

DIÁRIO DA REPÚBLICA

OFFICIAL GAZETTE OF THE REPUBLIC OF ANGOLA

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President of the Republic

Presidential Decree 52/19:

On approval of general strategy for allocation of petroleum concessions for period 2019-2025

PRESIDENT OF THE REPUBLIC

Presidential Decree 52/19 of 18 February

In view of the need to draw up a General Strategy for Awarding Petroleum Concessions for the 2019-2025 period, with a view to increasing oil and petrol production in the Republic of Angola, as well as ensuring the replacement of reserves to overcome the clear decline in production over recent years;

Given that in order to ensure the continuous expansion of the Angolan oil potential, there is a need to define the General Strategy for Awarding Petroleum Concessions, which sets out the guiding principles for future petroleum concessions, by identifying critical factors, adopting measures that aim to correct or diminish these factors, thus guaranteeing objectives that strengthen the Angolan petroleum sector are met, in view of the volatile hydrocarbon prices on the international market;

The President of the Republic of Angola decrees, pursuant to Article 120 (d) and Article 125 (1) of the Constitution of the Republic of Angola, the following:

ARTICLE 1 (Approval)

The General Strategy for Awarding Petroleum Concessions for the 2019-2025 period, attached to this Presidential Decree and forming an integral part thereof, is hereby approved.

ARTICLE 2 (Doubts and lacunae)

Any doubts and lacunae arising in the interpretation and enforcement of this statute will be resolved by the President of the Republic.

ARTICLE 3 (Entry into force)

This Presidential Decree shall enter into force on the date of its publication.

Considered at the Council of Ministers, Luanda, 24 January 2019.

To be published.

Luanda, 12 February 2019.

The President of the Republic, JOÃO MANUEL GONÇALVES LOURENÇO.

GENERAL STRATEGY FOR AWARDING PETROLEUM CONCESSIONS FOR THE 2019-2025

I. Introduction

In view of the high risk involving the exploration of hydrocarbons in the petroleum sector and that the operations require, as a standard, high investment, and that also the increase in competition, due to the development of mature oil regions, emergent regions, associated with different tax and contractual systems, the creation of a strategy that serves as a “guide” for defining objectives and responsibilities is pressing, in addition to mitigating the perception of the risks involved, thus promoting efficiency and efficacy;

In this context, in order to guarantee the continuous expansion of the Angolan petroleum potential, there is a need to define a General Strategy for Awarding Petroleum Concessions, which will establish the guiding principles, either via tendering which has always been valued and favoured as it guarantees due transparency in the process, or via direct award of petroleum concessions, following the identification of factors considered critical, adopting measures that aim to remedy or mitigate these factors, thus guaranteeing the success of the strategy and the fulfilment of the objectives considered essential to strengthening the Angolan petroleum sector, in view of the volatile prices of hydrocarbons on the international market.

The factors which affect the drafting of this General Strategy for Awarding Petroleum Concessions are related to market attractiveness and the frequency of the process.

II. Objectives for the Award of Petroleum Concessions

The Strategy for Awarding Petroleum Concessions shall be underpinned by the following macro and long-term objectives.

Overall Objectives:

Promoting the expansion of the geological knowledge of Angola and its petroleum potential;

Guaranteeing the continuous increase in discovered petroleum resources;

Increasing competition within the petroleum industry and encouraging risk investment, ensuring fair remuneration and return on investment;

Promoting foreign direct investment (FDI) in the Angolan oil industry, disseminating knowledge, technological innovation and universally accepted governance practices;

Promoting the exploration of natural gas, through the inclusion of micro-programmes dedicated to this resource under the petroleum tendering processes.

Specific Objectives:

Guaranteeing the replacement of reserves, promoting rational and proper exploration activities;
Implementing measures that are aligned with the confirmation of Angola's petroleum potential;
Providing sufficient crude oil to satisfy internal refining capacity, by pondering the economic viability of exportation versus importation

III. Drawing up of the Strategy

The purpose of the General Strategy for Awarding Petroleum Concessions is to set out a series of actions to be implemented in the present and the future, which seek to expand and increase geological knowledge and the oil potential of Angola.

IV. Petroleum Concession Award

The awarding of petroleum concessions shall follow these guiding principles:

Guarantee the replacement of reserves and continuous increase in petroleum resources;
Relax the compulsory minimum work programmes;
Expand knowledge of the oil potential;
Adopt exploration programmes applicable to all existing geological horizons;
Promote the exploration of natural gas.

The working programmes must therefore be implemented in accordance with the extent of exploration in the Angolan sediment basis, with a view to obtaining privileged geological information on the maturity, generation, migration and presence (or not) of reservoirs in the existing geological horizons or those to be explored.

V. Systems of Petroleum Concession Award

A concession award process shall be implemented via the adoption of 3 (three) systems, namely: Public Tender, Limited Public Tender and Direct Award.

a) System: *Public tender*

Under this system, which follows a legally established procedure for public tender of petroleum concessions, the National Concessionaire shall partner with third parties to perform petroleum operations together in a particular area.

The concession is granted by means of a Decree of Concession and becomes effective upon signature of the contract.

In these cases, the contract to be entered into will be a Commercial Company, Consortium or Production Sharing Agreement.

