

# CHAPTER 5 – [www.eisourcebook.org](http://www.eisourcebook.org)

## 5.12 Taking Action: Recommendations and Tools

- **Legal and Regulatory Framework** In designing its legal and regulatory framework, each country should take into account general factors such as the mineral or crude oil price, the existence of small, medium and large size deposits or fields, whether they are on-land or offshore or both, and whether mature and/or frontier areas, for example. Then, if it seeks to achieve an appropriate level of hydrocarbons activity in each of these categories, it will have to develop the conditions that fit its own unique combination of circumstances. If a country has only one set of rules for all categories, it will only succeed in developing one category of reserves or none at all. There is going to be an element of discretion in any method of allocation of rights to extractives. Its scope has to be considered in relation to both the need for – and benefits of – transparency, and its value in a government’s local content policy or the promotion of environmental and strategic objectives. These play a key role in conferring legitimacy on the overall regime among the wider public. For an award of rights to have long-term stability there has to be a perception that the award has the potential to benefit the public welfare;
- **Gas:** any petroleum policy has to contain specific provisions on gas, distinguishing between associated and non-associated sources. This should also address unconventional gas if prospective resources may exist in the country. The policy should include incentives to the private sector to develop gas fields, taking into account the higher costs of doing so, the longer time required to assess its economic viability and the varying sizes of fields;
- An upstream policy for gas is insufficient to promote gas resources. It has to be complemented by a downstream gas policy which is consistent with the goals given to the upstream policy;
- Policy has to be tailored to the respective gas resource potential and the expected gas demand of the country, with the aim of fostering gas investments. As a result, the legal framework should state the priorities for gas uses between domestic and export uses, and include incentives such as longer appraisal periods and production periods than for oil; special fiscal incentives for promoting gas activities and principles for gas pricing; mandatory joint development of gas discoveries between several licensee companies; provisions for unconventional gas; and

- The kind of technical support available to governments for planning, negotiating, implementing and monitoring large-scale investments in the extractives sector is being enhanced by the use of internet-based tools such as the Negotiation Support Portal ([www.NegotiationSupport.org](http://www.NegotiationSupport.org)). This sort of tool is likely to evolve into an invaluable source of data, tools and resources to tackle many of the problems discussed in this Chapter.

**CEPMLP**

**Centre for Energy, Petroleum and Mineral Law and Policy**