, Article 22(b) of the Constitution provides that: "*Private property rights, however, shall not extend to any mineral resources on or beneath any land or to any lands under the seas and waterways of the Republic. All mineral resources in and under the seas and other waterways shall belong to the Republic and be used by and for the entire Republic.*"

WHEREAS, it is desirable to promote transparency and openness in the administration of the petroleum resources of the Republic of Liberia, to create a conducive business environment for petroleum operations, to establish commercially oriented and profit-driven oil and gas institutions, and to promote the development of Liberia's petroleum resources for the benefit of all stakeholders, particularly the young and future generations.

WHEREAS, it is desirable to reform the legal and institutional framework governing the upstream petroleum sector, consisting of petroleum exploration, development and production operations, to ensure that the petroleum resources are managed in an environmentally responsible and sustainable manner to optimize returns and ensure equitable benefits to the people of the Republic of Liberia now and in the future.

BE IT ENACTED BY the Senate and House of Representatives of the Republic of Liberia in Legislature assembled.

Part I. PRELIMINARY

1. Short title

This Act may be cited as the Petroleum (Exploration and Production) Act, 2014.

2. Definitions

In this Act, unless the context otherwise requires:

“Act” means this Petroleum (Exploration and Production) Act, 2014.

“Authority” means the Liberia Petroleum Regulatory Authority established pursuant to Section 7 of this Act.

“block” means an area that is delineated in accordance with the national grid system as provided for in Section 6 of this Act for the purpose of upstream petroleum activities.

“Board” means the board of the Liberia Petroleum Regulatory Authority established pursuant to Section 7 of this Act.

“CBL” means the Central Bank of Liberia.

“company” means any company, corporation or other duly incorporated legal entity under the laws of the Republic of Liberia.

“Consolidated Fund” means the fund having such name established under the Public Finance Management Act.

“Constitution” means the Constitution of the Republic of Liberia that was entered into force on the 6th day of January, 1986.

“contractor” means a company, or two or more companies acting collectively, which enter into a petroleum agreement with the Republic of Liberia.

“crude oil” means a naturally occurring liquid found beneath the earth’s surface consisting of a mixture of hydrocarbons and other organic compounds, and also includes condensates and natural gas liquids obtained from natural gas by condensation or extraction.

“development” means the planning, building, construction, installation and placement of facilities, equipment and infrastructure for petroleum production activities.

“Director General” means the Director General responsible for the administration of the Authority appointed pursuant to subsection 7.4 of this Act.

“discovery” means to establish through the drilling of a well the existence of an accumulation of petroleum which until that time was not established, and which is recoverable at the surface in a flow measurable by conventional international petroleum industry testing methods.

“drilling” means the perforation of the surface of the earth for the purpose of making a discovery, establishing the extent of a discovery or production of discovered petroleum.

“Environment Protection Law” means the Environment Protection and Management Law, 2002 and the related regulations adopted thereunder, as such law or regulations are from time to time amended, modified or supplemented.

“EPA” means the Environmental Protection Agency of Liberia established under the Environment Protection Agency Act, or any successor entity.

“EPA Environment Guidelines” means the Environment Impact Assessment Procedural Guidelines 2006 issued by the Environmental Protection Agency as from time to time amended, modified or supplemented.

“ESIA” means an environmental and social impact assessment.

“ESMP” means an environmental and social management plan.

“exploration” means the undertaking of operations on land or water for the purpose of discovering petroleum.

“facility” means any structure, device or other associated installation or infrastructure including pipelines, valve stations, pump stations, compressor stations and equipment constructed, placed or used in order to carry out petroleum operations.

“field” means a geological structure or feature which hosts one or more reservoirs from which petroleum production may be commercially undertaken through a defined set of facilities.

“flaring” means the combustion of hydrocarbons without the application of the resulting heat or gases for any useful purpose.

“gas venting” means the release of natural gas to the atmosphere.

“good international petroleum industry practices” means those uses and practices that are, at the time and under the technical circumstances in question, generally accepted in the international petroleum industry as being good, prudent, safe, economical, diligent, and environmentally sound in carrying out petroleum operations.

“Legislature” means the Senate and House of Representatives of the Republic of Liberia in Legislature assembled.

“LEITI Act” means the Act establishing the Liberia Extractive Industries Transparency Initiative (LEITI) of 2009, as from time to time thereafter amended, modified or supplemented.

“LRA” means the Liberia Revenue Authority.

“natural gas” means all hydrocarbons which are in a gaseous state under normal atmospheric pressure and includes wet and dry gas and residue gas remaining after the recovery of liquid hydrocarbons from wet gas.

“NOCAL” means the National Oil Company of Liberia established and governed by the NOCAL Act.

NOCAL Act” means the National Oil Company of Liberia Act, 2014, as from time to time amended, modified or supplemented.

“operator” means the company participating in the contractor under a petroleum agreement responsible for carrying out petroleum operations on behalf of the contractor.

“participant” means a company that has a participating interest in a petroleum agreement but is not the operator.

“person” means any individual, company, trust or partnership.

“petroleum” means crude oil or natural gas or a combination of both.

“petroleum agreement” means a petroleum production sharing contract entered into between the State and a contractor in accordance with this Act.

“petroleum operations” means the exploration, development and production of petroleum and activities related to the termination of petroleum activities in an area under a petroleum agreement.

“petroleum right” means a right described in Section 4 of this Act.

“petroleum transportation system” means pipelines and laterals for the transportation of petroleum and all ancillary installations and equipment, including loading, unloading, pumping, compressing, measuring, testing and metering facilities and terminaling and storage installations.

“pollution” means any direct or indirect alteration of the physical, thermal, chemical, biological or radioactive properties of any part of the environment by discharging, emitting or depositing substances or emitting noise so as to affect any beneficial use adversely, or to cause a condition which is hazardous or potentially hazardous to public health, safety or welfare, to animals, birds, wildlife, fish, aquatic life or plants, to land, or to water sources.

“pollution damage” means damage or loss caused by pollution as a consequence of petroleum operations.

“President” means the President of the Republic of Liberia.

“production” means all operations relating to the extraction, processing, storage and disposal of petroleum.

“production sharing agreement” means a production sharing contract entered into by NOCAL prior to the effective date of this Act.

“Public Finance Management Act” means the Public Finance Management Act of 2009 and the regulations duly adopted thereunder, as such law or regulations are from time to time thereafter amended, modified or supplemented.

“reconnaissance” means the undertaking of preliminary petroleum activities for the purpose of acquiring geo-scientific data, including geological, geophysical and geochemical surveys.

“regulations” means, unless the context clearly otherwise requires, regulations promulgated under the authority of this Act.

“Revenue Code” means the Revenue Code of Liberia of 2000, as amended by the Consolidated Tax Amendment Act, 2010 and the regulations duly adopted thereunder, as such code or regulations are from time to time further amended, modified or supplemented.

“State” means the governmental authority of the Republic of Liberia.

“subcontractor” means a third party with whom a contractor has entered into a contract for the provision of goods or services in relation to the performance of petroleum operations under a petroleum agreement.

“well” means a borehole created by the perforation of the earth’s surface using conventional drilling methods in a vertical, inclined or horizontal configuration with the aim of making a discovery of petroleum, appraising a discovery, producing petroleum or injecting or reinjecting petroleum or other substances in connection with petroleum production.

Part II. OWNERSHIP OF PETROLEUM AND PETROLEUM RIGHTS

3. *Ownership of petroleum resources*

- 3.1 In accordance with Article 22(b) of the Constitution, the entire property in and control of petroleum in its natural condition in or on any land or under any lands or seas or waterways of the Republic of Liberia is vested in the State, notwithstanding any right of ownership or otherwise that a person may possess in the land, soil or water under or upon which petroleum is discovered or situated.
- 3.2 This Section 3 applies to all land, including land covered by water, that is within the borders of Liberia, is under the territorial waters of Liberia, forms part of the continental shelf of Liberia or forms part of the exclusive economic zone of the Republic of Liberia.
- 3.3 The State shall ensure that the petroleum resources of the Republic of Liberia are explored and exploited for the benefit of the people of Liberia in the most efficient and effective manner.

4. *Grant of petroleum rights*

- 4.1 The right to explore for, produce and transport petroleum shall be acquired and held only in accordance with a petroleum right granted under this Act and applicable regulations.
- 4.2 The following petroleum rights may be acquired under this Act:
- (a) a reconnaissance license,
 - (b) a petroleum agreement, or
 - (c) a license for the laying and operation of petroleum transportation systems.
- 4.3 The granting of a petroleum right under this Act shall not preclude the subsequent grant to another person of the right to explore and produce natural resources other than petroleum in identical or overlapping geographical areas, provided that those activities do not unreasonably interfere with the petroleum operations of the holder of such petroleum right.

5. *Prohibition of petroleum activities without authorization*

Petroleum activities shall only be conducted in an area open for the development of petroleum activities under a petroleum right and in accordance with this Act and applicable laws.

6. *Constitution of blocks*

- 6.1 For the purpose of this Act, the surface of the earth within the jurisdiction of the Republic of Liberia shall be deemed to be divided into blocks under a national grid system based on the Universal Transverse Mercator Coordinate System.

- 6.2 Each block on the reference map shall be given a number or a letter or both, for the purpose of identification.
- 6.3 The surface of offshore blocks constituted under this Act shall not exceed 2,000 square kilometers, and the surface of onshore blocks constituted under this Act shall not exceed 1,000 square kilometers.

Part III. INSTITUTIONAL ARRANGEMENTS

7. *Establishment of the Liberia Petroleum Regulatory Authority*

- 7.1 There is hereby established an administrative body of the Government to be known as the Liberia Petroleum Regulatory Authority (the "Authority"), which shall have the duties and powers conferred upon it by this Act. The Authority shall be independent of all other ministries and agencies of Government, and reports concerning its operation shall be rendered to the President and the National Legislature, in each case except as otherwise expressly provided in this Act.
- 7.2 The Authority is established for the purpose of administering this Act in accordance with the terms hereinafter set forth.
- 7.3 The Authority shall, for the performance of its functions, have the capacity to:
- (a) exercise all powers and functions given to it under this Act;
 - (b) own movable and immovable property;
 - (c) enter into contracts, incur obligations and bring or defend legal actions in its own name, including the capacity to commence legal proceedings to enforce its rights or the obligations to it of third parties, to defend any claim against it and to participate and represent itself in any arbitration or similar legal proceeding;
 - (d) open one or more bank accounts in its name for the purpose of receiving, holding and disbursing funds; and
 - (e) do all such things as are necessary for the proper performance of its functions under this Act.
- 7.4 The Authority shall be exempt from the payment of income taxes and all customs duties and charges, as well as property and capital taxes. It shall also be exempt from payment of trade or similar levies. Nothing in this paragraph limits the duty of the Authority to apply funds in its possession or control in the manner required by this Act.
- 7.5 The Authority shall be headed by a Director General, who shall be appointed by the President by and with the consent of the Senate. The Director General shall serve for a term of three years, may be reappointed for not more than two additional terms, also with the consent of the Senate, and shall be removable by the President for cause. The Director General shall be a person of high integrity and shall have qualifications and experience in geosciences, geo-engineering, natural resource management and law or taxation and finance relevant to the responsibilities of the Authority.
- 7.6 General policy oversight and direction shall be provided to the Authority by a Board consisting of three members: the Director General, who shall be ex officio, and two other

members appointed by the President. The two members shall be appointed by the President with the consent of the Senate, shall serve for a term of three years, may be reappointed for not more than two additional terms, also with the consent of the Senate, and shall be removable by the President for cause (including persistent failure to participate in meetings of the Board). Each such member shall be a person of high integrity, shall have qualifications and experience in geosciences, engineering, management, law or taxation and finance relevant to the responsibilities of the Authority, and shall not otherwise be an officer in the public service. In addition to its responsibility for general policy oversight and direction, the Board shall have the specific responsibilities set forth elsewhere in this Act and shall also have responsibility for

- (a) establishing programs for the long-term development of the Authority's capacity;
- (b) approving the annual budget and staffing levels of the Authority; and
- (c) establishing policies and goals for the obtaining of external funding and approving the integration of any such funding into the agency's budget and expenditure programs.

In carrying out its general policy oversight and direction responsibilities, the Board shall consult on a regular basis with the Minister of Lands Mines and Energy, the Minister of Finance and Development Planning, and the Executive Director of the Environmental Protection Agency.

7.7 Meetings of the Board shall be governed by this Section 7.7.

- (a) The Director General shall convene meetings of the Board whenever the Board is required to exercise a function specifically set forth in this Act, or when the Director General believes a meeting to be necessary for the governance of the Authority. A Board member must receive at least four days' notice of any such meeting unless notice is waived by such member. The notice of meeting shall set forth the matters proposed to be dealt with in such meeting.
- (b) The Director General shall also convene a meeting of the Board at least quarterly in Monrovia on at least 20 days' notice, or on such lesser notice as the Board may determine, and at each such meeting the Director General shall brief the Board as to current matters concerning the Authority, including any projected bid rounds, any significant issues or controversies involving specific petroleum rights outstanding, and any other matters concerning the Authority or petroleum rights issued or proposed to be issued that could be relevant to the Board in the performance of its specific functions under the Act.
- (c) The members of the Board other than the Director General may also call meetings of the Board on at least four days' notice to the Director General unless notice is waived by the Director General, setting forth in such notice the matters proposed to be dealt with in such meeting.
- (d) A Board member may participate in a meeting by telephone or video conference if all participants in the meeting can hear each speaker. Action by the Board shall require the affirmative vote of at least two members of the Board. The Board may also act by unanimous written consent. A Board member may not appoint a proxy.

