

Investor Incentives in Focus as Cameroon Launches Oil and Gas Bidding



IN SHORT

The Situation: Cameroon has announced a bidding process pertaining to licensing rights for oil and gas blocks located in the Rio del Rey and Douala/Kribi-Campo Basins.

The Development: The oil and gas rights include a number of significant incentives designed to attract the interest of international oil and gas companies.

Looking Ahead: Bids are due June 29, 2018, and results will be announced July 18, 2018.

On January 10, 2018, the *Société Nationale des Hydrocarbures* ("SNH") launched a fresh licensing round for eight blocks through which international oil and gas companies were invited to submit bids in accordance with new competitive terms of reference ("2018 Licensing Round").

Eight Offshore Blocks

The 2018 Licensing Round is bolstered with improved commercial terms relating to eight offshore blocks: three in the hydrocarbon-rich Rio del Rey ("RDR") Basin and five in the prospective Douala/Kribi-Campo ("DKC") Basin.

BLOCKS	BASINS	SURFACE AREA (km ²)	LOCATION
Bomana	RDR	223.3	Offshore (WD<50 m)
Bolongo	RDR	391.5	Offshore (WD<70 m)
Etinde Exploration	DKC	1,698.0	Offshore/SW
Tilapia	DKC	3,874.9	Offshore/SW
Elombo	DKC	2,405.0	Offshore/SW
Ntem	DKC	2,319.0	Offshore; WD >500m
Kombe-Nsepe	DKC	3,026.0	TZ/Onshore
Bakassi	RDR	736.9	TZ/Onshore



WD: Water Depth; SW: Shallow Water; TZ: Transition Zone.

Main Key Commercial Terms

To create an attractive environment for foreign investors, the 2018 Licensing Round included a number of significant incentives that international oil and gas companies would be well advised to note and explore.

Prequalification of Bids

The bid should be submitted by an oil company, or by a group of commercial companies amongst which, at least one is an oil company with relevant financial and technical capabilities demonstrated by the documentation required under the terms of reference.

In case the bid is submitted by a consortium of companies with only one of them being an oil company, the said oil company should own the majority of interest shares in the consortium, and should act as operator. Otherwise, the oil companies in the consortium shall determine which amongst them shall act as operator.

Timeline

- January 15th, 2018 - June 28th, 2018: data access and evaluation by all interested companies;
- June 29th, 2018, 12.00 noon (local time): deadline by which bids could be submitted;
- June 29th, 2018, 1.00 pm. (local time): public opening of bids in the presence of all bidding companies or their representatives;
- July 18th, 2018: notification of results.

Cameroon's Legal Framework

The Cameroonian upstream sector is governed primarily by Law No. 99/013 of December 22, 1999, instituting the Petroleum Code, and Decree No. 2000/465 of June 30, 2000, setting forth the terms of application for the Petroleum Code. The key institutions involved in regulating the upstream oil and gas sector are the government (through the Minister of Mines) and the SNH. The Minister of Mines is responsible for granting all applicable licenses and authorizations in the sector, regulating petroleum operations, and granting consents for the transfer of licenses or authorizations. The SNH was created in 1980 and is the state body in charge of developing and monitoring petroleum activities for the entire Cameroonian territory, managing the Cameroonian state's interests in the oil sector and controlling the sale of locally produced crude oil in the domestic and international markets.

In order to carry out petroleum exploration and exploitation activities, the Cameroonian state can enter into either a PSC, a concession contract, or a risk services contract. All recent petroleum contract awards have been made pursuant to PSCs rather than concession contracts. A model form PSC has been issued and forms the basis for negotiations with contractors, but there is no model form concession contract.

Cameroon is signatory to the Extractive Industries Transparency Initiative ("EITI") and has set up a multi-stakeholder group, the "Follow-Up Committee," under the leadership of the Minister of Finances, with the responsibility, implementation, and follow-up of the EITI. Cameroon is also a member of the African Petroleum Producers Association.

THREE KEY TAKEAWAYS

1. The oil and gas arrangements, including exploration and exploitation terms, have been heavily incentivized to generate investor interest.
2. Institutions involved in the regulation of the upstream oil and gas sector include the Cameroon government, through the Minister of Mines, and the *Société Nationale des Hydrocarbures*.
3. Information for prospective bidders is available through June 28, 2018, with bids due by noon (local time) the following day.

COMPETITIVE KEY TERMS UNDER 2018 LICENSING ROUND	
Cameroon	Competitive Key Terms Under 2018 Licensing Round
Parties	The state and the International Oil Company will enter into a production-sharing contract (PSC). A model form PSC has been provided with the terms of reference and will form the basis for negotiations between the state and the oil company.
State participation	Option to acquire up to a maximum participating interest to be negotiated, but in the present case, not less than 10%. (bids to be negotiated) Based on recent PSCs, the percentage ranges from 20 to 25%.
Exploration and exploitation terms	The company is permitted to carry out exploration operations for an initial period of three years for five years for special petroleum operations (onshore), and this initial period is renewable for up to a two-year period each. During the exploration period, the company may request a provisional exploitation authorization, which grants the right to operate production well to use a provisional basis for a maximum of two years. Following a commercial discovery, the company may request an exploitation authorization which may be granted for a period not exceeding 25 years for onshore operations and 15 years for gas and hydrocarbons. CLICK TO VIEW

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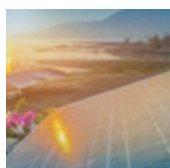


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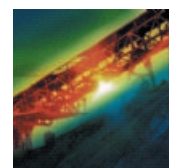
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