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ANGOLA

NATURAL GAS FRAMEWORK LAW

Presidential Legislative Decree 7/18, of 18 May 2018 (“PLD 7/18”) enacted the Angola Natural Gas Framework Law.

Below you will find an overview of PLD 7/18.

Scope

PLD 7/18 lays down the legal and tax principles applicable to the activities of prospecting, exploration, appraisal, development, production and sale of natural gas in Angola.

Natural Gas Ownership

The National Concessionaire (Sonangol, hereinafter “NC”) and the petroleum companies which are associated with the NC in the area where a natural gas deposit was found have joint rights to develop such gas and sell it in the domestic and international markets.

The petroleum companies also have the right to use Associated Gas in their operations (self-consumption).

In case the petroleum companies do not wish to develop the gas, they must make it available to the National Concessionaire free of charge at a delivery point to be designated by the NC.

Time Periods

The concession decrees and contracts for exploitation of natural gas may provide for longer periods than those for exploitation of crude oil, including the following:

- Exploration period
- Production period
- Declaration of Commercial Discovery
- General Development and Production Plan
- Commencement of Production

A natural gas field with economic potential may be “retained” for a period up to 5 years after the end of the term for declaration of commercial discovery.

Tax

PLD 7/18 provides for a set of tax incentives for natural gas in comparison with crude oil development, as follows:

	Natural Gas	Crude Oil
Petroleum Income Tax	25% - standard 15% - fields with < 2 TCF certified reserves	65.75% or 50% depending on contract type
Royalty	5%	10% to 20%
Petroleum Transaction Tax	Exempt	70%

Natural Gas Liquids (NGL) are covered by the above tax regime.

Additional tax incentives may be provided by the Government to specific natural gas projects on a case by case basis.

Costs

All costs incurred in the development and production of Associated Natural Gas (including pipeline costs up to delivery point) may be recovered/deductible against crude oil taxes due in the relevant area.

All costs with exploration activities resulting in a Non-Associated Gas discovery may also be recovered/deductible against crude oil taxes in the relevant area (if applicable).

Transitional Regime

Acquired gas rights (of National Concessionaire and/or petroleum companies) under existing contracts shall remain valid and will not be affected by PLD 7/18. Notwithstanding, the parties may amend such contracts to align them with the PLD 7/18 principles, subject to Government authorization.