- 7.8 The Director General shall be responsible for
- (a) the day-to-day administration of the affairs of the Authority, including the performance of the duties and obligations of the Authority under this Act;
 - (b) making such decisions, issuing such approvals and taking such other actions as are required by the terms of this Act to be taken by the Director General;
 - (c) the organization, supervision and discipline of the staff of the Authority;
 - (d) the day-to-day management of the funds, property and affairs of the Authority;
 - (e) the maintenance of such records and the preparation and publishing or submission of such reports as the Authority may be required to publish or submit by this Act, the Public Finance Management Act, the LEITI Act or other applicable law; and
 - (f) promoting and sustaining transparency in the petroleum sector, including, without limitation, publication of each annual budget and any amendments thereto promptly after approval by the Board.
- 7.9 The Director General shall be assisted by one or more deputy directors-general as may be appointed by the Board on recommendation of the Director General, provided however that there shall be no more than three deputy directors-general. All such deputy director general shall (i) have technical and professional knowledge and experience in the field of expertise relevant to their functions, (ii) hold office at the pleasure of the Director General, and (iii) be subject to such terms of employment as shall be determined by the Board including remuneration and allowances which shall be at a level sufficient to attract and retain qualified professionals having equivalent technical and professional knowledge and experience, which terms may exceed those otherwise permitted under applicable civil service law and regulations.
- 7.10 The Director General with the approval of the Board may delegate authority to the deputy director generals under this Act, other than the authority to take actions under this Act that are specifically stated to be taken by the Director General. The full text of each such delegation shall be published on the Authority's website and shall be available to the public on request.
- 7.11 The Director General shall recruit employees for such positions and in such numbers as are necessary for the efficient operation of the Authority. In the case of employees whose positions require technical and professional knowledge and experience in a field of expertise relevant to their function, their terms of employment shall be at levels sufficient to attract and retain qualified professionals from the petroleum industry, taking into account the specialized nature of the work to be performed by each employee, the need to ensure financial prudence of the Authority, and the salaries paid in the private sector to individuals with equivalent responsibilities, expertise and skills, and such terms may exceed those otherwise permitted under applicable civil service law and regulations.
- 7.12 The funds of the Authority shall include:
- (a) amounts appropriated by the National Legislature;

- (b) processing fees and participation fees authorized under subsection 7.14 of this Act;
- (c) grants from the State's development partners and other international institutions;
- (d) funding referred to in subsection 7.13(d) of this Act and transition funding referred to in Section 78 of this Act; and
- (e) funds made available by NOCAL pursuant to subsection 7(f) of the NOCAL Act..

7.13 Budgets of the Authority shall be developed and administered on the basis set forth in this Section.

- (a) Budgets of the Authority may be on a multi-year basis.
- (b) When an approved Authority budget contains programs that by their nature require advance multi-year expenditure commitments, the Legislature shall make appropriations for the term of such commitments. Notwithstanding the Public Financial Management Act, such appropriation shall not lapse even if not all amounts appropriated in any fiscal year are expended in such year so long as the budget items to be funded with such appropriations continue to be included in the approved budget of the Authority for the following fiscal year or years.
- (c) The Authority may not hold an aggregate amount in its bank accounts authorized under subsection 7.3(d) of this Act in excess of 110% of the unexpended amount of the Authority's approved budget for the current fiscal year plus the lesser of its total approved budget for the current fiscal year and the amount of its approved budget for the following fiscal year (if such budget then exists). Any receipts of the Authority that would result in the Authority holding an amount in excess of such limitation shall promptly be transferred *first* to NOCAL, in an amount not exceeding the amount by which 110% of the unexpended amount of NOCAL's approved budget for the current fiscal year plus the lesser of its total approved budget for the current fiscal year and its approved budget for the following fiscal year (if such approved following year budget then exists), and *second* to the Consolidated Fund. Notwithstanding the foregoing, no transfer shall be made to NOCAL under this subsection 7.13(c) after the third anniversary of the effective date of this Act unless the relevant budget or budgets of NOCAL then in effect have been approved by the Minister of Finance and Development Planning.
- (d) Notwithstanding any provision of this Act requiring amounts to be paid directly into the Consolidated Fund, from and after the transfer completion date (as defined in subsection 78.1 of this Act) (a) all surface rentals payable under any petroleum agreement prior to the start of commercial production under such agreement, and (b) all bonuses payable under any petroleum agreement prior to the start of commercial production under such agreement shall be paid to the Authority for use in funding its activities and for application in accordance with subsection 7.13(c) of this Act.

7.14 The Authority may authorize by regulation and assess processing fees for the granting of licenses other than petroleum agreements, for the pre-qualification of bidders in connection with bid rounds, for the submission and evaluation of bids in a bid round, for the amendment of the terms of petroleum rights after they are granted, for the approval

under petroleum agreements of appraisal programs and development and production plans and amendments thereto, for the review and approval of transfer requests under petroleum rights, and for the taking of other comparable actions at the request of a holder of petroleum rights. Such fees shall be established on the basis of assuring the availability of sufficient qualified personnel and resources for the performance of the required activities in light of the other funding sources available to the Authority.

- 7.15 In establishing regulations under Section 7.14 of this Act, the Authority shall give due regard to the capacity of Liberian-citizen-owned companies to pay fees and, in its discretion, may reduce or waive such fees for all Liberian-citizen-owned companies for the immediate five (5) years following the effective date of this Act.
- 7.16 The Authority may, directly and indirectly, request and receive technical assistance, donations or grants from Liberia's development partners and other international or multilateral institutions in furtherance of its operations.
- 7.17 The Authority shall adopt a system of sound financial management policies in conformity with the Public Financial Management Act.
- 7.18 The Authority shall be subject to audit by the General Auditing Commission.
- 7.19 The Act to Amend the Public Procurement and Concession Act, 2005 shall not apply to the granting of petroleum rights.

8. *Functions of the Liberia Petroleum Regulatory Authority*

- 8.1 The functions of the Authority shall be to:
- (a) conduct technical evaluations of areas to be opened up for petroleum operations pursuant to Section 13 of this Act;
 - (b) manage the pre-qualification and bidding round-processes for the tendering and granting of petroleum agreements, and make recommendations to the Board in accordance with Sections 15, 16 and 17 of this Act;
 - (c) enter into petroleum agreements and such other instruments as may be necessary or appropriate to evidence other petroleum rights granted under this Act;
 - (d) administer petroleum rights (other than reconnaissance licenses to be administered by NOCAL under subsection 7(e) of the NOCAL Act) and ensure compliance by the holders of such rights with this Act, regulations made thereunder and with the terms of the relevant petroleum agreement or license;
 - (e) review and approve proposed reconnaissance, exploration and appraisal work programs and budgets, development and production plans and budgets, and abandonment plans and budgets submitted by holders of petroleum rights, including any revisions thereto;
 - (f) represent the State in operations committees established under petroleum agreements to review current and future petroleum operations;
 - (g) monitor petroleum operations and conduct such inspections, investigations and audits as are required therefor;

- (h) assist the LRA in ensuring that all revenues accruing to the State under this Act and any petroleum right granted hereunder are deposited by the payer directly into the Consolidated Fund for effective monitoring and management in a transparent and accountable manner except as may be otherwise expressly permitted under this Act;
- (i) supervise the storage of petroleum data, maps, records, registers and other documents relating to petroleum operations, including petroleum data acquired by NOCAL in the exercise of its commercial power to enter into and administer contracts for the acquisition of seismic and other geophysical and geochemical data;
- (j) investigate and make recommendations by the first anniversary of the effective date of this Act as to the potential scope and structure of a petroleum revenue management law for Liberia; and
- (k) perform such other functions as are assigned to the Authority under this Act.

8.2 In the exercise of its functions, the Authority shall consult and cooperate on a timely basis with ministries and agencies having duties or functions related to those of the Authority.

8.3 The Authority shall use the funds specified in subsection 7.12 of this Act strictly in accordance with its approved budget or with the terms of the relevant grant agreement referred to in clause (d) of such subsection, in order to:

- (a) meet the administrative and operating costs of the Authority;
- (b) pay salaries, wages, fees, allowances, benefits and other remunerations to the staff of the Authority; and
- (c) meet the costs generally incurred in connection with carrying out of any of its functions under this Act.

9. *The National Oil Company of Liberia*

9.1 The primary activities of NOCAL shall be the ownership and management of petroleum rights acquired by NOCAL pursuant to petroleum agreements or production sharing agreements whether as the sole participant or in conjunction with others, and the conduct of such other petroleum operations on behalf of the State as may from time to time be authorized by the Authority.

9.2 In furtherance of Section 9.1 of this Act, NOCAL may participate in a bidding round under Section 16 of this Act to obtain in its own name petroleum rights under a petroleum agreement upon demonstrating to the Authority through a pre-qualification procedure under Section 15 of this Act that it has the financial and technical capacity, whether singularly or in conjunction with others, to conduct petroleum activities required by a petroleum agreement.

9.3 The Authority shall notify NOCAL of its intent to conduct any tender and the areas contemplated for tender promptly after the Board has approved the tender protocol.

9.4 If NOCAL acquires a participation in a petroleum agreement through its participation in a tender under Article 16 of this Act, the provisions of Section 35 of this Act shall not be

applicable to that petroleum agreement, but the provisions of Section 36 of this Act shall remain applicable.

10. *Petroleum activities by the National Oil Company of Liberia*

10.1 NOCAL shall have the following additional functions:

- (a) manage all participation interests in petroleum agreements acquired under citizen participation provisions of any petroleum agreement or production sharing agreement;
- (b) manage any contracts entered into by the State for the construction or operation of petroleum facilities used in petroleum operations that are to be owned by the State or required to be operated by the State;
- (c) own or manage other assets of any kind necessary or useful in the conduct of commercial petroleum activities carried out by NOCAL pursuant to this Act and the NOCAL Act.
- (d) lift and market the State's entitlements of petroleum on account of the State's share of production pursuant to the production sharing provisions of a petroleum agreement or production sharing agreement in the event such share is taken in kind in accordance with Section 31(1) of this Act;
- (e) lift and market on behalf of any citizen participation interest referred to in clause (a) of this subsection 10.1 the petroleum shares accruing to such citizen participation interest;
- (f) conduct or contract for and supervise, in compliance with Part IV of this Act, such geological, geophysical and other technical studies as it may deem useful; and
- (g) provide such technical assistance and advice as the Authority may request.

10.2 NOCAL may also participate in reconnaissance, exploration, development and production activities in other jurisdictions at such time as it may have the resources and funds to do so.

Part IV. RECONNAISSANCE LICENSE

11. *Application for and grant of reconnaissance license*

11.1 A company may, upon payment of the prescribed fee, apply to the Authority for the grant of a reconnaissance license in a designated area for the conduct of surveys, excluding drilling activities, assessing the geological, geophysical, geochemical and geotechnical characteristics of that designated area.

11.2 In addition to any particulars that may be requested by the Authority, the application for a reconnaissance shall include:

- (a) the name of the company applying for the reconnaissance license;

- (b) particulars of the incorporation or registration of the company, including the name and nationality of the directors and shareholders;
- (c) an identification of the area to which the application relates;
- (d) the period for which the license is required;
- (e) the work proposed to be carried out and the proposed budget; and
- (f) an assessment of the impact which the proposed operations may have on the environment.

11.3 If the Authority is satisfied that the company has the technical capacity to carry out the proposed work within the limitations imposed by the proposed budget, the Director General may grant a reconnaissance license, subject to Section 12 of this Act, on such terms and conditions as the Board may approve for a term not exceeding two years.

12. *Rights and obligations of a reconnaissance license holder*

12.1 Except as provided in subsection 12.2, a reconnaissance license shall confer upon the holder non-exclusive and non-transferable rights to conduct reconnaissance operations in an area specified in the license.

12.2 Notwithstanding subsection 12.1, the Director General may grant a reconnaissance license on an exclusive basis if the license is issued pursuant to a competitive bidding process conducted by the Authority. The process shall include pre-qualification of bidders in a manner consistent with the requirements of Section 15 and a contract bidding procedure that complies with the requirements of section 12.3 and 12.4 of this Act. In any such case, the principal criteria for the award of the license to a qualified bidder shall be the financial return to NOCAL and the State from the bidding process and the operation of such license. Any such license shall be administered by NOCAL on behalf of the Authority. The term of any exclusivity granted pursuant to this subsection 12.2 shall not exceed ten years.

12.3 Any bidding process under section 12.2 of this Act shall comply with the following and may include shall additional provisions or requirements as the Director General may recommend and the Board may approve as being conducive to achieving fair and open competitive bidding by qualified bidders.

- (a) The Authority shall develop a bid protocol that (i) contains the schedule for submission of bids, evaluation of bids and contract signature. (ii) sets out rules for the submission of bids (including the form of bids, required minimum bid content and any required bid guarantees), (iii) states the required minimum work program, and (iv) sets forth the objective components against which bids will be evaluated and the manner in which the overall evaluation of each bid will be determined.
- (b) The bid protocol shall be published on the Authority's website and in such international publications as are typically used in the industry for the announcement of similar bidding opportunities. The Authority shall cause a summary of the protocol to be published in at least two national newspapers, including a summary of the proposed work program, the bid evaluation procedures and the schedule for submission of bids, evaluation of bids and contract signature.

- 12.4 The Director General shall appoint a bid evaluation panel having both technical and legal skills. The panel shall include representatives of both the Authority and NOCAL, and at least one member who is an employee of neither entity. The panel shall prepare and submit to the Director General a bid assessment report containing recommendations on the classification of the bids and provide detailed information about all of the bids. Decisions of the panel shall be recorded, including any dissenting views, and signed by the members of the panel and annexed to the bid assessment report. The Director General shall forward the report to the Board accompanied by his or her recommendations. The Board shall determine the winning bidder. If the Director General does not recommend, or the Board does not approve, the bidder given the highest ranking by the bid evaluation panel, the award must be approved by the Ministry of Justice. The report of the bid evaluation panel shall be made available of the public and notice of its available shall be published on the Authority's website
- 12.5 All original data acquired from reconnaissance operations is the property of the State and may be freely used by the State, provided that the reconnaissance license may permit the license holder to:
- (a) license but not sell the data acquired from reconnaissance operations and the profits derived from such licensing shall be shared in accordance with the terms and conditions specified in the license, or
 - (b) exchange with third parties the results of any survey undertaken during the reconnaissance operations, in which event the State and the license holder shall have equal rights over the data received in the exchange.
- 12.6 A holder of a reconnaissance license shall promptly submit to the Authority all data obtained under the reconnaissance license in such format as shall be specified in the license.
- 12.7 A holder of a reconnaissance license shall not by virtue of the issue of the license have the right to be awarded a petroleum agreement.
- 12.8 A holder of a reconnaissance license shall not commence a reconnaissance operation unless that person has complied with
- (a) the relevant statutory requirements on environmental protection prescribed in the Environmental Protection Agency Act; and
 - (b) any other applicable laws and regulations of the State.
- 12.9 The Authority, in consultation with the contractor under a petroleum agreement, may grant a reconnaissance license to a person other than such contractor for the acquisition of data in the area covered by a petroleum agreement on condition that the reconnaissance activities of the holder do not unreasonably interfere with the activities of such contractor.
- 12.10 The Authority may enter into a petroleum agreement with a third party for all or part of an area covered by a reconnaissance license. The rights of the license holder following such grant shall be as set forth in the license.
- 12.11 A contractor under a petroleum agreement may conduct reconnaissance activities in the area subject to such petroleum agreement without holding a reconnaissance license unless otherwise provided in such petroleum agreement. Subsections 12.5, 12.6 and 12.

of this Act are applicable to the reconnaissance activities of such contractor, except that the contractor may not sell or license the data so obtained in accordance with clause (a) of subsection 12.5 of this Act without the prior consent of NOCAL and the Authority.

