Oil and gas regulation in Oman: overview

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A Q&A guide to oil and gas regulation in Oman.

The Q&A gives a high level overview of the domestic oil and gas sector, rights to oil and gas, health safety and the environment, sale and trade in oil and gas, tax and enforcement of regulation. It covers transfer of rights; transportation by pipeline; environmental impact assessments; decommissioning; waste regulations and proposals for reform.

To compare answers across multiple jurisdictions, visit the energy and natural resources *Oil and gas regulation Country Q&A tool*.

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Domestic sector

1. What is the role of the domestic oil sector in your jurisdiction?

Domestic production

Oil and gas remains crucial to Oman's economy. In 2017, Oman's hydrocarbons sector accounted for about 72% of government revenues. This is projected to reduce to about 70% in 2018.

Oman is the largest oil and natural gas producer in the Middle East outside the Organization of the Petroleum Exporting Countries (OPEC). Even though it is not a member of OPEC, in 2016, Oman agreed to cut production by 45,000 barrels as part of the OPEC agreement reached in Vienna, Austria on 10 December 2016. Oman was also appointed to the high-level monitoring committee set up by OPEC to oversee the implementation and compliance of the oil production cuts.

Oman has an estimated 4.7 billion barrels of proved oil reserves and 25 trillion cubic feet of proved natural gas reserves, this remains as of 2018 the most up to date and verifiable data. Daily average production of crude oil and condensate averaged 927,000 barrels per day (b/d) in 2017, down from just over 1 million b/d in 2016. The decline was in line with Oman's commitment to a joint OPEC/non-OPEC pact of December 2016.

Oman aims to produce an average of 120 million cubic metres per day of gas over the five years between 2014 and 2018. In 2015 it produced 39 billion cubic metres of gas for the year, which amounts to around 108 million cubic metres of gas per day.

Enhanced oil recovery (EOR) techniques have been fundamental in driving the recent increases in crude production, from a low of 714,000 b/d in 2007. Oman uses a significant portion of its natural gas production in oil extraction although alternative EOR techniques, such as solar steam EOR, are being rolled out to allow natural gas to be used and monetised elsewhere.

Oil imports/exports market

Oil. Oman exports most of its crude oil to Asia. China remained the biggest importer of Omani crude oil, lifting 77% of total exports, followed by India with a 10% share. Japan (4%) and South Korea (3%) were notable importers too. Oman is not a major exporter of refined petroleum products (despite the expanded production of plastics from Sohar, and the planned greenfield refinery at Duqm (*see below, Domestic market structure and Government policy objectives*)).

Oman does not import any crude oil, although it imports some refined petroleum products for use in the domestic market. Oman does not have any international oil pipelines and exports are shipped out of the country. Mina Al Fahal has been the main export terminal since the 1970s. Musandam Gas Plant Terminal began crude oil export operations in 2016. The Ras Markaz crude oil storage terminal is planned to be the third export terminal for crude oil in Oman.

Domestic market structure

State-owned companies produce the majority of Oman's oil and gas, although private sector participation is increasingly encouraged by the government.

State companies. There are the following state companies:

- Petroleum Development Oman (PDO) is the major operator in Oman, producing the majority of the country's crude oil. It is 60% owned by the government and 40% owned by a consortium of international oil companies: Shell (34%), Total (4%) and Partex (2%). PDO also accounts for nearly all of Oman's natural gas supply.
- Oman Oil Refineries and Petroleum Industries Company (ORPIC) controls Oman's refining sector. It owns both of Oman's operating refineries at Mina Al Fahal (in Muscat) and Sohar.
- Oman Gas Company is responsible for the country's natural gas transmission and distribution systems.
- Oman LNG operates Oman's three liquefaction trains near Sur. It is owned by a consortium composed of the government (51%), Shell (30%), Total (5.54%) and other investors.
- Oman Oil Company is responsible for pursuing investments in the energy sector both inside and outside of Oman. It has invested in a wide range of projects, including upstream oil and gas developments and power plants.

International oil companies. International oil companies play a major role in the petroleum industry in Oman, Occidental Petroleum being the second largest oil producer in Oman. Other major players with oil and gas interests in Oman include BP, Shell, Total and Partex. The government is encouraging Omani oil companies to invest in upstream concessions.

