May 30, 2018

João Afonso Fialho | jaf@vda.pt
Joana Pacheco | jlp@rlaadvogados.com

ANGOLA

MARGINAL FIELDS DECREE

Presidential Legislative Decree 6/18, of 18 May 2018 (“PLD 6/18”) enacted the Marginal Fields Decree.

Below you will find an overview of PLD 6/18.

Definition of Marginal Discovery

Broadly speaking, it is the discovery of one or more deposits which cannot be economically exploited under the current regulatory/fiscal and market conditions. The following are indicators that a deposit is marginal:

(i) Recoverable reserves of less than 300 million barrels;
(ii) More than 800 meters water depth;
(iii)State take of less than $10.5 per barrel;
(iv)Oil company take of less than $21 per barrel;
(v) Oil company internal rate of return (RoR) of less than 15%.

Criteria (i) and (v) (Reserves < 300M and RoR < 15%) are mandatory, whilst the others are optional. As an exception, a deposit(s) with more than 300M barrels of recoverable reserves may be considered marginal if it is geologically challenging to develop, provided that in any case the RoR stays under 15%.

The State and oil company take criteria – (iii) and (iv) – may be adjusted from time to time by the Ministry of Petroleum and Ministry of Finance to reflect prevailing market conditions.

List of incentives available for marginal discoveries

The development areas created following a marginal discovery (designated as "Qualified Marginal Zone") benefit from the following tax and contractual incentives:

- A reduced rate of 25% for Petroleum Income Tax. The standard rate is 50% or 65.75% depending on the type of contract (production sharing contract or risk service contract/consortium);
- The production premium for Petroleum Transaction Tax is set as follows:

Internal Rate of Return (RoR)	Production Premium
< 10%	95%
10% - 15%	85%
15% - 20%	75%
20% - 25%	65%
25% - 30%	50%
> 30%	35%

- The investment premium (uplift) is set at 20% (1.20);
- Royalty rate is set at 10%;
- The capex depreciation period is 3 years. Standard depreciation is 4 years (production sharing contract) or 6 years (other types of contracts);
- The cost recovery cap in production sharing contracts is increased to 80% during the first 4 years after first oil and 65% thereafter. Standard cost recovery cap is 50%.

These incentives are only applicable to the area covered by a marginal discovery declaration. The remainder area (with non-marginal discoveries) remain subject to the original terms applicable to the relevant concession.

Process for declaring marginal discovery

In order to create a Qualified Marginal Zone the operator must start by expressing its intention to the National Concessionaire (Sonangol) to declare a marginal discovery. To that effect, the operator must show that the above criteria are fulfilled and present supporting technical and economic documentation, including a preliminary development plan and a feasibility study. In particular, the operator must provide a comparative economic analysis of a "marginal discovery" vs. "non-marginal discovery" scenarios.

Within 60 business days, the National Concessionaire must provide its opinion on operator's proposal and submit the file to the Ministry of Petroleum. The Ministry of Petroleum must make a decision within 45 business days. Any marginal discovery approval shall be expressed by way of a Ministry Executive Decree. Upon Ministry approval, the actual marginal discovery declaration must be made by the operator within 12 months.