Part V. TENDERING FOR AND GRANTING PETROLEUM AGREEMENTS

13. *Opening up of new areas for petroleum operations*

- 13.1 Before an area that has not previously been the subject of a petroleum agreement, a production sharing agreement or a formal bid round is opened for bidding, the President shall request the Authority to:
- (a) conduct an evaluation of the preliminary geological, geophysical and geochemical data of the area;
 - (b) carry out a strategic assessment of the potential economic, social and environmental impact of the conduct of petroleum operations in and around the subject area;
 - (c) provide an opportunity for public comment on the preliminary impact assessment; and
 - (d) consult with the relevant ministries and agencies in respect of any matter covered by the impact assessment falling within the scope of the functions and responsibilities of the ministry or agency in question.
- 13.2 The opportunity for public comment on the preliminary impact assessment shall be announced on the Authority's website, in two national newspapers and on national radio, and such announcement shall include:
- (a) the location of the areas to be opened up for petroleum operations,
 - (b) a summary by the Authority of its preliminary impact assessment,
 - (c) the location where the full preliminary impact assessment report can be obtained
 - (d) the format and manner in which comments can be made, and
 - (e) the deadline for submitting comments which shall not be less than sixty days from the date of the announcement.
- 13.3 Upon expiry of the deadline for submitting comments, the Authority shall submit its final impact assessment report to the Board, including (i) a summary of the comments received and indicating the extent to which such comments have been taken into account, and (ii) a recommendation as to whether to open up the subject areas for petroleum operations and as to whether any exclusions, restrictions or other special conditions should be imposed in connection with the opening up of the areas in question.
- 13.4 The final report shall be published on the Authority website, a summary of the report shall be published in two national newspapers, and an announcement of the publication

of the report shall be made on national radio. Each publication and announcement shall also include a statement of the locations at which the report can be obtained.

- 13.5 The preliminary and final reports referred to in subsections 13.2 and 13.4 shall be made available in the county seat of each county in which areas are proposed to be or will be opened up for petroleum operations and, in respect of offshore petroleum operations, the county seat of each coastal county adjacent to the areas in question.
- 13.6 The Board shall give due consideration to the technical evaluation and impact assessment and shall recommend to the President whether to open up the subject areas for petroleum operations and whether to impose any exclusions, restrictions or other special conditions in connection with the opening up of the areas in question.
- 13.7 A decision of the President to open up an area for petroleum operations and any conditions imposed in relation thereto shall be published on the website of the Authority, in two national newspapers and shall be announced on national radio.

14. *Licensing petroleum agreements*

- 14.1 A petroleum agreement may be awarded only on the basis of an international competitive bidding process conducted in accordance with the provisions of Sections 15 through 17 of this Act.
- 14.2 A petroleum agreement shall not relate to more than one block.
- 14.3 Within one year after the transfer completion date provided for in Section 78 of this Act, the Director General shall present to the Legislature a proposal for the implementation by regulation of a mandate for Liberian participation in any reoffering of relinquished offshore blocks, and in any initial offering or any reoffering of onshore blocks.
- (a) To ensure that the Liberian participants gain experience of the full range of issues presented in the exploration and development of petroleum resources, such proposal shall be structured to ensure that the Liberian participation remains in place at least through the earlier of the commencement of production or the relinquishment of the reoffered area.
- (b) The proposal shall also take into account the inability of Liberian-citizen-owned businesses to bear the costs of exploration and development of petroleum resources.

15. *Pre-qualification of applicants*

- 15.1 A company wishing to apply for a petroleum agreement in a bidding round shall apply for pre-qualification in accordance with the pre-qualification guidelines prepared by the Authority and approved by the Board.
- 15.2 The pre-qualification guidelines shall provide, at a minimum:
- (a) the amount of the pre-qualification processing fee;
- (b) the requirements and supporting documentation required for technical qualification;

- (c) the requirements and supporting documentation required for economic and financial qualifications; and
 - (d) the required legal documentation evidencing the good standing of the company, and the identity of its directors, shareholders and beneficial owners.
- 15.3 The guidelines will provide specific technical and financial requirements for participants and for operators, which may take into account the specific onshore or offshore environment and other specific operating conditions relevant to the block applied for or under the offer in the bidding round. The guidelines may establish differing disclosure standards in respect of shareholders and beneficial owners for privately-held companies and public companies in order to reflect the fact that publicly held companies may not be able to identify the actual holders of publicly traded shares.
- 15.4 Technical qualification shall take into account the past and current worldwide experience of the applicant, the size, nature and scope of the petroleum projects in which the applicant has been involved as an operator or participant, and the quality of its health, safety and environmental practices, provided that no applicant shall be excluded from the pre-qualification process solely on account of its size if it otherwise meets applicable standards for a participant or an operator.
- 15.5 Where the Director General is satisfied that the applicant qualifies as an operator or a participant the Director General shall issue to the applicant a notice of qualification. Qualification may be limited to a specific onshore or offshore open area or other specific operating conditions referred to in the relevant pre-qualification guidelines pursuant to which the application was made.
- 15.6 Qualification as an operator or a participant shall be valid for five (5) years from the effective date of the notice of qualification.
- 15.7 A company which holds a pre-qualification notice shall give written notice to the Director General within forty-five days of any material change, including changes in beneficial ownership from that originally reported, with respect to its technical, financial or other information submitted in connection with the pre-qualification application.
- 15.8 Within the earlier of (i) six months from the transfer completion date and (ii) the date of the issuance of the initial bid round conducted under this Act, the Board shall issue regulations as to the disclosure of beneficial ownership of companies holding interests in petroleum agreements.
- 15.9 Notwithstanding subsection 15.6 of this Act, the Authority may cancel the qualification notice issued to a company where:
- (a) there is an adverse material change in the status of the company;
 - (b) the company supplies false or misleading information; or
 - (c) the company fails to supply material information, in respect of or following, the application for a pre-qualification notice.
- 15.10 The Authority shall keep a register of the companies qualified as operators and participants and shall record, in respect of each such company, the grounds for the issue of a pre-qualification notice and reasons for its cancellation. The register shall include

all documentation submitted to the Authority in support of an application for a pre-qualification notice or received under subsection 15.7 of this Act.

16. Bidding rounds

- 16.1 A petroleum agreement shall only be entered into after a public bidding round and only with a pre-qualified bidder that participated in the bidding round.
- 16.2 The Board may from time to time following consultation with the President request the Authority to conduct a bidding round for the award of a petroleum agreement in respect of one or more blocks within areas opened up for petroleum activities and operations.
- 16.3 Upon the Board's request, the Authority shall prepare and submit a tender protocol setting out the procedures and requirements governing the bidding round for approval by the Board and, as to fiscal matters, by the Minister of Finance and Development Planning. The protocol shall include at a minimum:
- (a) the schedule for the bidding round announcement, presentations to interested companies, submission of bids, evaluation of bids and contract signature;
 - (b) the data package purchase requirements;
 - (c) the participation fees;
 - (d) rules for the submission of bids including the timing, form and required bid guarantees;
 - (e) the bid components against which bids will be evaluated;
 - (f) the manner in which each bid component will be evaluated in determining the overall evaluation of each bid;
 - (g) the model petroleum agreement which the winning bidder will be required to sign;
 - (h) whether the award may be made to the second bidder if the winning bidder fails timely to execute the model petroleum agreement; and
 - (i) whether the bid round is subject to reserves and the nature of any such reserves.
- 16.4 The bid components shall comprise one or more of the following:
- (a) minimum work program during the exploration period;
 - (b) an aggregate amount of the signature bonus and other biddable contributions payable upon or promptly after the effective date of the petroleum agreement;
 - (c) percentage of petroleum production allocated to recovery of the costs incurred by a contractor;
 - (d) percentages of or formula for calculating the Government share of petroleum production remaining after deduction of the petroleum production allocated to cost recovery and royalties;

- (e) percentage of the State's participation in excess of the minimum stated in Section 35 of this Act; and
 - (f) such other objective criteria as the Authority shall deem appropriate.
- 16.5 The tender protocol shall provide that:
- (a) a company may bid for more than one block provided that each block is subject to a separate bid;
 - (b) an individual bid may be submitted only by companies which are pre-qualified as operators; and
 - (c) bids submitted by groups of companies must designate the company within the group which shall act as the operator, which company shall be prequalified as an operator and shall hold at least the minimum percentage of the contractor specified in the tender protocol.
- 16.6 In preparation of the tender protocol, the Director General shall consult with the Ministry of Finance and Development Planning and with other relevant ministries or agencies in respect of any matter falling within the scope of functions and responsibilities of the ministry or agency in question.
- 16.7 The final tender protocol, including all of its annexes, shall be published on the Authority website and shall be announced in such international publications as are typically used in the industry for the announcement of similar bidding opportunities. A summary of the protocol shall be published in two national newspapers, and the publication of the protocol shall be announced on national radio... Such publication and announcements shall indicate where copies of the protocol may be obtained, which shall include the county seat of each county in which areas are subject to bid and, in respect of offshore petroleum operations, the county seat of each coastal county adjacent to the areas in question.
- 16.8 The Director General shall, in consultation with the Board and the President, appoint a bid evaluation panel, in relation to each bidding round, to review the bids and identify the winning bidder.
- 16.9 A bid evaluation panel shall consist of a minimum of six and a maximum of seven members which comprise:
- (a) at least four (4) senior Government officials, including (i) a representative of the Authority, (ii) a representative of the Ministry of Finance and Development Planning, (iii) a representative of the Ministry of Justice, and (iv) a representative of the Ministry of Lands, Mines and Energy (to be replaced by a representative of the Ministry of Petroleum if and when established); and
 - (b) two (2) additional individuals selected by the President, one of whom shall be an expert with experience and qualifications in the international petroleum industry.
- 16.10 The bid panel chairperson will be the representative of the Authority. The Director General may appoint outside experts and counsel to assist the bid evaluation panel.
- 16.11 A panel member shall not have a direct or indirect interest in a company participating in the bidding round within the scope of Section 73 of this Act and any regulations issued

pursuant thereto. Any person solicited to become a member of a bid evaluation panel shall disclose to the Authority the nature of any such interest, whether existing at the time of appointment or thereafter arising, and the Board shall, in consultation with the Minister of Justice, decide whether the person in question should be appointed or retained on the panel. The decision of the Board concerning any such person so appointed or retained shall be recorded in writing and annexed to the bid assessment report.

- 16.12 The bid evaluation panel shall prepare and submit to the Director General a bid assessment report containing recommendations on the classification of the bids and provide detailed information about all of the bids. Decisions of the panel shall be recorded, including any dissenting views, and signed by the members of the panel and annexed to the bid assessment report. In making its recommendations, the panel may take into account the technical and fiscal capacity of a bidder that has bid for multiple blocks, if it appears to be in contention for multiple blocks. If there is no bid for a block that conforms to the minimum requirements set forth in the tender protocol (a "conforming bid"), then no award may be made for that block other than pursuant to Section 17 of this Act. The Director General shall forward the report to the Board accompanied by his or her recommendations.
- 16.13 The Board shall submit the bid assessment report to the President, including its report on its observations and recommendations on the bid assessment and bid award.
- 16.14 Upon receipt of the bid assessment report, the President shall announce the winning bidder and invite the winning bidder to sign the petroleum agreement with the Authority, or declare the terms and conditions of the winning bid to be unsatisfactory, setting forth the reasons therefor, and direct that no award be made.
- 16.15 The President's announcement of the winning bidder, together with the bid assessment report, shall be made available on the Authority website and be published in two national newspapers within twenty (20) days of the announcement.

17. Post-tender negotiations

- 17.1 If a bid evaluation panel determines that for any block on offer, (1) there are no bids from qualified bidders that conform to the terms of the tender protocol but (2) that it would be in the best interests of the State to seek to negotiate, with the qualified bidders that did submit bids, sufficient improvements to the bids to make one of them acceptable to the State, its bid assessment report shall so state. The report shall identify with specificity the non-conforming components of each bid, and the improvements, if any, that it believes should be sought with respect to each such non-conforming component.
- 17.2 The Board may elect to reject all of the bids and terminate the bid round as to that block, or may authorize the Director General to appoint a technical negotiating team to conduct concurrent negotiations with such bidders to determine whether any of such non-conforming bids can be sufficiently improved. The Director General may appoint outside experts and counsel to assist the negotiating team.
- 17.3 When the negotiations have progressed as far as the negotiation team deems possible, it shall deliver to the Board a report setting forth the status of the negotiations and its recommendations.
- 17.4 The report shall, with respect to each block with respect to which negotiations occurred,

- (a) identify each remaining non-conforming element in each bid;
 - (b) set forth the improvements, if any, made in the economic terms of each bid, and an economic analysis of each original bid and of each bid as it may have been improved;
 - (c) set forth an analysis of the practical or legal impact of each other non-conforming elements of each bid, including non-conforming elements of the petroleum agreement each bidder proposes to sign;
 - (d) if multiple blocks were subject to the tender, set forth a qualitative and quantitative analysis of the strengths and weakness of each bidder, in terms of its ability to manage, technically and financially, each block for which it has bid; and
 - (e) identify a preferred bidder for each block (or recommend that no bid for such block be accepted).
- 17.5 The Board, shall, after consultation with the bid evaluation team for the bid round and the Ministry of Finance and Development Planning, the Ministry of Justice, the Ministry of Lands, Mines and Energy, the Ministry of Labor and the National Investment Commission, present its own recommendations to the President together with the report and recommendations of the negotiating team and any dissenting views of any of the ministries or agencies so consulted. A separate recommendation shall be made for each block subject to the tender, indicating whether a bid for that block should be accepted or no award should be made and the block again made available for tender at a later date.
- 17.6 If the President agrees with the recommendation for a block, the President shall so notify the Authority, and the Authority shall seek to enter into a petroleum agreement reflecting the negotiated terms of the bid with the recommended bidder for such block at any time that is more than ten days after the publication of the recommendations and report on the Authority website. If the President disagrees, no award may be made for such block and it will again be subject to tender.
- 17.7 Post-tender negotiations conducted pursuant to this Section 17 may be conducted with respect to a block only if no qualified bidder submitted a complying bid or if all complying bidders have withdrawn from consideration or refused to sign a petroleum agreement. Negotiations must be conducted initially with all qualified bidders that tendered non-complying bids for that block in that bid round, but negotiations need not continue with any bidder that in the judgment of the negotiating team does not sufficiently improve its bid. Negotiations under this Section 17 must be completed and a petroleum agreement signed within nine months after the bid submission date, failing which the tender shall be treated as null and void.
- 17.8 Neither the provisions of this Section 17 or other provisions of this Act shall be construed to permit direct negotiations for the grant of petroleum rights for any oil block other than under the conditions specified in subsection 17.1 of this Act.