Government policy objectives

Oman has adopted and is implementing the Vision 20-20 plan, the final part of which is the ninth five-year plan covering the period 2016 to 2020. The plan is aimed at reducing the country's reliance on oil and gas production by diversifying the economy in the services, industrial and financial sectors. Promoting new industries outside the oil industry sector, expanding downstream oil capabilities such as petrochemicals, and developing new talent are key aspects of Oman's aim to cut the economy's US$73 billion reliance on the hydrocarbon sector and to create new jobs. Vision 20-20 aims to shift crude oil contribution to below 10% of GDP, and increase natural gas and industrial sector contribution to above 10% and 20% respectively. The ninth five year plan aims to cut the crude oil contribution to GDP from 44% under the eighth five year plan to 26%. In addition, the ninth five year plan introduced the National Program for Enhancing Economic Diversification (*Tanfeedh*). *Tanfeedh* has been introduced to link the different strategies of the targeted sectors of manufacturing, tourism, transport and logistics, mining and fisheries together, and provide a platform for active participation and sustainable partnership between the stakeholders of the public and private sectors.

Largely as a result of the significant fall in the global oil prices, the 2018 budget projects a deficit of OMR3 billion. However, the government remains committed to critical infrastructure projects. In the oil and gas sector, Oman continues its investment in developing a port and industrial area (including a refinery and petrochemical complex) in the strategically located town of Duqm, on the Arabian Sea. Oman Oil Company (OOC) intends to invest US$15 billion into projects based in Duqm. On 10 April 2017 OOC and Kuwait Petroleum International signed a partnership agreement for the development of the Duqm Refinery and Petrochemical Complex. A ground-breaking ceremony was held in April 2018 with the refinery expected to start commercial operations in 2021. A US$400 million crude oil storage terminal is also being built in Duqm by Oman Tank Terminal Company LLC. The first phase will have a storage capacity of 10 million barrels of crude oil. In Sohar, the state-owned refining company Oman Oil Refineries and Petroleum Industries Company (ORPIC) is expanding its existing refinery. ORPIC is developing a US$3.6 billion new steam cracker and petrochemicals project in Sohar called the Liwa Plastics Industry Complex. The major contracts work was awarded in March 2014, financing documents were signed in March 2016, and is expected to be completed in 2019. This project will enable Oman to produce polyethylene for the first time. The new 280km long, ORPIC-operated, Muscat Sohar Product Pipeline Project (MSPP) was officially inaugurated in March 2018. The MSPP is a two-way multi-product pipeline connecting the Mina Al Fahal and Sohar refineries that will deliver more than 50% of Oman's fuel. In Salalah, a liquid natural gas extraction project worth US$600 million is to be developed between Petrofac and Salalah LPG SFZCO.

The government is also trying to maximise the indirect benefits of oil and gas projects for the local economy. In 2012, the Ministry of Oil and Gas (MOG) set up the In-Country Value (ICV) initiative. The ICV initiative is aimed at enhancing the role of Omani suppliers and increasing the capability of Omani employees (*see Question 12*).

Current market trends

Oil. In 2017, the Ministry of Oil and Gas (MOG) has indicated that it aims average of 1 million b/d and that it expects oil prices to reach between US$60 to US$70 by the end of 2017, and to remain within that range in 2018.

In the context of the region, Oman is particularly open to investment by smaller explorers, as well as international oil companies. Recent focus appears to favour Omani investors entering the upstream, as shown by ARA Petroleum's acquisition in 2016 of Block 44 from the Thai national oil company PTTEP. This trend is expected to continue in 2018. This focus also encompasses OOC's upstream subsidiary Oman Oil Company Exploration & Production LLC that, in 2016 and 2017, added Blocks 42, 48 and 52 to its portfolio of assets.

However, Oman is still planning to attract major international players. This was confirmed recently by the Ministry of Oil and Gas when it announced the Government's plans for awarding blocks 43B, 47, 51 and 65 in the second quarter of 2018. Of these four blocks, 51 is an offshore block, while all others are onshore blocks. Also, out of the four blocks, three blocks have crude oil deposits, while the fourth one is mainly a gas block.

