

30 May 2016

## ANGOLA OIL & GAS

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### New Organization Model of Angola Oil and Gas Industry

#### Overview of Presidential Decree 109/16 and Presidential Decree 110/16

The guidelines of the new organization model of the Angola oil and gas industry were enacted by way of Presidential Decree 109/16, of 26 May 2016. Also enacted on the same date was Presidential Decree 110/16 which introduced certain amendments to the Articles of Association of Sonangol – E.P.. This is an overview of Presidential Decrees 109/16 and 110/16.

#### Presidential Decree 109/16

##### Objectives of the new Model

The new organization model of the Angola oil and gas industry is aimed at achieving the following main goals:

- Increase the level of efficiency in the industry;
- Maximize the utilization of petroleum resources;
- Eliminate unnecessary costs, increase tax revenues and improve stability of financial flows to the State.

##### Principles of the new Model

The new organization model was designed by taking into account the following principles:

- Efficiency – State-controlled entities comprising the industry to be organized and managed in an efficient manner;
- Transparency – The responsibilities and powers of the different entities to be allocated to ensure greater transparency and specialization, and prevent conflicts of interest;
- Stability – The new model will not affect the existing petroleum contracts (PSCs, RSCs, JVs, etc) and the rights of investors (foreign and national). Contract stability will be ensured.

The existing petroleum and ancillary legislation will be amended/revised to adapt to the new model on a strictly as needed basis. Legal changes will be made only insofar as they are needed to support the new model.

The new model is inspired by best international practices of petroleum producing countries as confirmed by a benchmarking exercise. However, due consideration was also given to the specific circumstances of the Angola environment and legal regime.

## New Organization Model of Angola Oil and Gas Industry

### High level description

The Angola oil & gas industry will be organized around the following main elements:

- (1) Sonangol, E.P. will be exclusively dedicated to its role as National Concessionaire for oil & gas exploration and production rights. Sonangol, E.P. will cease to be involved in any operational capacity and will no longer hold interests in any commercial company/activity
- (2) The current holdings of Sonangol, E.P. in commercial companies (Sonangol “group of companies” or affiliates/subsidiaries) will be spun-off to holding entities to be directly owned by the State
- (3) A new body will be created – the “Senior Board for Motoring the Petroleum Sector” (“COSASP”) – which will manage in an integrated fashion the State holdings in companies engaged in oil operations and support services. The COSASP is under the authority of the Head of State
- (4) A new regulatory agency – the “Inter-ministerial Agency for the Petroleum Sector” – will also be created which will be charged with ensuring that government policies and decisions affecting the sector are adequately coordinated. Oil companies will be able to appeal to the Agency from certain decisions. The Agency will also be responsible for organizing public tendering for oil blocks
- (5) The Ministry of Petroleum will maintain its current responsibilities except as necessary to accommodate the powers of the new entities, COSASP and the Agency
- (6) The remaining Ministries with a relevant role in the petroleum sector – including the Ministry of Finance, Ministry of Labor and Ministry of Environment – will also maintain their existing responsibilities except as necessary to accommodate COSASP and the Agency

In a nutshell, the new model will comprise:

- A single purpose, exclusive National Concessionaire: Sonangol, E.P
- Several State-owned holding companies managing the State interests in the former Sonangol affiliates/subsidiaries
- The Ministry of Petroleum (and other Ministries as they may be involved in the sector)
- A regulatory Agency

### Timeline

The model is expected to be implemented in a phased manner, as follows:

- Phase 1:      Setting-up of new entities: COSASP and Agency
- Phase 2:      Spin-off of Sonangol affiliates/subsidiaries
- Phase 3:      Starting of operation of entities/companies under new model
- Phase 4:      Optimization and increase of efficiency within each entity/company

## Presidential Decree 110/16

The Articles of Association of Sonangol were amended to include the appointment of an Executive Committee within the Board of Directors. The Board of Directors of Sonangol is comprised of 11 members: 7 executive directors (Executive Committee), and 4 non-executive directors. As a result, there will be a Chairman of the Board and a Chief Executive Officer (chairman of the Executive Committee).

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For any questions on this outline, please do not hesitate to contact Rui Amendoeira at [rla@vda.pt](mailto:rla@vda.pt)