18. Execution, ratification and publication

- 18.1 A petroleum agreement shall be signed by the Director General and by the Minister of Finance and Development Planning on behalf of the State.

- 18.2 A petroleum agreement shall be consistent in all respects with the provisions of this Act and the Law of General Applications.
- 18.3 A petroleum agreement shall become effective and binding on the parties thereto once it is executed by the parties, attested to by the Minister of Justice, signed by the President and approved by the Legislature.
- 18.4 The approval of a petroleum agreement by the Legislature shall not give the petroleum agreement so approved the force and effect of a statute.
- 18.5 Subsections 18.1 through 18.4 of this Act shall apply to any amendment to a petroleum agreement.
- 18.6 A petroleum agreement including any appendices or annexes or amendments thereto constitutes a public document and as such shall be published on the website of the Authority within ten days of its effective date.
- 18.7 A copy of any petroleum agreement shall be made available upon request and upon payment of the prescribed cost for reproduction.

Part VI. PETROLEUM AGREEMENTS

19. *Production sharing contracts*

- 19.1 Petroleum agreements shall be in the form of production sharing contracts which shall:
- (a) authorize a contractor, at its own risk, to conduct petroleum operations in the contract area;
 - (b) authorize the contractor, in the event of a commercial discovery of petroleum, to recover the costs incurred in the conduct of such operations from a share of production of petroleum; and
 - (c) allocate the remaining production of petroleum between the State and the contractor in accordance with a scale or formula specified in the petroleum agreement.
- 19.2 A petroleum agreement shall include provisions governing the rights, duties and obligations of contractors in accordance with the provisions of this Act and other applicable laws.
- 19.3 Where the contractor comprises more than one company, one of the companies with the required technical and financial qualifications shall be designated, subject to the approval of the Authority, as the operator responsible for the day-to-day management of the petroleum operations before the execution of a petroleum agreement. Any change of operator shall also be subject to the prior approval of the Authority.
- 19.4 Where the contractor comprises more than one company, each of the companies comprising the contractor shall be jointly and severally responsible for all obligations and liabilities of the contractor under this Act and under the petroleum agreement.

19.5 If the Board determines that the State would benefit from the ability to utilize a different form of petroleum agreement, it shall cause the Authority to submit to the President a proposal for an amendment to this Act to facilitate the use of such different form.

20. *Rights conferred by a petroleum agreement*

- 20.1 A petroleum agreement while it remains in force shall confer on the contractor, subject to the provisions of this Act and to the conditions specified in the petroleum agreement:
- (a) the exclusive right to explore for petroleum in the contract area and to carry out such operations and execute such works as may be necessary for that purpose;
 - (b) the exclusive right to apply for and obtain an exclusive exploitation authorization, in the event of a discovery of petroleum in the contract areas which following appraisal, has been shown to be commercial; and
 - (c) the exclusive right to carry out development and production operations in the exploitation perimeter and to transport, sell or otherwise dispose of the contractor's share of petroleum in accordance with the field development and production plan.

21. *Term of petroleum agreement*

- 21.1 The petroleum agreement shall grant the contractor an exploration authorization for a maximum period of seven years, divided into an initial phase, followed by extension periods, which shall be granted to the contractor, at the contractor's request, provided that the exploration work commitment to be carried out in the preceding phase was fulfilled.
- 21.2 Without prejudice to the provisions of subsection 21.1 and Sections 24 and 67 of this Act, (i) additional extensions of an exploration period or phase based on technical grounds may be provided in the petroleum agreement, provided that the total period is not extended by more than twelve months, and (ii) if the petroleum agreement provides for exploration in water depths exceeding 2,000 meters may provide for an additional exploration period not exceeding three years.
- 21.3 If a commercial discovery is not declared by the contractor within the latest time provided for exploration, appraisal and issuance of appraisal reports under a petroleum agreement (including any extensions of time available under this Act or pursuant to the terms of such petroleum agreement), the petroleum agreement shall terminate.
- 21.4 The duration of an exclusive exploitation authorization shall be provided in the petroleum agreement for a maximum of twenty-five years from the date of issue of such authorization. The petroleum agreement may provide that the exploitation period may be extended for an additional period of not more than ten years if a commercial exploitation of the field remains possible at the end of the initial period. A further extension may be granted upon application which may be granted at the sole discretion of the State and may be conditioned upon an amendment to the terms and conditions of the petroleum agreement.

22. *Minimum exploration program*

22.1 The petroleum agreement shall provide for a minimum work program which the contractor shall be required to carry out during each exploration phase and shall specify a minimum expenditure amount for each such work program. The petroleum agreement may further provide that:

- (a) any work carried out during an exploration phase in excess of the minimum work program for the phase in question may be carried forward and treated as a credit against the minimum work commitment of the following phase; and
- (b) in the event the minimum work commitment for a phase has not been fulfilled, the contractor shall be required to pay to the State the unspent balance of the minimum expenditure commitment of the phase in question.

Contractor's work commitments shall be guaranteed by a bank guarantee, performance bond or parent company guarantee in the form provided in an appendix to the petroleum agreement or otherwise approved by the Director General and the Minister of Finance and Development Planning.

22.2 Where the contractor fails to complete the minimum exploration work program set out in a petroleum agreement for a stipulated period and fails to pay the unspent balance to the State as provided in subsection 22.1 of this Act, the Director General may terminate the petroleum agreement and enforce the guarantee or performance bond.

22.3 The petroleum agreement shall provide for annual work programs, budgets and any revisions thereto, to be prepared and submitted by the contractor to the Authority for approval.

23. *Surface relinquishments*

23.1 A petroleum agreement shall require the contractor to surrender the contract area as follows:

- (a) at least twenty-five percent of the original contract area at the end of the initial exploration phase;
- (b) at least twenty-five percent of the original contract area at the end of the first extension;
- (c) the remainder of the contract area at the expiration of the exploration period except for such surface areas as are the subject of an appraisal authorization or an exploitation authorization which has been granted or duly applied for at the time of the expiration; and
- (d) subject to paragraph (c) above, the entire contract area if the contractor elects not to enter into the first or second extension period.

24. *Discovery notification and appraisal*

24.1 In the event of discovery, a contractor shall promptly inform the Authority and as soon as practicable thereafter submit a report with all particulars of the discovery.

- 24.2 A contractor who wishes to appraise a discovery shall submit a detailed appraisal work program and corresponding budget to the Authority for review and approval, as specified in the petroleum agreement. The Director General shall obtain the advice of the Authority technical staff, and determine whether to approve and issue to the contractor an exclusive appraisal authorization for an initial term as provided in the petroleum agreement (not more than two years) or such longer period as may be provided in the petroleum agreement in the event of a natural gas discovery.
- 24.3 Extensions of the appraisal authorization may be granted by the Director General, on recommendation of the Authority technical staff, for a maximum period of six months each, if the contractor has diligently performed its appraisal obligations and demonstrates that further appraisal work is justified.
- 24.4 The petroleum agreement may provide for a further extension of the appraisal authorization for up to five years in respect of a non-associated gas discovery to allow the definition of a commercially viable marker or joint development with current development reserves or future exploration prospects.
- 24.5 Within sixty days after completion of the appraisal work program, the contractor shall submit to the Authority for approval by the Director General a detailed appraisal report including all technical and economic data relevant to a determination of commerciality and a statement on whether, in the opinion of the contractor, the discovery is commercial.
- 24.6 If the contractor considers that the discovery is commercial, it shall submit to the Authority together with the appraisal report, an application for an exclusive exploitation authorization accompanied by a detailed development and production plan. Any such authorization shall be issued by the Board on recommendation of the Authority.
- 24.7 Up to two extensions to submit the development and production plan, not to exceed twelve months each, may be granted by the Board, on recommendation of the Authority technical staff, upon the contractor's request showing a technical justification for a delay.

25. *Development and production plan*

- 25.1 A development and production plan shall include particulars about the extent of the field, reserve estimates, a description of the facilities and equipment, an implementation schedule, and estimates of capital expenditures and operating costs, and shall be accompanied by:
- (a) an economic study demonstrating the commercial nature of the field; and
 - (b) an environment and social impact assessment, an environment and social management plan and an abandonment plan, as set out in Section 55 of this Act.
- 25.2 Upon approval of the plan by the Director General, including any mutually agreed revisions, the Director General shall grant the contractor an exclusive exploitation authorization over an exploitation perimeter covering the field.
- 25.3 A contractor shall have the right to build, use, operate and maintain all the petroleum storage and transportation facilities which are necessary for the production, transportation and sale of petroleum produced, pursuant to the conditions specified in this Act and in the petroleum agreement.

- 25.4 Following the grant of an exclusive exploitation authorization, the contractor shall proceed diligently with the approved development and production plan.
- 25.5 A contractor shall immediately notify the Authority of any significant deviation from the assumptions and preconditions on which a development and production plan has been approved and which require any significant alteration in the design, size, cost and other specifications of the facilities.
- 25.6 Any significant alteration described in the preceding subsection and any significant amendment to the development and production plan required as a consequence thereof shall be subject to the prior written approval of the Director General given after consultation with the Minister of Finance and Development Planning as to the potential fiscal impact of the changes.

26. Prudent operations

A contractor shall conduct petroleum operations in accordance with good international petroleum industry practices and sound economic principles and in a manner designed to:

- (a) ensure maximum efficient recovery of petroleum to each individual or several combined accumulations;
- (b) minimize pollution and the effect of petroleum operations on land adjacent to the production area;
- (c) safeguard natural resources particularly fishery resources; and
- (d) ensure that wastage of petroleum reservoir energy is avoided.

27. Matters relating to natural gas

- 27.1 All facilities shall be planned and constructed so as to avoid any natural gas flaring or venting under normal operating conditions.
- 27.2 A contractor shall not flare or vent natural gas unless it is required in order to comply with this Act or other applicable law or unless authorized by the Director General under the following circumstances:
- (a) during production testing operations;
 - (b) when necessary for the safety of operations in accordance with good international petroleum industry practices; or
 - (c) when reinjection is incompatible with good reservoir or petroleum engineering practice and the Director General is satisfied that there are no other means of utilizing the natural gas
- 27.3 In case of an emergency, a contractor may undertake flaring or venting of natural gas without the prior approval of the Director General, but the contractor shall ensure that flaring or venting is kept at the lowest possible level and shall submit to the Authority a technical report detailing the nature and circumstances that caused the emergency.
- 27.4 If the contractor elects not to develop a natural gas discovery or elects to reinject rather than utilize natural gas recovered in association with crude oil, the Authority and

NOCAL shall promptly conduct a study to determine whether it would be economically beneficial to Liberia for the State or NOCAL to take on the economic responsibility for development of the field (or the utilization of such associated natural gas), including the construction and operation of appropriate gas transport and processing facilities and (in the case of such associated natural gas) the installation of such pipeline systems as may be required to bring the gas to the processing facilities.

28. *Joint development*

- 28.1 Where a petroleum reservoir extends beyond the boundaries of a petroleum agreement area into one or more areas subject to other petroleum agreements, and where the Authority establishes, after consultation with the relevant contractors, that the joint development of several petroleum reservoirs would be more efficient and advantageous, the relevant contractors shall within ninety days or such longer time limit prescribed by the Authority, prepare and submit to the Director General for approval, a plan for the joint development and operation for the petroleum reservoir or accumulation in accordance with Section 25 of this Act.
- 28.2 An agreement for the joint development of a petroleum reservoir or accumulations shall be negotiated by the relevant contractors. Where the contractors fail to reach an agreement and submit a plan as provided in subsection 28.1 of this Act, the Director General may set the terms for and enforce a joint development agreement between the contractors.

29. *Cross border operations*

- 29.1 Where a petroleum reservoir extends into the territory of another state, the State shall seek to reach an agreement with that other state for the most efficient coordination of petroleum operations in connection with the petroleum reservoir and the apportionment of the petroleum reserves.
- 29.2 Where the development and production of a field requires the construction and operation of facilities extending to another state the State shall seek to reach agreement with that other state on the most efficient way of coordinating the construction, operation and use of the facilities.

30. *Measurements of petroleum*

- 30.1 A contractor shall measure the volume and quality of all petroleum recovered from the contract area using the measurement appliances and procedures in accordance with good international petroleum industry practices and the relevant development and production plan;
- 30.2 A petroleum agreement shall provide:
- (a) the principles and procedures for the calibration of and other changes to the measurement appliances, and for the reporting and correction of errors, and
 - (b) the right of the Authority to attend measurements and to conduct inspections and examinations of the measurement appliances and procedures.

31. *Sharing of production and national requirements*

- 31.1 A petroleum agreement shall provide that the State shall have the option to receive its share of production of petroleum described in subsection 19.1(c) of this Act in kind or in cash. The decision to receive the share of production for the State in kind or cash shall be made jointly by the Board and the Minister of Finance and Development Planning, upon recommendation of the Authority, and shall be notified to and implemented by the contractor in accordance with the provisions of the petroleum agreement.
- 31.2 All moneys due to the State on account of the State share of production (whether received in cash from the contractor or otherwise received from the sale of production taken in kind), less any fees or commissions due NOCAL, shall be deposited into the Consolidated Fund.
- 31.3 A petroleum agreement shall authorize the Minister of Finance and Development Planning, on recommendation of the Authority, to request that a quantity of the contractor's share of petroleum, not to exceed a percentage specified in the petroleum agreement, be sold by the contractor to NOCAL at fair market value to satisfy the needs of the domestic market in the event the share of petroleum of the State on account of the production sharing agreement and of the State participation is not sufficient to cover such needs.
- 31.4 In the event of war, threat of war, natural disaster or other extraordinary crisis, the Minister of Finance and Development Planning may, with the approval of the President, direct contractors to place petroleum deliveries at the disposal of the State. Any such petroleum deliveries shall be paid for as specified in the relevant petroleum agreement.

32. *Cessation of petroleum operations*

- 32.1 A petroleum agreement shall provide for the establishment and operation of an abandonment fund which shall be funded by the contractor from such time as a field shall have reached fifty percent of its productive capacity, on the basis of a revised abandonment plan and budget which the contractor shall submit to the Authority for approval by the Board.
- 32.2 The abandonment fund shall be held by a responsible international bank, acting as escrow agent, approved by the Minister of Finance and Development Planning and the contractor. Payments into the abandonment fund shall be treated as payments to the State subject to LEITI disclosure rules, and the Authority shall establish procedures for the regular reporting and publication on its website of such payments and of withdrawals from such fund.
- 32.3 The petroleum agreement shall specify:
- (a) the manner in which and the time at which the contractor shall make contributions to the fund;
 - (b) the manner in which such contributions shall be recovered out of production by the contractor and/or admitted as deduction in the calculation of contractor's income taxes; and
 - (c) the manner in which and the time at which amounts shall be released to meet the costs and expenses of the abandonment operations.