Subsidies. The government has started rolling back some of its subsidies given to domestic oil and gas consumption. Two possible options being considered include gradual implementation and special programmes like a voucher system to assist the needy. Government subsidies are budgeted at OMR395 million for 2017, a small reduction from the OMR400 million for 2016, but a significant reduction from the OMR900 million given in 2015. 2017's cuts were achieved in part by targeting high-income users of subsidised energy like electricity. The 2018 subsidies' figure shows a slight increase, however, it is still lower than the OMR900 million given in 2015.

2. What is the role of the natural gas sector in your jurisdiction?

Natural gas imports/exports

Oman exports liquefied natural gas (LNG) through liquefaction facilities based near Sur, a coastal town about 200km south-east of Muscat, with the majority of LNG exports going to Japan and South Korea. Oman exported 7.9 million metric tonnes of liquefied natural gas in 2014. The liquefaction facilities are owned by Oman LNG and Qalhat LNG (the two companies have recently merged their operations) and have a capacity of 10.4 million tonnes per year. Oman is a member of the Gas Exporting Countries Forum, an international government organisation comprised of the world's leading gas producers.

In 2014, Oman imported about 73 billion cubic feet of natural gas from Qatar through the Dolphin pipeline, which runs from Qatar to Oman via the United Arab Emirates, with a plan to phase out such imports when the Khazzan tight gas field (operated by BP) commences production in 2017. The Khazzan field has commenced operations in Q4 2017, however, it is still too early to tell how this may impact imports in the longer term.

Current market trends

The government is very keen to secure additional gas reserves to meet rising domestic consumption. Fuel consumption in Oman is expected to rise by 10 to 15% per annum, driven by higher demand from the industrial sector and power producers. In 2016, total gas consumption rose by 2.6% over the previous year, most of this was driven by industrial projects, which recorded a growth of 4.6%.

The government is, therefore, seeking to develop major gas projects. The biggest of these is BP's Khazzan development in Block 61 onshore Oman. The field is a tight gas formation with large recoverable resources. The total initial investment targeted is US$16 billion. Phase 1 successfully began in September 2017 with Phase 2 anticipated to come on-stream in 2021. Phase 2 involves the expansion of the Block 61 contract area, the addition of a third gas processing train and further gathering systems, to support a significant increase in volumes of natural gas to be produced.

In March 2014, Oman and Iran signed an agreement for Oman to import 10 billion cubic metres of gas per year from Iran. This project had stalled but since the lifting of sanctions on Iran in January 2016, initial studies for construction of the pipeline have commenced and a decision has been made so that the pipeline does not cross the United Arab Emirates.

3. Are domestic energy requirements met by oil and gas production?

All of Oman's domestic energy needs are currently met by oil and gas. The primary fuel resource for power generation and associated water production in Oman is natural gas, supplied to power and desalination plants by the Ministry of Oil and Gas (MOG). The MOG hopes that future increases of local demand will be met by new sources of gas like the Khazzan field, and that this will reduce Oman's dependency on gas imports. The additional gas is expected to be prioritised for use by local industries rather than exports.

4. Are there specific government policies to encourage the exploration and production of unconventional gas or oil?

While unconventional gas resources are a major area of focus (for example, Blocks 60 and 61) there do not appear to be any specific government policies or incentives to encourage the exploration of unconventional hydrocarbons. Each exploration and production sharing agreement (EPSA) is based on a standard template which is then individually negotiated with the Ministry of Oil and Gas (MOG), including the fiscal terms.

Regulation

Regulatory bodies

5. Who regulates the extraction of oil and gas?

Subject to the ultimate oversight of His Majesty the Sultan, the Ministry of Oil and Gas (MOG) co-ordinates the government's role in the oil and gas sector. MOG oversees all oil and gas exploration and production activities carried out in concession areas in Oman. It is also the government counterparty to exploration and production sharing agreements (EPSAs) under which rights to explore for and produce hydrocarbons are awarded.

The Ministry of the Environment and Climate Affairs (MECA) is the regulatory authority for environmental aspects of upstream operations in Oman.

See box, *The regulatory authorities*.