The award of concessions via *Public Tender*, the favoured mechanism, which guarantees the transparency of the process, shall comply with the following requirements, in addition to those established by the law:

Statute that approves the strategy and contains the specific objectives to be met for this specific *round of tendering*;

SONANGOL may undertake a minimum 20% share of new petroleum concessions;

SONANGOL is entitled to be funded up to 20% by international companies in its petroleum operations in the event of not being the operator.

The procedures to be adopted for public tender are outlined in Presidential Decree no. 86/18 of 2 April.

Thus, for the year 2019, public tendering of the following Blocks in the Namibe Basin is proposed: 11, 12, 13, 27, 28, 29, 41, 42 and 43 and Block 10 of the Benguela Basin.

For 2020, public tendering is proposed for Blocks CON1, CON5, CON6 of the Congo Basin and KON5, KON6, KON8, KON9, KON17 AND KON20 of the Cuanza Basin.

For 2023 the onshore Blocks are CON2, CON3, CON7, CON8 of the Congo Basin and KON1, KON3, KON7, KON10, KON13, KON14, KON15, KON19 of the Cuanza Basin.

b) **System: *Limited Public Tender***

National strategic reasons of interest may justify the need for public tender to award the role of Partners of the National Concessionaire to a limited number of pre-selected companies.

This system is proposed for areas that have been abandoned or returned to the State or others, following a duly justified application by the National Concessionaire to the Executive.

The award of concessions via *Limited Public Tender* shall comply with the following requirements, in addition to those outlined by the law:

Be in the strategic interest of the Republic of Angola;

Knowledge, expertise, technical and technological competence demonstrated in Angola, the region or other oil provinces by the competitors;

Proven experience and accumulated knowledge of hydrocarbon exploration in basins and similar geological systems;

Minimum work programme compatible with the oil industry's development strategy;

Procedures to be adopted in accordance with Presidential Decree no. 86/18 of 2 April and any other applicable legislation.

Under this system the following offshore Blocks shall be put to tender in 2021: 7, 8, 9, 16, 33, 34 and free areas within Blocks 31 and 32.

In 2025 Blocks 22, 24, 25, 26, 35, 36, 37, 38, 39 and 40 shall be put out to tender.

c) **System: *Direct Award***

The *Direct Award* system foresees the direct award of concessions following approval of a Concession Decree in favour of the National Concessionaire, which will in turn enter into a Risk Service Agreement with a company or series of companies.

The Parties hired by the Concessionaire shall satisfy the following requirements in addition to those established by law:

Knowledge, expertise, technical and technological competence demonstrated in Angola, the region or other oil provinces by the competitors;

Proven experience and accumulated knowledge of hydrocarbon exploration in basins and similar geological systems;

The initiative behind any direct award with a view to potentially entering into a Risk Service Agreement is subject to a prior opinion from the Ministry of Mineral and Petroleum Resources.

Under this system, the following Blocks are proposed: 6, 30, 44, 45, 46 and 47. Negotiations are expected to be concluded by the end of the first half of 2019. Prior

consideration and use of the contractual mechanisms best suited to each concession may be the triggering factor in the success of the strategy defined for each concession.

VI. Market Attractiveness

The National Concessionaire shall periodically conduct a study to gauge the competitiveness of the Angolan oil industry compared with that of other countries and to allow for the adoption of measures that promote the attractiveness of the sector in the face of increasing global competition.

VII. Frequency of Tendering of Petroleum Concessions

Regardless of the chosen contractual system and tendering rules adopted, the frequency of the concession award process shall determine the success of petroleum operations, as well as the greater likelihood of discoveries.

VIII. Promotion of New Areas

Fulfilling the objectives stipulated in the drafting of the General Strategy for Awarding Petroleum Concessions will depend, among other factors, on the leveraging factors of the strategy, including the surveying of new and unexplored areas and the promotion of campaigns for collecting geological and geophysical data, preferably using the multiclient modality with specialised companies.

The Interior Basins of Etosha, Okavango and Cassange, as well as the offshore and onshore zones of the Namibe Basin are included in these areas. The interior basins must be divided into Blocks by 2022 and shall be put out to tender the following year (this is not included on the current map in Fig. 1).

On the other hand, the Blocks returned to the State under the 2012 pre-salt campaign need to be reassessed to be reissued in 2025.

Also, the gathering of additional data in the productive zones of the Congo Basin shall be promoted in order to gauge the additional potential in the area surrounding the oil facilities.

Tenders that are not included in this Strategy may be extraordinarily launched as long as due rationale is provided and approval given by the ministerial department responsible for the oil sector.

Fig. 1 - Concession Award Map

Year					B L O C
2019	2020	2021	2023	2025	
11	CON1	7	CON2	22	
12	CON5	8	CON3	23	
13	CON6	9	CON7	24	
27	KON5	16	CON8	25	
28	KON6	33	KON1	26	
29	KON8	34	KON3	35	
41	KON9	31*	KON7	36	
42	KON17	32*	KON10	37	

43	KON20		KON13	38	K S
			KON14	39	
			KON15	40	
			KON19		

* Free areas

The President of the Republic, JOÃO MANUEL GONÇALVES LOURENÇO.