- 32.4 Where the monies in the fund are insufficient to cover the implementation of the abandonment plan, the contractor shall be liable for the shortfall.
- 32.5 Where there is an excess in the fund following completion of decommissioning or the transfer of facilities to NOCAL, such excess shall be retained by the State.

33. *Takeover of the facilities by the State*

- 33.1 Upon expiration, surrender or termination of a petroleum agreement and at the end of the exploitation of a field, the State shall have the option through NOCAL to take over the facilities and acquire all or part of the assets, movable or immovable, used for the petroleum operations, together with such user rights and licenses as are necessary for the continuation of the petroleum operations, under terms and conditions which shall be provided in the petroleum agreement and which shall take into account the contractor's recovery of costs incurred in relation to the acquisition of such assets.
- 33.2 The option provided in subsection 33.1 of this Act shall be exercised by the Authority upon recommendation of NOCAL and the approval of the Ministry of Finance and Development Planning, and carried out by NOCAL on behalf of the State. NOCAL shall thereafter enter into a petroleum agreement with the Authority substantially complying with the provisions of this Act and setting forth the terms on which NOCAL shall operate such facilities and share the revenue arising therefrom with the State.
- 33.3 Where NOCAL takes over all the facilities of a petroleum operation the funds in the abandonment fund described in Section 32 of this Act shall be transferred to an escrow account which shall be used exclusively for the payment of the costs of later abandonment operations. Notwithstanding, NOCAL will continue to make payments into the abandonment fund until the commencement of decommissioning.
- 33.4 Where NOCAL takes over less than all of the facilities of a petroleum operation, the existing abandonment fund shall be divided equitably between NOCAL and the entity assuming responsibility for abandonment or decommissioning of the remaining facilities, but the burden of any prior failure of the contractor to fund the abandonment fund as required under the relevant petroleum agreement shall fall on the contractor.

34. *Guarantees and insurance*

- 34.1 A petroleum agreement shall require the contractor to take out and cause to be taken out by its subcontractors, in relation to the petroleum operation, all insurances of the types and for such reasonable amounts as are carried pursuant to good international petroleum industry practices and applicable laws, including, without limitation, third-party liability insurance and insurance to cover damages to the facilities.
- 34.2 A petroleum agreement shall require the contractor to provide adequate security, having regard to good international petroleum industry practices, to guarantee the performance of the contractor's obligations under the petroleum agreement in all phases of the petroleum operations.

Part VII.STATE PARTICIPATION

35. *State participation in petroleum agreements*

- 35.1 The State shall have the right to acquire through NOCAL a participation in the rights and interests of a contractor under a petroleum agreement in a percentage specified in the petroleum agreement but which shall not be less than ten per cent (10%).
- 35.2 The option to participate shall be exercised by the Minister of Finance and Development Planning on recommendation of the Authority and NOCAL, by written notice to the contractor given within the time provided in the relevant petroleum agreement.
- 35.3 Any State participation acquired pursuant to this Section 35 shall be carried by the contractor until the start of commercial production, which means that (i) all exploration, appraisal and development costs shall be paid by the contractor, (ii) the State, through NOCAL, shall pay its participating interest share of all costs of carrying out production operations, and (iii) the non-State participants comprising the contractor shall be entitled to recover the State's participating interest share of all or part of the exploration, appraisal and development costs of the field in question, with or without interest thereon, all under the terms and subject to such conditions as shall be specified in the petroleum agreement.
- 35.4 Any State participation acquired pursuant to this Section 35 shall be managed by NOCAL which shall become a party to the petroleum agreement under the terms of a joint operating agreement between NOCAL and the other entity or entities comprising the contractor.

Part VIII CITIZEN PARTICIPATION

36. *Citizen participation in revenues from petroleum agreements*

- 36.1 In addition to the State participation provided in Section 35 of this Act, the State shall have the right to acquire a five per cent (5%) participation in the rights and interests of a contractor under a petroleum agreement for the benefit of a citizen fund which shall be established and managed in accordance with the following provisions of this Section 36 .
- 36.2 The Director General shall timely exercise this right on behalf of the State by written notice to the contractor which shall be given within the time provided in the relevant petroleum agreement.
- 36.3 Any participation acquired pursuant to this Section 36 shall be carried by the contractor until the start of commercial production, which means that (i) all exploration, appraisal and development costs shall be paid by the contractor, (ii) the State shall pay its participating interest share of all costs of carrying out production operations, and (iii) the non-State participants comprising the contractor shall be entitled to recover the State's participating interest share of all or part of the exploration, appraisal and development costs of the field in question, with or without interest thereon, all under the terms and subject to such conditions as shall be specified in the petroleum agreement.

- 36.4 Any citizen participation acquired pursuant to this Section 36 shall be managed by NOCAL which shall become a party to the petroleum agreement under the terms of a joint operating agreement between NOCAL and the other entity or entities comprising the contractor.
- 36.5 The citizen participation fund shall be managed by a trustee which shall be a responsible international trust company selected by the Ministry of Finance and Development Planning in consultation with the Central Bank of Liberia, under a trust agreement that provides for the administration of the fund in accordance with the requirements of this Section and is otherwise subject to the approval of the President after consultation with the Legislature.
- 36.6 The citizen participation fund shall be used in accordance with a plan that will make the benefits broadly available as widely as practicable to all citizens from both urban and rural areas within the Republic, through one or more mechanisms that will ensure that the benefits are extended to the most needy and vulnerable groups of citizens.
- 36.7 No later than three years from the transfer completion date referred to in Section 78 of this Act, the Minister of Finance and Development Planning shall, in consultation with the LRA, the Authority and other relevant ministries, prepare and submit to the President, and the President shall then submit to the Legislature, a draft bill for an act implementing the citizen participation fund, which may be part of an act adopting a petroleum revenue management law. Such act shall provide a citizen participation structure complying with the requirements of this Section 36 and shall, in relation to such citizen participation, regulate the administration of the fund, specify the functions and duties of the trustee and provide particulars on the uses and disbursements of moneys from the fund.

PART IX. FINANCIAL PROVISIONS

37. *Fiscal and customs regime*

All entities comprising the contractor under a petroleum agreement, all subcontractors of the contractor and their respective employees shall be subject to taxes, user fees and custom duties in accordance with the Revenue Code.

38. *Royalties*

A petroleum agreement shall provide for the payment of royalties on the value of total production of petroleum from the contract area, excluding such quantities as are used, re-injected or unavoidably lost in the petroleum operations, at the percentage rate(s) specified therein. Such royalties shall be payable into the Consolidated Fund.

39. *Surface rentals*

A petroleum agreement shall require the contractor to pay into the Consolidated Fund the annual surface rentals per square kilometer within the relevant contract area during each exploration period, and in respect of each development and exploitation perimeter, as specified in the petroleum agreement.

40. Bonuses

A petroleum agreement may provide for the payment of one or more lump sum bonuses in relation to the execution of the petroleum agreement and/or upon the production of petroleum reaching specified production levels. All such bonuses shall be payable into the Consolidated Fund

41. Special contributions

- 41.1 A petroleum agreement may require the payment of contributions upon execution of the petroleum agreement on an annual basis to special government funds, including the Hydrocarbon Development Fund, the Rural Energy Fund, or other public institutions, or to fund social welfare or training programs. All such payments must be made into an appropriate subaccount of the Consolidated Fund for further credit to the relevant special fund or other designated recipient.
- 41.2 The Authority and the Ministry of Finance and Development Planning shall jointly report annually to the Legislature within ninety (90) days after the end of each calendar year, setting forth the funds paid by each contractor party to a petroleum agreement under provisions authorized by subsection 41.1 of this Act (and by each contractor party to a production sharing agreement pursuant to similar provisions in such agreements) and summarizing the application of such funds. Such reports shall be published on the Authority website promptly upon filing with the Legislature.
- 41.3 Each of the Authority and the Ministry of Finance and Development Planning are hereby authorized and directed to require the recipients of such funds to provide the Authority and the Ministry of Finance and Development Planning with such information as to the application of funds as is reasonably necessary to enable them to discharge their reporting obligation under subsection 41.2 of this Act.

42. Foreign exchange

- 42.1 A contractor shall comply with the foreign exchange control regulations, subject to the provisions of this Section 42.
- 42.2 A contractor shall have the right to retain abroad all funds arising from sales of all petroleum to which it is entitled under the petroleum agreement, and all funds acquired or borrowed abroad in relation to its operations in Liberia under a petroleum agreement and to freely dispose of such funds to the extent that they may exceed its requirements for its operations in Liberia, provided that after the approval of a development and production plan a contractor must pay Liberian suppliers and Liberia-based Liberian employees from bank accounts maintained in a bank located in Liberia.
- 42.3 No restriction shall be exercised on the importation by a contractor of funds for use in the performance of the petroleum operations.
- 42.4 A contractor shall have the right with respect to transactions relating to petroleum operations to purchase currencies of Liberia with foreign currencies, and to exchange into foreign currencies of its election any funds held by it in Liberia in excess of its local requirements, in either case at exchange rates which if directly or indirectly fixed by the State shall not be less favorable than those generally applicable to other foreign investors.

- 42.5 A contractor shall have the right to pay for services and assets for petroleum operations sourced from outside Liberia in foreign currency from accounts outside of Liberia.

Part X. EMPLOYMENT AND LOCAL CONTENT

43. *Personnel and training*

- 43.1 A contractor and its subcontractors shall ensure that opportunities are given to qualified Liberian citizens for employment in various levels of their Liberian operations and shall implement or provide training programs for this purpose and as such shall be stipulated in the petroleum agreement.
- 43.2 A development and production plan shall include plans to train Liberian citizens in the full range of managerial and technical activities involved in the performance by the contractor of its obligations under the petroleum agreement, including without limitation engineering design, information technology, petroleum geology technology, production facility operations and maintenance, contract negotiation and contract management.
- 43.3 Neither a contractor nor any of its subcontractors may hire individuals who are not citizens of Liberia for unskilled labor positions in Liberia or on board vessels or equipment stationed in Liberian waters.

44. *Preference to local goods and services*

- 44.1 A contractor and its subcontractors shall give preference to enterprises, goods and services provided or supplied by Liberia citizens or business entities controlled by Liberia citizens, where conditions of price, quality, delivery time, service and terms of payment are equivalent to those from other countries or from non-Liberian sources.
- 44.2 For this purpose, a contractor shall organize its procurement procedures to give meaningful opportunity to Liberians when purchasing goods and services related to its petroleum activities. Within six months from the commencement of the exploration operations and at the time of submitting a development and production plan, a contractor shall provide the Authority, for review and approval after consultation with relevant ministries and agencies, project linkage plans which will:
- (a) identify the potential for local suppliers, contractors and service providers to provide in support of petroleum operations goods having value-added in Liberia and services performed by Liberians;
 - (b) identify key interventions to develop the capacity of Liberian-owned enterprises to deliver goods and services to the oil and gas sector within and without Liberia;
 - (c) set out a local project purchase plan complying with the requirements of this Section 44 with clear milestones identified in terms of an increasing percentage of local purchases of goods and services and providing for bidding preferences for local suppliers, contractors and service providers (provided that such persons offer quality, terms, delivery, service, quantity and price at least comparable to those obtainable from other sources); and

- (d) set forth reasonable goals within the context of such plan, provide procedures for regular monitoring and reporting of the contractor's performance against such plan, and establish reasonable economic sanctions for failures to achieve such goals.

Part XI. IMPORT AND EXPORTS

45. *Right to import and export equipment and materials*

- 45.1 A contractor shall have the right to import into Liberia, in its own name or on behalf of its subcontractors, in exemption of import duties as provided in the Revenue Code:
- (a) all the technical equipment, materials, machinery and tools, goods and supplies necessary for the proper conduct of the petroleum operations according to good international petroleum industry practices, and
 - (b) the furniture, clothing, household appliances and all personal effects for the foreign employees and their families assigned to work in Liberia for the contractor or its subcontractors.
- 45.2 A contractor, its agents and subcontractors are not permitted to import the items in subsection 45.1 of this Act insofar as such items are available in Liberia under equivalent conditions of price, quality, delivery time, service and terms of payment

46. *Right to re-export*

A contractor, its agents and subcontractors shall have the right to re-export from Liberia any items imported under Section 45 of this Act that are no longer necessary for the petroleum operations unless those items have become the property of the State upon expiration, termination or surrender of the petroleum agreement or at the end of exploitation of a field under the provisions of the petroleum agreement.

47. *Right to sell surplus equipment and materials*

- 47.1 A contractor, its agents and subcontractors shall, provided that they inform the Ministry of Finance and Development Planning and the Authority in advance of their intent to sell and subject to the provisions of the petroleum agreement, have the right to sell in Liberia, all equipment, materials, goods and supplies which they have imported when they are considered as surplus and no longer necessary for the petroleum operations, except that they may not sell explosives, gasoline or diesel within Liberia to third parties without the consent of the Ministry of Finance and Development Planning.
- 47.2 If any such imported equipment, materials, goods and supplies were exempted in all or in part from taxes and duties on import into Liberia, then such items are deemed imported on the date of sale and the seller must, upon their sale, pay into the Consolidated Fund those taxes and duties payable on such items under applicable laws in effect on the date of sale calculated on the actual sales price on the date of sale and fulfill all formalities required by law in connection with such sales.
- 47.3 The Ministry of Finance and Development Planning may by regulations establish the procedures for the sale of items under this Section 47 and the criteria for exemptions that may be applied.

48. *Right to export petroleum*

During the term of the petroleum agreement, the contractor, its customers and their carriers shall have the right to export freely at the export point selected for that purpose, free of all duties and taxes and at any time, the portion of petroleum to which the contractor is entitled in accordance with the provisions of the petroleum agreement, after deduction of all deliveries made to the State.

Part XII. PETROLEUM TRANSPORTATION SYSTEMS

49. *License to install and operate petroleum transportation systems*

49.1 A petroleum transportation system shall not be installed or operated without a license granted by the Director General, unless the right to carry out such operations is part of a contractor's approved development and production under a petroleum agreement.

49.2 An application for a petroleum transportation license shall contain:

- (a) a description of the facilities, including all installations and equipment required to operate and maintain the petroleum transportation system;
- (b) an environmental and social impact assessment and an environmental and social management plan prepared in accordance with the Environment Protection Law; and
- (c) detailed information on all relevant issues concerning the proposed installation, including economic, technical, operational, safety, land use and environmental aspects of the project.

49.3 A petroleum transportation license authorizes the license holder, subject to this Act and in accordance with the conditions specified in the license, to construct and operate a petroleum transportation system of the design, construction, size and capacity specified in the license, along the route and for the term specified therein, to enable the license holder to carry out its operations and to execute all works that are necessary for or incidental to the construction and operation of a pipeline.