The regulatory regime

6. What is the regulatory regime for onshore and offshore oil and gas exploration and production?

The key legislation relating to onshore and offshore oil and gas exploration and production is the Oil and Gas Law, promulgated by Sultani Decree No. 8/2011 (Oil and Gas Law).

All minerals in situ are owned by the state. Under the Oil and Gas Law, the rights to explore, prospect for, appraise, develop and exploit oil and gas are granted on the basis of a concession agreement, executed in the form of an exploration and production sharing agreement (EPSA). The Ministry of Oil and Gas (MOG) is the authorised authority, acting on behalf of the Government of the Sultanate of Oman, to negotiate and execute EPSAs with selected oil and gas exploration and production companies. An EPSA can only take effect after a Sultani Decree approving it has been promulgated.

The Oil and Gas Law only very generally sets out the obligations of the concessionaire (the "right-holder"). The EPSA establishes:

- The concession area.
- The term of the agreement.
- Bonuses and other payments to the government.
- Minimum work obligations.
- The conditions for:
    - exploration;
    - appraisal;
    - commercial discovery;
    - development;
    - production;
    - cost recovery and production sharing;
    - reclamation; and
    - relinquishment of the concession area.
- Other rights and obligations of the parties.

Rights to import, export, transport, store, distribute, process, or market petroleum substances are subject to a separate licence granted by the MOG. The MOG therefore has broad authority to negotiate the commercial terms of the EPSA with the right-holders.

Rights to oil and gas

Ownership

7. How are rights to oil and gas held?

Petroleum substances in their natural state and wherever they are found in Oman are the property of the state. The Oil and Gas Law states that an exploration and production sharing agreement (ESPA) will not grant ownership rights to right-holders. Further, right-holders are prohibited from assigning or transferring any of their rights or obligations specified in the EPSA, unless approved by the Ministry of Oil and Gas (MOG) and a Sultani Decree is promulgated regarding the transfer (*see Question 8*).

Nature of oil and gas rights

8. What are the key features of the leases, licences or concessions which are issued under the regulatory regime?

Lease/licence/concession term
Exploration and production sharing agreements (EPSAs) are typically awarded for a short initial term, usually three years, for exploration. If the right-holder (referred to as the contractor under the EPSA) has complied with certain obligations, it will have the option of extending the exploration term for a further three years. In addition, the term will be extended on a declaration of commerciality by the right-holder. The production term is usually 15 years, with the right-holder having a right of renewal for a further period if it is still producing hydrocarbons at the end of the term.

A concessionaire or right-holder cannot lease its rights to a third party.

Fees
Fees are open to negotiation. Typically, EPSAs specify that various bonuses are payable by the right-holder on the occurrence of certain events (typically signature, renewal and commercial discovery bonuses), together with payment of annual rental and training payments to the government. Profit oil is split between the government and the right-holder. There are separate cost recovery and production sharing regimes for natural gas and condensate and for crude oil.

Liability

Under the Oil and Gas Law, the right-holder is required to implement operations with due care, according to good oilfield practice and in such a manner that guarantees the protection of the environment.

The EPSA usually provides that the right-holder will indemnify the government in respect of claims relating to damage to property or personnel belonging to the government or to third parties that was caused by the right-holder's wrongful or negligent act. Liability for consequential loss is usually excluded. The right-holder is obliged to maintain insurance in respect of various risks, including civil liability arising from damage to the environment, under the EPSA. The Civil Code, promulgated in 2013, will also apply in the assessment of liabilities.

Restrictions

There are special conditions for natural gas. Natural gas must be used, as a priority and subject to approval by the Ministry of Oil and Gas (MOG), for use in petroleum operations, commercial exploitation, injection for enhancing extraction rates, storage and other purposes as decided by the MOG. Moreover, all gas produced must be sold to the government, whereas crude oil and condensate can usually be sold in the open market. Assignment of any rights or obligations specified in the EPSA is prohibited without the approval of the government (*see Question 8*).

9. How are such leases, licences or concessions awarded?

Concessions are awarded by the Ministry of Oil and Gas (MOG). MOG launches bid rounds from time to time on its website. Oil and gas companies interested in bidding must submit their offer to the Department of Petroleum Concessions at MOG.