49.4 In addition to the provisions of Part XVI of this Act, the provisions of Sections 42 to 47 of this Act and of Parts XIII and XIV of this Act applicable to contractors and petroleum operations shall apply *mutatis mutandis* to holders of petroleum transportation licenses and to their operations.

50. *Third party access to transportation systems*

50.1 The Board may, on the recommendation of the Authority in the interest of efficient operations, direct a petroleum transportation license holder or contractor to provide access to its petroleum transportation systems to third parties on fair, transparent, non-discriminatory and competitive terms, provided that such access shall not be detrimental to the requirements of the contractor or operator in question.

50.2 A transportation license holder shall have the right to charge to third parties a transportation tariff that is reasonable taking into account the capital and operating costs of the pipeline and the throughput requirements of the license holder.

- 50.3 An agreement for the use of petroleum transportation systems shall be submitted to the Authority for approval by the Director General. Where an agreement cannot be reached between the parties within a reasonable period, the Director General shall recommend to the Board for approval the tariff payable and other conditions of use after giving the parties in interest an opportunity to present their views.

Part XIII. USE OF PUBLIC OR PRIVATE LAND AND FACILITIES

51. Acquisition of land use rights for petroleum operations

- 51.1 A contractor shall have the right to acquire land located within or outside the contract area for the purposes of constructing, installing and operating petroleum production and transportation facilities and such other buildings, structures and installations as may be necessary for the conduct of petroleum operations.
- 51.2 For purpose of subsection 51.1 of this Act, the State shall make available to a contractor any land which it owns that is suitable for the activities intended to be carried out thereon' provided that use of the land does not conflict with any existing land use rights already granted to third parties or belonging to the State.
- 51.3 Rights on land held by private owners that the contractor determines to be necessary for the carrying out of the petroleum operations shall be acquired by direct agreement between the contractor and the private person or persons concerned as follows:
- (a) The contractor shall seek in good faith to reach an agreement with the person or persons concerned. If no such agreement can be reached, the contractor may request the Authority to facilitate the process of negotiation between the private owner and the contractor for the acquisition of the necessary rights with fair compensation.
 - (b) If an agreement cannot be reached, and if no other surface rights are reasonably available to the contractor for the intended purposes, the Director General will, in consultation with the Land Commission of Liberia and the Ministry of Justice, assist the contractor in obtaining appropriate rights.
 - (c) When determining the value of rights or interests in land to be acquired for use by a contractor, consideration shall be given to the cost of acquiring similar rights in property of similar size, quality and utility in reasonable proximity to the land being acquired, but no consideration shall be given to the contractor's purpose for acquiring such rights or interests.
 - (d) If the State acquires rights or interests in land for use by a contractor, such rights or interests shall be held or registered, as the case may be, in the name of the State, but the contractor shall be entitled to the use thereof for the purposes of petroleum operations during the term of the relevant petroleum agreement. Any costs incurred by the State in connection with such acquisition of rights or interests shall be borne by the contractor and may be recovered in accordance with the provisions of the relevant petroleum agreement.
- 51.4 A contractor shall have the right to enter upon any land in the contract area to carry out temporary exploration operations as specified in the petroleum agreement, provided that a contractor may conduct such operations on land that is held by a private

landowner, farmer or occupant only if the contractor has delivered to the landowner, farmer or occupant a written request for permission including an undertaking to provide full, fair and reasonable compensation for any damage to the land, or any crops or improvement thereon or any long term loss in value of the land caused by the petroleum operations and has received such permission.

- 51.5 If a landowner, farmer or occupant refuses to give a contractor reasonable temporary access to the land as provided in subsection 51.4 of this Act, the contractor may petition the Director General for relief, setting forth all relevant facts, including (i) any financial offers made to the landowner, farmer or occupant, (ii) the type and potential impact of operations to be conducted on such land, and (iii) the available alternatives, if any.
- 51.6 If the Authority is unable to persuade the parties to reach a private agreement for such temporary access, the matter shall be determined by one or more hearing officers appointed by the Director General, in accordance with procedures established by regulation consistent with the Liberia Administrative Procedure Act.

52. *Other rights and duties of a contractor with respect to land.*

- 52.1 A contractor shall have the right to remove and use water, gravel, sand, clay, stone and timber from land acquired by it for use in petroleum operation to the extent necessary for the petroleum operations in accordance with generally applicable laws and regulations, provided that a contractor may not (i) take any such material from land leased from a private landowner or occupant without first obtaining the permission of such person, (ii) utilize any such material from a site to which a third party holds exploitation rights, except on terms and conditions satisfactory to such third party, (iii) deprive any person, even temporarily, of a constant and reasonable supply of usable water from a previously utilized traditional source without replacing it, or (iv) interfere with any water rights enjoyed by any user under any agreement with the State.
- 52.2 For the purposes of the petroleum operations, a contractor shall have the right to use, in accordance with applicable law, any public railroad, road, airport, landing strip, supply base, port facility, waterway and any telephone network in Liberia, whether owned by the State or by any private enterprise, subject to the payment of fees then in effect or mutually agreed upon which in the case of State-owned facilities will not be in excess of the prices and tariffs charged to third parties for similar usage.
- 52.3 The State reserves the right on reasonable notice to the contractor to construct roads, railroads, power and telephone lines within any onshore contract area or any land acquired by or for the contractor for its petroleum operations, provided that the State takes account of the reasonable concerns of the contractor and seeks to minimize any disruption in the conduct of petroleum operations.

Part XIV. ENVIRONMENT HEALTH AND SAFETY

53. *General duties of contractors*

- 53.1 A contractor shall conduct petroleum operations in a prudent manner with the view of preventing and limiting harm to the people, property and the environment and to that effect, shall comply with the laws and regulations governing health, safety and the protection of the environment and with good international petroleum industry practices.

- 53.2 A contractor shall make all reasonable efforts to ensure that its subcontractors, consultants and agents manage health, safety and environment risks in a manner consistent with the requirements of subsection 53.1 of this Act.
- 53.3 A contractor shall establish and enforce rules consistent with those generally followed in the international petroleum industry under similar circumstances concerning the control of the use of drugs, alcohol, firearms, ammunition, explosives and weapons.
- 53.4 A contractor shall ensure that any person engaged in petroleum operations shall possess the necessary qualifications to perform the work in a prudent manner.

54. *Health and safety plans*

- 54.1 A contractor shall prepare and implement, prior to the commence of any petroleum operations in Liberia or Liberian waters, a health and safety management plan setting out safety requirements, objectives and standards consistent with good international petroleum industry practices pertaining to the design, operation and maintenance of any installation or equipment used in the petroleum operations to prevent or mitigate hazards and risks to any person employed or otherwise present at or in the vicinity of any installation. Any such plan shall include regulations on hygiene and occupational safety and an emergency preparedness plan, and shall be regularly updated.
- 54.2 The contractor or operator shall submit the health and safety management plan and any revisions thereof to the Authority for approval in consultation with the Ministry of Health and Social Welfare, the Ministry of Labor and other relevant governmental agencies.
- 54.3 A contractor shall ensure that all persons present at or residing in the vicinity of each installation or site in which petroleum operations are conducted are duly informed of the potential hazards and of precautionary measures related thereto.
- 54.4 A contractor shall submit to the Authority and to the relevant ministries and government agencies such reports on health and safety performance of each installation at which, and each site on which, petroleum operations are conducted, as are required under applicable law and as may be specified in regulations issued hereunder and in the petroleum agreement.

55. *Environmental Impact Assessments and Environmental Management Plans*

- 55.1 The contractor shall submit to the EPA for approval (with a copy to the Authority) each Environmental and Social Impact Assessment (ESIA) and Environmental and Social Management Plan (ESMP) relating to planned petroleum operations as and when required under the Environment Protection Law, the EPA Environmental Guidelines, good international petroleum industry environmental practice or the contractor's petroleum agreement, as and when required by applicable law or regulation or by the terms of the relevant petroleum agreement or license under this Act. The EPA shall obtain the views of the Authority and other interested ministries or agencies as to the adequacy of each such assessment or plan before taking action with respect to such assessment or plan.
- 55.2 Each ESMP must at a minimum set forth (i) detailed plans consistent with the relevant ESIA for the mitigation of environmental harm attributable to, and the restoration or

remediation of the environment to the extent affected by, the implementation of the exploration, appraisal or development and production program, as the case may be, and (ii) detailed plans or procedures for limiting adverse socio-economic consequences from the exploration, appraisal or development and production program as the case may be.

- 55.3 If any aspect of the proposed petroleum operations to be covered by a particular ESIA and ESMP can reasonably be expected to require the relocation of residents or the taking of subsistence agricultural land, the socio-economic component of the ESMP must include a resettlement action plan, which shall provide at the cost of the contractor for a suitable area of resettlement with key emphasis on suitability of shelter and continuity in livelihood, full compensation and the provision of informed consent by the affected persons.
- 55.4 The ESMP for any development and production plan submitted by a contractor shall include an abandonment plan which shall address the abandonment of the facilities upon the end of the useful life of the field or fields covered by the proposed development and production plan.
- 55.5 Each abandonment plan must include an assessment of risks and any uncertainties associated with the abandonment operations, identify the alternative and the preferred abandonment options, provide an estimated cost for each of the options, summarize the reasons for the selection of the preferred abandonment options, and address the social aspects of abandonment and rehabilitation.
- 55.6 A contractor shall submit to the EPA for approval, with a copy to the Authority, amendments to the then-current ESIA, ESMP and abandonment plan whenever necessary to reflect material changes in conditions not anticipated in the assessment or plan in question or material changes in good international petroleum industry environmental practices. The EPA will comply with the last sentence of Section 55.1 of this Act as to the adequacy of each amendment before taking action with respect thereto.
- 55.7 Public hearings and public consultations in support of the ESIA and the ESMP process, including with respect in any proposed material amendment to an approved ESIA or ESMP, shall be in accordance with the Environment Protection Law and the EPA Environmental Guidelines and any more stringent requirements of the relevant petroleum agreement. The contractor shall make and publish a record of (i) the means taken to publicize the hearings, (ii) the number of persons who attended each such hearing and their affiliations, (iii) a summary of issues raised at each such hearing, and (iv) a discussion of the actions taken by the contractor in response to the issues raised at such hearings. The EPA may by regulation adopted after consultation with the Authority set forth additional standards for the location, notification and conduct of such hearings.
- 55.8 A contractor shall commission periodic external environmental audits as required to ensure compliance with an ESMP. External audits will be in accordance with the Environment Protection Law and good international petroleum industry environmental practices. The external environmental audit shall be performed or supervised by an experienced environmental engineer selected by the contractor and approved by the EPA. A contractor shall commission such periodic social audits as are required by the terms of its petroleum agreement.
- 55.9 All ESIs and ESMPs, and any amendments thereto, shall be published on the Authority website and in accordance with EPA requirements.

56. *Emergency preparedness*

- 56.1 A contractor or subcontractor shall at all times maintain efficient preventative security and emergency preparedness measures to deal with emergencies and accidents in an effective manner to prevent injury, loss of life, pollution or major damage to property.
- 56.2 A contractor shall ensure that necessary measures are taken to prevent or reduce harmful effects, including the measures required in order, to the extent possible, to return the environment to the condition it had been in before the accident occurred.
- 56.3 A contractor shall initiate and maintain security measures to minimize attacks against facilities and shall at all times have contingency plans to deal with such attacks. A contractor shall place facilities at the disposal of the relevant authorities for emergency and security drills and shall where necessary participate in such drills.
- 56.4 A contractor shall cooperate with other contractors to ensure efficient emergency preparedness through the sharing of emergency resources.
- 56.5 The Director General may issue directions for the implementation of the measures referred to in this Section 56.

57. *Safety zones*

- 57.1 There shall be a safety zone surrounding every facility carrying out petroleum operations, which shall be determined by the Authority after consultation with relevant agencies and ministries.
- 57.2 A person shall not carry out unauthorized activity in the safety zones and a person shall not enter or take into a safety zone a vessel or object without appropriate authorization.

58. *Suspension of petroleum activities*

- 58.1 Where an accident or an emergency referred to in Section 58 occurs, the contractor or other person responsible for the operation and use of the facility shall, to the extent necessary, suspend the petroleum activities for as long as the requirement of prudent operations warrants, and shall notify the Authority promptly of any such suspension. The contractor shall consult with the Authority as to the duration of such suspension if it determines that a suspension of more than 72 hours is necessary.
- 58.2 Where special circumstances exist, the Director General may after consultation with the Board order that petroleum activities be suspended to the extent necessary to avoid imminent and material risks to health, safety or the environment, or may impose particular conditions permitting the continuation of petroleum activities, in each case in accordance with good international petroleum industry practices.

59. *Liability for pollution damage*

- 59.1 A contractor is liable for all direct damages and losses incurred as a result of pollution damage from its petroleum operations and for the cost of reasonable measures to avert, limit or remedy such damages or losses without regard to fault.
- 59.2 When the contractor is comprised of more than one legal entity, all legal entities are jointly and severally liable for pollution damage.

59.3 Where it is demonstrated that an inevitable event of nature, act of war, exercise of public authority or other circumstance constituting force majeure under Section 67 has contributed to the damage to the environment or injury sustained by the community and the circumstances were beyond the control of the contractor, the liability of the contractor may be reduced to the extent that is reasonable, taking into account the scope of the activity being carried on, the situation of the party that has sustained the damage, and the opportunity for taking out insurance by the parties.

60. *Liability for pollution damage caused without a petroleum agreement or license*

60.1 Where pollution damage occurs during a petroleum operation and the operation has been conducted without a petroleum agreement or license, the party that conducted the petroleum operation is liable for all damage regardless of fault.

60.2 The same liability rests on any other person who has taken part in the petroleum operation, and who knew, or should have known, that the operation was conducted without a petroleum agreement or license.

61. *Damages*

61.1 The liability of a contractor or licensee for pollution damage may be claimed in accordance with this Act and any other applicable laws.

61.2 Legal action for compensation for pollution damage may be brought before a competent court in the area where the pollution occurred, or in any court in which jurisdiction may be had over a responsible party.

Part XV. DATA, INFORMATION AND REPORTING; ACCESS TO INFORMATION

62. *Information, data and reports*

62.1 The State shall own all data, well logs, maps, magnetic tapes, cores, cuttings, samples, and other geological and geophysical surveys obtained by a contractor in connection with petroleum operations.

62.2 Subject to subsection 62.1 of this Act, a contractor may use the information and data obtained by it in connection with petroleum operations for the duration of the petroleum agreement under which such operations are conducted.

62.3 A contractor shall furnish the Authority with such periodic and other reports about the petroleum operations as may be stipulated in the relevant petroleum agreement or in regulations issued by the Board and generally applicable to all contractors.