To participate, the bidding company must provide MOG with a letter of intent and the company profile. The bidder must also pay a non-refundable deposit into a nominated government bank account and sign a confidentiality agreement in order to receive a package containing geological information about the relevant block.

Transfer of rights

10. How are oil and gas rights transferred?

The transfer of rights granted under an exploration and production sharing agreement (EPSA) is prohibited under Article 19 of the Oil and Gas Law unless the assignment or transfer is approved by the Ministry of Oil and Gas (MOG) and a Sultani Decree is promulgated approving it. However, the EPSA usually provides an exception to this prohibition for assignments or transfers to a majority-owned affiliate.

Tax

11. What payments are payable by oil and gas interest holders to the government?

Oil and gas companies operating in Oman pay income tax at 55% of their taxable income (in accordance with Sultani Decree No. 28/2009 promulgating the Income Tax Law). This tax is deductible from the government's oil production share under the exploration and production sharing agreement (EPSA).

In addition, the EPSA will provide for various payments to be made by the right-holder to the government. These include a signature bonus, annual rental payments and a bonus on the first commercial discovery of oil. None of these are deductible as cost oil.

In 2017, Sultani Decree 09/2017 (Amendment) introduced significant amendments to the Income Tax Law (Sultani Decree 28/2009). The Amendment increases the standard corporation tax rate from 12% to 15% and the minimum tax-free threshold of OMR30,000 has been scrapped. The income tax rate of 55% for oil and gas companies operating in Oman has not been amended and remains in place.

Significantly, the Amendment expands the range of payments subject to withholding tax at the rate of 10%. In addition to the existing categories relating to royalties, payments for research and development, use of computer software and fees for management, withholding tax will apply to fees for the performance of services, payments of dividends, or interest. Executive Regulations in respect of the Amendment are still awaited. It is hoped that these will clarify how the amendment will be implemented in practice.

12. Does the government derive any other economic benefits from oil and gas exploration and production?

The main economic benefit derived from oil and gas exploration and production is the government's share of profit oil under the exploration and production sharing agreement (EPSA). The amount of the share is negotiated based on the scale and economies of the project.

In terms of indirect economic benefits, the Oil and Gas Law requires right-holders to employ Omani nationals and to set up annual training programmes aimed at qualifying Omani nationals for professional and technical jobs.

In addition, in 2012 the Ministry of Oil and Gas (MOG) introduced the In-Country Value (ICV) initiative. ICV aims at promoting the employment and training of Omanis, investments in fixed assets in Oman and the local sourcing of goods and services. As a result of the ICV initiative, oil and gas companies are prioritising employment and training of local personnel and sourcing of local goods, works and services into their business plans.

13. What taxes and duties apply on import and export of oil and gas?

A 5% duty applies on the import of crude oil, gas and other petroleum products. There are no export taxes on the export of oil and gas or other petroleum products.

Transportation by pipeline

14. What regulatory requirements apply to the construction and operation of oil and gas pipelines?

The establishment of land and pipeline corridor rights is provided for under Omani law. Rights to use the land for a pipeline are usually granted by the government to the owner or operator of the pipeline by way of a usufruct agreement, which grants a land right similar to absolute title but limited in time and subject to certain terms of use.

The Oil and Gas Law establishes setback zones around oil and gas pipelines. Setback zones must extend for 25 metres on each side of the pipeline. Construction and other activities within setback zones are prohibited, with the exception of activities exercised by the pipeline owner or operator.

An environmental permit is required to operate an oil or gas pipeline (*see Question 17 and Question 18*).

15. Is there a system of third party access to pipelines and other infrastructure?

We are not aware of any statutory regulations governing third party access to pipelines and other infrastructure. There are contractual arrangements in place between the various oil and gas operators that provide for third party access, for example on the basis of a deed of adherence to existing contracts.

Health, safety and the environment

Health and safety

16. What is the health and safety regime for oil and gas exploration and extraction, and transportation by pipeline?

Exploration

There is no specific law governing health and safety in the petroleum industry. Instead, health and safety requirements derive from a number of legislative acts, notably:

- The Oil and Gas Law, which requires the right-holder to have a policy for maintaining the environment and the health, security and safety of employees. It also provides for setback zones around pipelines (*see Question 14*). Furthermore, the Oil and Gas Law provides that a right-holder must set out "a comprehensive security plan" once a commercial discovery is announced, and must liaise with the Royal Oman Police (ROP) in this respect. This requirement expressly applies to exploration and production sharing agreements (EPSAs) in existence prior to the promulgation of the new Oil and Gas Law.
- Sultani Decree No. 29/2013 promulgating the Omani Civil Code (Civil Code) sets out the obligations of the employer towards its employees. In particular, it provides that the employer will provide everything necessary to ensure the safety and security of its employees, and to ensure that employees' tools and equipment are fit for purpose and cause no harm.
- Sultani Decree No. 35/2003 promulgating the Labour Law and subsequent amending legislation sets out various provisions regarding employee working hours and overtime.
- Other laws regulating health and safety issues include the Environmental Law and Ministerial Decision No. 286/2008 Occupational Health and Safety Measures.

Extraction

See above, *Exploration*.

Transportation

See above, *Exploration*.

Environmental impact assessments (EIAs)

17. Is an EIA required before extracting or processing onshore or offshore oil and gas?

The principal environmental legislation in Oman is Sultani Decree No. 114/2001 promulgating the Law on Conservation of the Environment and Prevention of Pollution (Environmental Law). Under Article 9 of the Environmental Law, no "source" (that is, process or activity that may directly or indirectly cause environmental pollution) or "area of work" is to be established before obtaining an environmental permit confirming its environmental soundness. An application for a permit must be made to the Ministry of the Environment and Climate Affairs (MECA) (*see Question 19*).

The Oil and Gas Law and the exploration and production sharing agreement (EPSA) also impose various environmental obligations on the right-holder.

Before the application for the environmental permit, a detailed environmental impact assessment (EIA) may be required. The question of whether an EIA is required is a matter to be determined through liaison with MECA (*Article 16, Environmental Law*). As a matter of practice, an EIA is required at virtually every stage of an upstream or downstream project.

Where an EIA is required, the "owner" of a source/area of work (widely defined and would include the operator of an oil or gas concession) must procure a qualified company approved by MECA to prepare the EIA.

18. What are the different stages of the EIA?

The process is carried out in the following two stages.

Scoping report
Right-holders must submit a scoping report to the Ministry of the Environment and Climate Affairs (MECA). The report must include:

- A high level description of the project.
- A description of the general activities and locations at which such activities are anticipated to take place.
- A summary of applicable legislation.
- An initial view of likely environmental impacts.
- A statement of the work needed to complete the full EIA.

MECA usually takes between four to six weeks to review and comment on the scoping report.

Full EIA

A baseline survey must be conducted. The final EIA must then be submitted to MECA on its standard form in hard copy. The EIA is reviewed by MECA's permitting department in the context of the application for an environmental permit (*see* *Question 19*).

It can take several months to prepare and submit the EIA to MECA depending on the complexity and size of the project.

Environmental permits

19. Is there a permit regime for environmental damage or emissions produced during the extraction or processing of oil and gas?

Right-holders are required to obtain an environmental permit under Article 9 of the Environmental Law (*see* *Question 17*). In addition, the handling of hazardous substances (widely defined, and includes oil and gas) is prohibited unless an environmental permit is obtained (*Article 19, Environmental Law*). Consequently, the extraction and processing of oil and gas requires an environmental permit.

Ministerial Decision No. 187/01 and subsequent amending legislation states that the environmental permit is issued in two stages:

- A preliminary environmental approval (valid for one year), which allows the project to proceed.
- A final environment permit (valid for two years), which is issued once it has been shown that all of the conditions set out in the environmental approval have been satisfied.

As a guideline, it usually takes about two months from submission of the EIA to the Ministry of the Environment and Climate Affairs (MECA) for the preliminary environmental approval to be granted.

Fees are payable in respect of both an environmental approval and an environmental permit. The applications for both permits must be made to MECA on the prescribed form.

Environmental concerns

20. Are there any specific government policies and/or incentives aimed at meeting the environmental concerns associated with the exploration and production of oil and gas?

Under Article 39 of the Oil and Gas law, right-holders must carry out their operations with due care and in accordance with the technical standards provided for in the EPSA and in a manner that guarantees the protection of the environment.