62.4 The contractor shall provide to the Authority the following reports, studies and documents acquired pursuant to petroleum operations promptly after they are prepared or obtained:

- (a) all geophysical surveys, measurements and interpretation reports, map profiles, sections or other documents related thereto, as well as, at the Authority's request, the originals or a true copy of all recorded seismic data;

- (b) the drilling location and completion report for each well together with a complete set of recorded logs;
 - (c) all drill tests or production tests including any study relating to the flow or production of a well;
 - (d) all reports relating to core analyses;
 - (e) production reports and forecasts, including quantities of petroleum produced, re-injected, consumed, processed and, in respect of natural gas, vented or flared;
 - (f) price obtained and other particulars of all petroleum sales transactions; and
 - (g) profit sharing, costs, income and all other financial statements as is provided in the petroleum agreement.
- 62.5 A representative portion of the cores and cuttings removed from each well, as well as samples of fluids produced during drill tests or production tests, shall also be supplied to the Authority within a reasonable period after the materials involved become available to the contractor. Where practical, all maps, sections, profiles, logs and all other geological or geophysical documents shall be supplied to the Authority in an electronic format reasonably acceptable to the Authority.
- 62.6 A contractor shall maintain the original samples and data related to petroleum operations in its custody and shall provide access to the Authority. If such samples and data are not stored in Liberia, the cost of access shall be for the account of the contractor.
- 62.7 Upon expiration or in the event of surrender or termination of a petroleum agreement, the contractor shall provide to the Authority in Liberia all such original samples and data related to petroleum operations, to the extent not already provided to the Authority, at the cost of the contractor.
- 62.8 A contractor shall keep the Authority informed of its activities on a timely basis, in the manner provided in the relevant petroleum agreement.
- 62.9 A contractor shall keep confidential the data acquired and any existing data released by the Authority to the contractor, and shall not disclose such data to a third party without the written consent of the Authority, except as may be provided in the relevant petroleum agreement.
- 62.10 Data and information obtained by each holder of a reconnaissance license is also subject to the requirements, to the extent applicable, of subsections 62.1 through 62.9 of this Act as though they referred to reconnaissance licenses and license holders rather than to petroleum agreements and contractors, subject to the rights of the license holder to market such data as set forth in its license.
- 62.11 In addition to the delivery of technical information required by this Section 62, petroleum agreements and licenses issued under this Act shall contain provisions requiring regular reports as to the identity of directors, officers, material shareholders, material beneficial owners and controlling persons or groups.

63. Cooperation with the Liberia Extractive Industries Transparency Initiative

Contractors shall engage in and comply with the requirements of, the Liberia Extractive Industries Transparency Initiative (LEITI) in accordance with the LEITI Act and the directives and guidelines approved by the LEITI multi-stakeholder steering group. In particular, a contractor shall disclose to the LEITI reconcilers on an accurate and timely basis and in the required manner all payments made to the State, including any government agency and State-owned company, and shall provide said reconcilers with such information and documents as the reconcilers may reasonably require for the purposes of investigating any discrepancies and preparing the LEITI reports.

64. Availability of information to the public

64.1 Information about petroleum activities contained in Government records shall be available to the public in accordance with the Freedom of Information Act 2010.

64.2 The Authority shall make available to the public on the Authority website and by any other appropriate means, and shall provide to the LEITI Secretariat for publication on the LEITI website in accordance with LEITI policy all announcements of public hearing issued under this Act, as well as full copies of the following documents within twenty days from the date of signature, issue, approval or receipt:

- (a) this Act and any regulation issued hereunder;
- (b) all petroleum rights granted under this Act, including all annexes and schedules thereto;
- (c) all amendments, assignments and termination notices in respect of all petroleum rights;
- (d) the then-current model petroleum agreement;
- (e) decisions to open up new areas for petroleum operations;
- (f) the pre-qualification guidelines and the registry of pre-qualified applicants, the tender protocol, the bid assessment report and the winning bidder announcement, in relation to each licensing round;
- (g) all ESIA and ESMPs, and amendments thereto;
- (h) all joint operating agreements among entities comprising a contractor in which NOCAL or any other entity of the State is a participant, and all unitization agreements between contractors to the extent necessary to show all matters affecting the allocation of costs, revenues and production; and
- (i) all other documents required to be published under the provisions of this Act.

Part XVI. GENERAL PROVISIONS RELATING TO PETROLEUM RIGHTS

65. Transfer, termination and suspension of petroleum rights

- 65.1 Where a holder of a petroleum right is in material default, the Director General may, with the approval of the Board and in accordance with the conditions stipulated in the petroleum agreement or license, by notice in writing served on the holder, terminate the petroleum right, provided:
- (a) the holder is first given a notice of intent to terminate stating the particulars of the default complained of and given a reasonable period to present its views on and cure the alleged default (if no such period is prescribed in the relevant petroleum agreement or license); and
 - (b) the license holder has not referred the matter to dispute resolution in accordance with any dispute resolution provisions stipulated in the petroleum agreement or license.
- 65.2 Except as stipulated in the petroleum right, a sale, assignment, pledge, mortgage or other transfer of any right, title or interest in any petroleum right, whether directly or indirectly, shall not be made without the prior written consent of the Director General.
- 65.3 A sale, assignment, pledge, mortgage or other transfer which is made without the requisite consent is null and void.
- 65.4 A petroleum agreement may provide that a contractor or an entity comprising the contractor wishing to assign, sell or transfer its interest, whether in part or in whole, shall give to the State through NOCAL the right of first refusal to acquire the interest at the same price and under the same terms and conditions as agreed with the potential purchaser.

66. Indemnity of the State

A holder of a petroleum right shall, at all times, keep the State indemnified against all actions, claims and demands that may be brought or made against the State by reason of anything done by the holder in the conduct of petroleum operations.

67. Force majeure

- 67.1 Any failure on the part of a contractor or license holder or of the State to fulfill any of the conditions of a petroleum agreement or license or to meet any requirement of this act shall not constitute a breach of the petroleum agreement or license or of this Act insofar as the failure results from an act of war, hostility, insurrection, storm, flood, earthquake or such other phenomenon beyond the reasonable control of the contractor or of the State and prescribed in the petroleum agreement or license as constituting force majeure.
- 67.2 Where a contractor or license holder fails to fulfill any of the conditions of a petroleum agreement or license because of the occurrence of circumstances referred to in subsection 67.1 of this Act, the contractor or license holder shall notify the Authority,

giving particulars of the failure and its cause in the manner required by the relevant petroleum agreement or license.

- 67.3 Where a contractor or license holder is prevented from exercising any of the rights or discharging any obligations under the petroleum agreement or license for any period because of the occurrence of circumstances of the kind referred to in subsection 67.1, then that period shall be added to the period during which the contractor or license holder would otherwise have been obliged to discharge those obligations.
- 67.4 This Section does not excuse a contractor or license holder from any obligations to make payments to the State.

68. *Dispute Resolution*

- 68.1 The State on one hand and any holder of petroleum right on the other, may include provisions in a petroleum agreement or license to the effect that the parties should seek to resolve disputes relating to such petroleum right by consultation and negotiation before commencing a formal dispute resolution process.
- 68.2 A petroleum agreement or any license issued under this Act shall include terms governing the resolution of disputes in the event that a dispute cannot be resolved through any consultation and negotiation process required by the relevant petroleum agreement, which terms may include international arbitration and, for the resolution of disputes of a technical nature, expert determination.
- 68.3 The arbitration provisions referred to in the preceding subsection may include a State waiver of all claims of sovereign immunity from the jurisdiction of, and from the enforcement of any arbitral award rendered by, any arbitral tribunal constituted pursuant to the petroleum agreement or license in question, as well as all claims of immunity for the service of process or the jurisdiction of any court in aid of the jurisdiction of such arbitral tribunal or in connection with the enforcement of any such award. Notwithstanding the foregoing, no award may be enforced against assets of the State used to maintain national security or for military or diplomatic purposes.
- 68.4 A petroleum agreement shall provide that the contractor shall first enforce any judgment or arbitral award of damages in its favor under such petroleum agreement against the assets or income of the State or NOCAL relating to the exploration, development and production of petroleum, and that such judgment or award may be enforced against other assets or income of the State only if (a) such petroleum-related assets or income are insufficient to satisfy such judgment or award or (b) the contractor has been prevented from recovering from, or has otherwise been unable to recover from, such assets or income the full amount of such judgment or award. A petroleum agreement shall further provide that if the contractor thereunder has recovered all development expenditures incurred under such petroleum agreement, any such judgment or award may be enforced only against the petroleum-related assets or income of the State or NOCAL. Notwithstanding the foregoing, no award may be enforced against assets of the State used to maintain national security or for military or diplomatic purposes.

69. *Stability of conditions*

- 69.1 A petroleum agreement or license may provide that in the event any future law, act or regulation should modify the law or the petroleum agreement or license in force at the effective date of the petroleum agreement or license and should those modifications,

individually or cumulatively, bring about a material change in the respective economic, fiscal or financial situation of the State and the contractor or licensee arising from the provisions of the petroleum agreement or license, the State and the contractor or licensee shall enter into an agreement in order to restore the economic, fiscal and financial balance of the petroleum agreement or license as existing on its effective date, provided that the economic, fiscal and financial benefits to the parties on the effective date shall not be reduced. If after discussions the parties cannot agree, then either the State or the contractor or licensee may submit the matter for dispute resolution as provided in the relevant agreement or license.

- 69.2 Additional costs resulting from changes in law which pertain to health, safety, security, labor and environment, and that are consistent with international standards and best practices and that are applied on a non-discriminatory basis, shall not be considered a change to the economic, fiscal and financial balance as provided in subsection 69.1 of this Act.

Part XVII. INSPECTIONS

70. *Inspections and audits*

- 70.1 The Authority shall be the regulator for all activities carried out pursuant to petroleum agreements or licenses and has the responsibility of monitoring the petroleum activities of a contractor to ensure compliance with this Act and the terms and conditions of the petroleum agreement or license.
- 70.2 For the purposes of subsection 70.1 of this Act, the Authority may appoint authorized representatives who shall have the right at any time, upon reasonable notice to the contractor or license holder, to:
- (a) enter into any area, structure, platform, installation, vessel, facilities, offices or buildings used by the contractor or license holder in relation to petroleum operations;
 - (b) inspect and test, or cause to be inspected or tested by a qualified person, any machinery or equipment used in connection with petroleum operations;
 - (c) take or remove for the purpose of analysis or testing, or for use in evidence in connection with an offense against this Act, samples of petroleum, water or other substances from a well or any production, transportation or storage facility;
 - (d) inspect, take extracts from or make copies of any document relating to any petroleum operations (subject to such reasonable restrictions on disclosure by the Authority of confidential or proprietary data of the contractor or license holder as may be provided in the relevant petroleum agreement or license and that do not conflict with a specific provision of this Act); and
 - (e) make such other examinations and inquiries as may be necessary to ensure that the provisions of this Act, and of any directives issued, conditions imposed or orders made under this Act or under any petroleum agreement or license, are being complied with.

- 70.3 A holder of a petroleum right shall provide any authorized representative of the Authority with reasonable access to the facilities, including the provision of the necessary means of transport and accommodation, for the effective exercise of his or her duties under subsection 70.2 of this Act.
- 70.4 A petroleum agreement or license shall provide for the right of the Authority and of the Minister of Finance and Development Planning to;
- (a) through authorized representatives, have access to and inspect the financial books and accounts of the contractor or any company comprising the contractor or license holder and
 - (b) commission an audit of such books and accounts by an internationally recognized independent auditor in accordance with international accounting and auditing standards.

Part XVIII. OFFENSES

71. *Conduct of petroleum operations without a petroleum right*

- 71.1 A person who carries out petroleum operations without a petroleum right in contravention of Section 5 of this Act commits an offense and is liable on conviction to a fine not exceeding one million US dollars (US\$1,000,000) or (in the case of an individual) a term of imprisonment not exceeding three years or both.
- 71.2 Where a person is convicted of an offense under this Section 71, the court may also make an order for:
- (a) the forfeiture of petroleum obtained or recovered in the course of the commission of the offense; or
 - (b) the payment by that person to the State of an amount equal to the proceeds received of the sale of petroleum obtained or recovered; or
 - (c) the payment by that person to the State of the value at the wellhead, assessed by the court in respect of the quantity recovered or for the payment of such a part of that amount as the court, having regard to all the circumstances, deems fit.

72. *Obstruction of authorized officers*

A person who

- (a) without reasonable excuse, obstructs, molests or hinders an authorized public officer in the exercise of his or her powers under this Act; or
- (b) knowingly or recklessly makes a false statement or produces a document that is false or misleading in a material particular to an authorized officer engaged in carrying out his or her duties and functions under this Act,

commits an offense and is liable on conviction to a fine not exceeding fifty thousand US dollars (US\$ 50,000) or (in the case of an individual) to a term of imprisonment not exceeding three years or both.

73. Conflict of interest

- 73.1 Without limitation of the Code of Conduct of Liberia, 2014, an officer in the public service generally engaged in the implementation of this Act or who has a specific responsibility set forth in this Act shall not, in his or her private capacity, knowingly acquire, attempt to acquire or hold, directly or indirectly:
- (a) a petroleum right or an interest in a petroleum right;
 - (b) a direct or indirect economic interest, participation interest or share in an entity that is authorized under this Act to carry out petroleum rights in the State or that is seeking such authorization; or
 - (c) a direct or indirect economic interest, participation interest or share in a company that is providing goods or services to a holder of a petroleum right under this Act.
- 73.2 An officer who contravenes subsection 73.1 of this Act commits an offense and is liable on conviction to a fine not exceeding two hundred thousand dollars (US\$ 200,000) or to a term of imprisonment not exceeding five years or both.
- 73.3 For the purposes of subsection 73.1 of this Act
- (a) any interest held by a Relative (as such term is defined in the Code of Conduct 2014 of the Republic of Liberia) is deemed held by such officer;
 - (b) an "indirect" interest includes an interest in a company or other entity that holds, directly or indirectly, an ownership interest in a holder of a petroleum right or in an entity participating in a contractor under a petroleum agreement;
 - (c) an "indirect" interest includes a circumstance in which the officer involved may be acting on behalf of the State (i) with respect to the granting of a petroleum right to a former private sector employer of such officer, or (ii) with respect to the administration of a petroleum right held by a former private sector employer of such officer; and
 - (d) "indirect" interests do not include investments in mutual funds or other pooled investment vehicles that are not specialized to the oil and gas industry, and as to which neither the officer involved nor any Relative has any investment discretion or, individually or in the aggregate, a material investment in relation to the total size of the investment vehicle.
- 73.4 The Authority may, with the concurrence of the Minister of Justice, further define by regulation other circumstances that are within or are excluded from the concept of indirect interests for the purposes of this Section 73, or that expand the concept of an interest deemed held by an officer.