Waste

21. What are the regulations on the disposal of waste products resulting from oil or gas extraction or processing?

Omani law regulates the disposal of waste products into the environment. The following regulations are particularly relevant to oil or gas extraction or processing:

- Ministerial Decision No. 18/93: Regulations for Management of Hazardous Waste. These regulations govern the management of hazardous waste, a broad definition that includes any waste arising from commercial, industrial, agricultural or any other activities hazardous or potentially hazardous to the environment. This is likely to cover waste generated in oil or gas extraction and processing activities. A hazardous waste licence is required from the Ministry of the Environment and Climate Affairs (MECA) to discharge hazardous waste or to mix it with any other waste.
- Ministerial Decision No. 145/93: Regulations for Wastewater Re-use and Discharge. Article 2 of these Regulations prohibits the discharge of wastewater or sludge into the environment without a permit from MECA.
- Ministerial Decision No. 12/17: Amending certain provisions of the Regulations on the re-use and discharge of wastewater.
- Ministerial Decision 17/93: Regulations for the management of solid non-hazardous waste.
- Ministerial Decision No. 57/02: Amending certain provisions of the Regulations on the management of solid non-hazardous waste.

Flares and vents

22. Are flare and vent regulations in place?

Ministerial Decision No. 118/2004 issued by Ministry of the Environment and Climate Affairs (MECA) controls the level of air pollutants released from stationary sources. The Annexure to the Ministerial Decision provides numerical standards for emissions to air relating to flaring in refineries and petroleum fields.

Decommissioning

23. What are the decommissioning obligations and liabilities that arise?

At the expiry of the exploration and production sharing agreement (EPSA), the right-holder will, at its own cost, restore the concession area to its normal condition, within a period specified by the Ministry of Oil and Gas (MOG), by removing any facilities, equipment or any other material, except for materials that MOG decides are not to be removed. If the right-holder fails to restore the concession area and remove such items, MOG will perform this task and cause the right-holder to bear the costs and expenses resulting from the removal, plus an additional 10% of the cost.

The EPSA will also set out decommissioning obligations. The EPSA usually provides that the right-holder will have a decommissioning plan and account for the plan annually in accordance with International Financial Reporting Standards. The decommissioning plan must be updated every calendar year and actual costs relating to the decommissioning plan are treated as recoverable costs. In addition, the right-holder must open and thereafter maintain a decommissioning fund with an international bank of good standing and repute.

Sale and trade

24. How is trade in oil and gas usually completed?

Marketing of petroleum substances can only be conducted under a licence from the Ministry of Oil and Gas (MOG) after co-ordination with the Financial Affairs and Energy Resources Council, a branch of the government responsible for drafting Oman's fiscal policy and the development of Oman's energy resources. Generally, produced oil can be freely marketed.

Producers of natural gas are required to allocate their gas production, excluding gas used for operations, to satisfy the local market demand as dictated by the MOG. This means that right-holders are obliged to sell their natural gas production as a priority to the local markets, as determined by the MOG.

25. Are oil and gas prices regulated?

The Oman crude oil prices are benchmarked at the Dubai Mercantile Exchange. Gas prices are set by the government on long term gas or LNG sales contracts.

Enforcement of regulation

26. What are the regulator's enforcement powers?

Orders
The Ministry of Oil and Gas has general authority to supervise the activities of the rights-holder under the EPSA and the Oil and Gas Law. The Ministry of Justice, pursuant to Article 6 of the Oil and Gas Law, has general judicial powers of enforcement and implementation of the Law. Chapter 8 of the Oil and Gas Law sets out the level of punishment (which can include fines and/or imprisonment) for those found to be in contravention of certain articles of the Oil and Gas Law. Such fines are in addition to any other fines or penalties that may be imposed by other laws, including the Omani Criminal Law.

Fines and penalties
See above, *Orders*.

Other
See above, *Orders*.

27. Is there a right of appeal against the regulator's decisions?

Sultani Decree No. 91/99 creating the Administrative Court and promulgating its law (as amended) provides a right of appeal against administrative decisions.

The appeal must be made within 60 days from the date of notification to the interested party of the decision, or of such party's knowledge of the decision.

The administrative court has competence to adjudicate over issues including:

- Employment-related issues of public employees (that is, salaries, pensions and allowances).
- Actions submitted by interested parties for review of final administrative decisions.
- Actions relating to administrative contracts (that is, contracts to which a public body is a party).

Insurance

28. Are there any insurance requirements that must be met?

The Oil and Gas Law requires concessionaires to provide insurance against:

- All types of risk in respect of the assets used in its petroleum operations.
- Civil liability arising from any damage caused to people, property or the environment as a result of (or by reason of) the concessionaire's operations.
- Any damage arising from the handling, possession, transportation or use of hazardous materials.

Reform

29. Are there plans for changes to the legal and regulatory framework?

The current Oil and Gas Law was adopted in 2011, after a two-year consultative process. This Law replaced the prior Petroleum and Minerals Law adopted in 1974. We are not aware of any specific plans for changes to the Oil and Gas Law. The Oman Ministry of Oil and Gas (MOG) is developing a suite of "oil and gas regulations" to address inconsistencies, and to achieve standardisation, in a wide range of operational issues. Operators and other stakeholders have been consulted and actively contributed to the development of these regulations.

In 2013, the government adopted the Civil Code, a comprehensive piece of new legislation that impacts all aspects of doing business in Oman. The provisions of the Civil Code must be borne in mind when conducting any type of commercial activity in Oman.

There are plans for a new Labour Law which will include a chapter specific to oil and gas workers. However, concrete details about its content and when it will be promulgated have not been announced yet.

The most significant development in the electricity sector in Oman is the development of a wholesale spot market. We understand that operational trials are expected to take place in 2020. By allowing power-producers to sell electricity through ways other than through power purchase agreements, the government hopes to increase competition and efficiency in the market.

In April 2017, at an industry event in Abu Dhabi, the Minister for Oil and Gas, H.E. Dr Mohammed Al Rumhy, revealed that Oman was studying proposals to sell off some downstream assets, including Salalah Methanol Company. This is consistent with the privatisation and public-private partnership law that is anticipated to be promulgated in 2017. Dr Al Rumhy also explained in April 2018 that Oman plans to award contracts and bid rounds to new international entrants (including Chinese and Indian players). This is confirmed with Italy's energy firm ENI being awarded Block 52 in Oman, and IndianOil purchasing a 17% stake in Oman's Mukhaizna oil field.

Oman signed the Paris Agreement on climate change on 22 April 2016. To cut emissions, Oman is looking to diversify its power generation portfolio with the introduction of a number of large scale photovoltaic solar projects.

The regulatory authorities

Ministry of Oil and Gas (MOG)
Address. Al Khuwair
Ministry Streets
PO Box 551
PC 100
Muscat
Sultanate of Oman
T +968 2464 0555
F +968 2469 1046
E *info@mog.gov.om*
W *www.mog.gov.om*

Main responsibilities. Oversees all oil and gas exploration and production activities in Oman.

Ministry of Environment and Climate Affairs (MECA)
Address. Al Khuwair
Ministry Streets
PO Box 323
PC 100
Muscat
Sultanate of Oman
T +968 2440 4830
F +968 2469 2462
E *environment_oman@meca.gov.om*
W *www.moeca.gov.om* (Arabic only)

Main responsibilities. Sets general policies, plans and programmes required for environment protection, and ensuring the safety and preservation of various environmental systems in Oman.

Ministry of Finance (MOF)
Address. Mutrah
PO Box 506
PC 100
Muscat
Sultanate of Oman
T +968 2473 8201
W *https://mof.gov.om/english*

Main responsibilities. Sets general policies, plans and programmes in respect of all financial and economic matters in Oman.

Online resources

Oman Ministry of Legal Affairs
W *www.mola.gov.om*

Description. The Ministry of Legal Affairs' website contains copies of Sultani Decrees (the primary, first-ranking legislation in Oman), together with copies of some Ministerial Decisions. Most of the legislation is provided in Arabic only, but there are some English translations.

There are no official English translations of Omani legislation. The Arabic text is always binding.

All Omani legislation is published in the *Official Gazette*. This is only available in hard copy and is written in Arabic.

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