74. False representations

A person who

- (a) in or in connection with any application under this Act or under a petroleum right, or in response to any invitation or requirement of the Authority or of any

authorized public officer under this Act, knowingly or recklessly gives or permits to be given information which is false or misleading in a material particular, or

- (b) in any report, return or affidavit submitted in accordance with this Act or a petroleum right, knowingly or recklessly includes, or permits to be included, any information which is false or misleading in a material particular,

commits an offense and is liable on conviction (i) in the case of an individual, to a fine not exceeding one hundred thousand US dollars or imprisonment not exceeding three years or both, or (ii) in the case of a company, to a fine not exceeding one million US dollars (US\$1,000,000).

Part XIX. MISCELLANEOUS

75. Regulations

- 75.1 The Authority may make regulations for giving effect to the provisions of this Act. Each regulation made under the authority of this Act shall be approved by the Board and the President before taking effect.
- 75.2 Prior to making any regulation, the Authority shall consult with ministries and agencies with responsibilities relevant to the proposed regulation and shall conduct a public hearing on the subject matter of the proposed regulation, as follows:
 - (a) An announcement of proposed regulations and the related public hearing shall be published on the Authority's website and in two (2) national newspapers, which shall include:
 - (i) **a summary of the provisions of the proposed regulations,**
 - (ii) **in the case of the website publication, the full text of the draft regulations,**
 - (iii) **the locations where the draft regulations can be obtained,**
 - (iv) **the date and location of the hearing (which shall be at least thirty (30) days following the date of newspaper publication); and**
 - (v) **the format and manner in which comments can be made, and the deadline for submitting comments which shall not be less than 60 days from the date of the announcement.**
 - (b) Announcements as to the subject matter of the proposed regulations, the places where copies of the proposed regulations may be obtained, the date and location of the hearing, and the deadline for submitting comments on the proposed regulations shall be made on national public radio.
 - (c) Notwithstanding the foregoing, the Authority need not hold public hearings on proposed regulations if the Board and the Ministry of Justice determine that the proposed regulations will have no direct effect on the general public or on the revenues receivable by NOCAL or the State in respect of petroleum rights and

will not have a significant adverse impact on the environment or on the health or safety of workers in the industry or the general public. If the Board and the Ministry of Justice make such determination, announcement of the proposed regulation must nevertheless be made in the manner provided in subsections 75.2(a) and 75.2(b) of this Act, setting forth the reasons for determining that no public hearing will be required.

- (d) Upon expiry of the deadline for submitting comments, and prior to proposing final regulations, the Authority shall publish on its website a summary of the comments received.

75.3 The Authority shall give due consideration to all comments received, including the comments of other ministries and agencies, and may prepare proposed final regulations or withdraw the proposed regulations. The recommendations of the Director General for final regulations shall be presented to the Board for approval. The Board may approve or reject the regulations. If the proposed final regulations are approved by the Board, the regulations shall be presented by the Director General to the President for final approval.

75.4 The final regulations, once fully approved, shall be published on the Authority's website together with the locations where copies of the final regulations can be obtained. A summary of the final regulations (the full text if the regulations are less than 2000 words) shall be published in two national newspapers together with the electronic and physical locations where copies of the final regulations can be obtained. An announcement of publication and the electronic and physical locations where copies of the final regulations may be obtained shall be made on national public radio.

75.5 The locations in which the draft and final regulations shall be made available pursuant to subsections 75.2(a) and 75.4 of this Act shall include the county seat of each county in which petroleum operations are conducted and, in respect of offshore petroleum operations, the county seat of each coastal county.

75.6 Without limiting the general effect of subsection 75.1 of this Act or any provision of this Act specifically authorizing or directing the adoption by the Authority of regulations, the Authority may make regulations relating to:

- (a) applications for petroleum rights under this Act;
- (b) competitive bidding procedure for petroleum agreements;
- (c) prescribing a model petroleum agreement, and rules for dealing with exceptions raised by bidders to the provisions of the model petroleum agreement;
- (d) the making and submission of reports, returns and programs;
- (e) the form and content of, and conditions with respect, to applications for the grant authorizations and permits under petroleum agreements;
- (f) the inspection of areas and facilities in which petroleum operations are carried out;
- (g) with the concurrence of the Ministries of Labor and Internal Affairs, the health, safety and welfare of persons employed in petroleum operations, including working conditions, safety measures and emergency preparedness;

- (h) with the concurrence of the EPA, the conservation and prevention of waste of natural resources and the prevention and control of pollution and the taking of remedial action;
- (i) reporting requirements of any gas venting and flaring;
- (j) with the concurrence of the EPA and the Ministry of Agriculture, the protection of fishing or agricultural activities within or in the vicinity of areas in which petroleum operations are being carried out;
- (k) with the concurrence of the Ministry of Internal Affairs and the Forestry Development Authority, the protection and preservation of cultural and historical heritage sites located within or in the vicinity of areas in which petroleum operations are being carried out;
- (l) the information on the petroleum operations to be made available to the public;
- (m) with the concurrence of the Liberia Maritime Authority, regulations governing the access of vessels to and use of vessels in Liberian waters in connection with the carrying out of petroleum operations, reconnaissance activities and pipeline transportation activities;
- (n) the disclosure of legal and beneficial ownership of petroleum rights;
- (o) third-party access to facilities under this Act and any safety areas established around such facilities; and
- (p) generally, for such things as are necessary for the proper implementation of the provisions of this Act.

75.7 A regulation made under this Section 75 shall not be effective unless it is announced and published as required in subsection 75.3 of this Act and applicable law at least thirty days prior to its effective date or such lesser time (not less than five days) as the Board may determine is appropriate, with the concurrence of the Ministry of Justice, in the case of an imminent threat to health, safety or the environment intended to be ameliorated by such regulation.

75.8 If the Liberia Revenue Authority or the Ministry of Finance and Development Planning has published regulations requiring payments due under this Act or under petroleum agreements or licenses granted under this Act to be made to designated subaccounts of the Consolidated Fund any payment required to be made to the Consolidated Fund under this Act or under any such petroleum agreement or license shall be made instead to the appropriate designated subaccount of the Consolidated Fund.

76. Supremacy of this Act

Subject to the Constitution, this Act shall take precedence over all existing Acts relating to petroleum operations within the jurisdiction of the State and where there is a conflict between the provisions of this Act and any other enactment or any agreement made under this Act, the provisions of this Act shall prevail.

77. Repeals and savings

77.1 The Act adopting the New Petroleum Law of Liberia 2002 is hereby repealed.

- 77.2 Notwithstanding subsection 77.1 of this Act and save as provided in this Section, any production sharing agreement or other contract entered into by the State or NOCAL granting a petroleum right that was in force immediately before the effective date of this Act shall continue to be in full force and effect until the expiry of such agreement according to its terms and conditions, provided that the provisions of this Act, and of the regulations issued hereunder, which are not in conflict with the provisions of such production sharing agreement or other contract, shall be applicable to the holder of such contract and the petroleum operations thereunder.
- 77.3 Save as provided in subsections 77.4 and 77.5 of this Act, any function assigned to NOCAL under any production sharing agreement that was in force immediately before the effective date of this Act shall be performed by the Authority as from the transfer completion date set out in Section 78 of this Act.
- 77.4 Any function expressly assigned under this Act to NOCAL which is also assigned to NOCAL under any production sharing agreement that was in force immediately before the effective date of this Act shall continue to be performed by NOCAL after the effective date of this Act in relation to the production sharing agreement in question.
- 77.5 Any function expressly assigned under this Act to the Authority, the Director General or the Board which is assigned to NOCAL under any production sharing agreement that was in force immediately before the effective date of this Act shall, as from the transfer completion date set forth in Section 78 of this Act, be performed by the Authority, the Director General or the Board, as the case may be. If the assignment of responsibility under this Act is unclear as to where the responsibility lies, the assignment as between the Board or the Authority shall be made by the Board.
- 77.6 Any agreement that under this Act would constitute a reconnaissance license which was in force immediately before the effective date of this Act shall continue to be administered by NOCAL but the terms of such agreement may not be materially changed or extended by an aggregate of more than one year without the consent of the Director General and any successor agreement must be in the form of a reconnaissance license under this Act.
- 77.7 All royalties, surface rentals, bonuses and special contributions payable under any production sharing agreement referred to in subsection 77.2 of this Act, and all payments to be made by a contractor under any such contract on account of petroleum sold by the contractor for the account of the State shall from and after the effective date of this Act be payable, after any deductions permitted by this Act, into the Consolidated Fund, and in the case of special contributions for further credit to the relevant special fund or other recipient.

78. Transition

- 78.1 The transfer from NOCAL to the Authority of the functions assigned to the Authority by this Act and presently carried out by NOCAL and the transfer of employees, assets and liabilities associated therewith shall be implemented according to a transfer plan prepared in accordance with the following subsections. The plan shall provide for the completion of the transfer (the "transfer completion date") no later than ninety (90) days from the approval of the transfer plan. The transfer completion date shall be recorded in a statement issued by the Director-General, which shall be published on the Authority website and on electronic media.

- 78.2 The Director-General shall be appointed in accordance with Section 7(5) of this Act no later than one hundred twenty (120) days from the effective date of this Act and the additional Board members shall be appointed in accordance with Section 7(6) of this Act within one hundred fifty (150) of the effective date of this Act.
- 78.3 Within thirty (30) days from the consent of the Senate to the appointment of the Director General, the Director-General and the president and chief executive officer of NOCAL shall establish a transfer committee which they shall jointly chair and which shall be composed of four to six members appointed by mutual agreement or, failing their prompt agreement, by the President. The functions of the transfer committee shall be to (i) prepare the transfer plan which shall be submitted to the President and to the board of directors of NOCAL for approval; (ii) oversee and ensure the timely implementation of the transfer plan; and (iii) regularly report to the President and to the board of directors of NOCAL on the implementation. Outside experts and counsels may be appointed to assist the transfer committee, as appropriate. The costs and expenses of the work of the transfer committee shall be funded by NOCAL.
- 78.4 The transfer plan referred to in subsection 78.3 of this Act shall provide the steps and timelines for the transfer to the Authority of such employees of NOCAL as shall have the required qualifications and skills for the fulfillment of the regulatory functions of the Authority under Section 8 of this Act, together with employees of NOCAL providing such supporting services which are necessary for the performance of such functions. The plan shall provide for transfer of employees according to steps which shall ensure a smooth and effective transition while not unduly disrupting the operations of NOCAL, provided that the transfer shall be completed within the transfer completion date set out in subsection 78.1 of this Act.
- 78.5 The transfer plan shall be prepared and approved in accordance with subsection 78.3 within ninety (90) days from the date of establishment of the transfer committee.
- 78.6 In the event the President determines that the transfer plan is not likely to be completed by the transfer completion date provided in subsection 78.1 of this Act, the President shall take such measures as in the opinion of the President are appropriate to implement the transfer plan in accordance with the provisions of this Section 78. If the President deems it necessary, the President shall, by notice to the Legislature, extend the transfer completion date by a period not exceeding six months.
- 78.7 As from the transfer completion date, all assets and liabilities of NOCAL associated with or arising from the regulatory functions assigned to the Authority under Section 8 of this Act shall be vested in the Authority, and all staff of NOCAL selected by the transfer committee under the transfer plan for transfer to the Authority shall be regarded as having transferred their service to the Authority under such terms of employment, consistent with labor laws, as shall be provided in the transfer plan. NOCAL shall fund the costs and expenses of the Authority for the period ending 180 days after the transfer completion date, to the extent funding is not available to the Authority from other sources. NOCAL's obligation under this subsection 78.7 commences with the consent by the Senate to the appointment of the Director General, and shall cover the compensation of the Director General and reasonable costs and expenses (including the compensation of at least one full-time supporting staff person) incurred by the Director General in connection with the activities of the Director General contemplated by this Act prior to the transfer completion date.
- 78.8 On the date that is 360 days after an application for an exclusive exploitation authorization shall have been submitted to the Authority pursuant to Section 24(6) of

this Act, the President shall submit to the Legislature a recommendation as to whether a Ministry of Petroleum should be created, and, if so, how responsibilities for petroleum matters should be allocated going forward.

78.9 From and after the effective date of this Act and until the transfer completion date, (i) any function described in subsection 77.3 of this Act and (ii) any function assigned to the Authority under Part IV or V of this Act, including without limitation the granting of new or successor reconnaissance licenses in the manner provided by Part IV of this Act and new or successor petroleum agreements in the manner required by Part V of this Act shall be performed by NOCAL in accordance with the requirements of this Act, provided that the authority granted by clause (ii) of this section shall in any event lapse eighteen (18) months after the effective date of this Act.

78.10 From and after the consent of the Senate to the appointment of the Director-General and until the transfer completion date, any function described in subsection 78.9 shall be performed under the overall supervision of, and in accordance with directives given by, the Director-General.

79. *Effective date*

This Act shall take effect immediately upon publication in hand bills.

ANY LAW TO THE CONTRARY NOTWITHSTANDING

2014

ATTESTATION

“AN ACT TO AMEND AND RESTATE THE NEW PETROLEUM LAW OF LIBERIA 2002 THEREBY ESTABLISHING THE NEW PETROLEUM (EXPLORATION AND PRODUCTION) REFORM LAW OF LIBERIA, 2014”



VICE PRESIDENT OF THE REPUBLIC OF LIBERIA/PRESIDENT OF THE SENATE



THE SECRETARY, LIBERIAN SENATE



THE SPEAKER, HOUSE OF REPRESENTATIVES



THE CHIEF CLERK, HOUSE OF REPRESENTATIVES, R. L.



SECRETARY OF THE SENATE



The Liberian Senate

CAPITOL BUILDING, CAPITOL HILL, MONROVIA, LIBERIA
WEST AFRICA

2014

THIRD SESSION OF THE FIFTY-THIRD LEGISLATURE OF THE
REPUBLIC OF LIBERIA.

SCHEDULE OF SENATE'S ENROLLED BILL NO. 19 ENTITLED:

“AN ACT TO AMEND AND RESTATE THE NEW PETROLEUM LAW OF
LIBERIA 2002 THEREBY ESTABLISHING THE NEW PETROLEUM
(EXPLORATION AND PRODUCTION) REFORM LAW OF LIBERIA,
2014”

PRESENTED TO THE PRESIDENT OF THE REPUBLIC OF LIBERIA FOR
EXECUTIVE APPROVAL.

APPROVED THIS 5th DAY OF OCTOBER A.D. 2016

AT THE HOUR OF 5:30 P.M.

THE PRESIDENT OF THE REPUBLIC OF LIBERIA