

Oil and gas regulation in the United Arab Emirates: overview

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DOMESTIC SECTOR

1. Describe the domestic sector and policy for oil and gas, including liquefied natural gas (LNG).

The Emirate of Abu Dhabi holds 94% of the UAE's proven oil and gas reserves. The remaining 6% is held by the other six Emirates, with Dubai holding 4% of the UAE's oil reserves and 1.5% of its gas reserves and Sharjah holding 1.5% of the UAE's oil reserves and 4% of its gas reserves. Accordingly, this chapter focuses primarily on Abu Dhabi.

Domestic industrial production

The UAE holds the world's seventh largest proven reserves of oil and gas, estimated at 97.8 billion barrels of oil and 6.09 trillion standard cubic metres of gas. 94% of the UAE's proven oil and gas reserves are located in the Emirate of Abu Dhabi. The UAE has been a member of the Organization of Petroleum Exporting Countries (OPEC) since 1967.

Oil. The UAE's average crude oil production for 2013 was 2.76 million barrels per day (bbl/d). This was a 4.15% increase over its average 2012 production of 2.65 million bbl/d and represented 7.49% of OPEC's average daily crude oil production.

According to the US Energy Information Administration, the UAE's total refining capacity reached over 770,000 bbl/d by the end of 2012, an increase of approximately 150,000 bbl/d over its 2011 total. According to OPEC, in 2012 the UAE's:

- Calendar day refining capacity (the amount of input that a facility can process under normal operating conditions) was 471,300 barrels per calendar day.
- Output of refined petroleum products was 454,300 bbl/d.

Gas. The UAE's gross production of natural gas for 2012 was 85.6 billion standard cubic metres (bcm). The UAE's marketed production of gas for 2012 was 54.3 bcm. This was a 3.8% increase over its 2011 marketed production of 52.3 bcm and represented 7.75% of OPEC's marketed production. Of the UAE's gross production of gas in 2012, 24.9 bcm was re-injected as part of enhanced oil recovery (EOR) techniques.

The majority of the UAE's natural gas reserves are associated gas or sour gas in non-associated fields. There are technical difficulties with producing sour gas (see below, *Current market trends*). The production of gas in associated fields is limited by oil output quotas determined by OPEC.

The import/export market

Oil. The UAE exported 2.657 million bbl/d of crude oil in 2012; 92.6% of these exports went to the Asia Pacific region.

The UAE exported 225,000 bbl/d of refined petroleum products in 2012, of which:

- 136,000 bbl/d went to Middle East destinations.
- 71,000 bbl/d went to destinations in the Asia Pacific region.

The UAE does not import crude oil. Most of its petroleum imports are of residual fuel oil, with limited imports of motor gasoline and diesel fuel.

Gas. Despite its large reserves, the UAE became a net importer of natural gas in 2008. The two main reasons for this are:

- The significant re-injection of domestically produced gas as part of EOR techniques.
- UAE's massive demand for gas, which is driven by its electricity grid's reliance on gas-fired power plants.

Domestic gas consumption in the UAE totalled 62.9 bcm in 2012, of which 18.748 bcm was met by imports with the rest met by domestic production.

The UAE exported 7.957 bcm of gas in 2012, of which approximately 95% were LNG cargoes. All of the UAE's exported LNG cargoes went to Japan.

Most of the UAE natural gas imports come from Qatar. Gas is transported from Qatar to Abu Dhabi's Taweelah power stations via the 226 mile subsea Dolphin Gas Pipeline, and from there to the other Emirates and Oman. The pipeline meets roughly 30% of the UAE's natural gas demand.

Domestic market structure

The Abu Dhabi National Oil Company (ADNOC) is the key shareholder in nearly all upstream activity in Abu Dhabi. ADNOC operates 15 subsidiaries throughout the oil, gas and petrochemicals sector, which engage in oil and gas exploration, processing and distribution, among other activities. Some of ADNOC's subsidiaries include:

- ADCO. It operates Abu Dhabi's onshore and shallow water upstream oil and gas operations, in particular the 75 year-old onshore concession, Abu Dhabi's oldest and largest, which accounts for more than 40% of the UAE's crude oil production. Until recently, ADCO's shareholders were:
 - ADNOC (60%);
 - BP, Shell, Total, Exxon (9.5% each); and
 - Partex (2%).
- The 75 year-old onshore concession ended in January 2014 and is being operated independently by ADNOC until the government approves a new consortium.

- ADMA-OPCO. It operates Abu Dhabi's offshore oil and gas operations and currently operates the Umm Shaif and Zakum fields. Its shareholders are:
 - ADNOC (60%);
 - BP (14.66%);
 - Total (13.33%); and
 - JODCO (12%).
- ZADCO. It operates the Upper Zakum oil field (the fourth largest in the world), as well as the Umm Al-Dalkh and Satrah fields, all located offshore Abu Dhabi. Its shareholders are:
 - ADNOC (60%);
 - Exxon (28%); and
 - JODCO (12%).
- ADGAS. It controls the production and export of Abu Dhabi's LNG and LPG. Its shareholders are:
 - ADNOC (70%);
 - Mitsui (15%);
 - BP (10%); and
 - Total (5%).
- Al Hosn Gas. It is responsible for the development of the sour gas reservoirs in Abu Dhabi's large Shah field. Its shareholders are:
 - ADNOC (60%); and
 - Occidental Petroleum (40%).

Government policy objectives

Abu Dhabi has adopted and is implementing its "Vision 2030" plan. Vision 2030 recognises that while Abu Dhabi has a healthy overall trade surplus, it has a large non-oil trade deficit. Accordingly, the Emirate is setting ambitious targets for the performance of the non-oil sector. The oil sector is expected to continue growing to meet international demand and will continue to play a major part in the Emirate's economy. However, in parallel, Vision 2030 is focused on developing other sectors to support the economy. At the same time, the UAE is diversifying its electricity supply to shift reliance away from natural gas (*see below, Current market trends*).

Current market trends

Energy demand. To help reduce domestic demand for gas, the UAE is diversifying its energy supply beyond hydrocarbon-based electricity generation, through its nuclear programme and renewable energy technologies. The first of four nuclear reactors is expected to commence operations in 2017 and by 2020 the UAE expects nuclear power to provide up to 25% of its electricity capacity. In addition to this, Abu Dhabi plans to generate 7% of its electricity from renewable sources by 2020, while Dubai has a 5% target. The key focus for both is solar power. For example, in March 2013, the 100MW Shams 1 solar power plant was commissioned; at the time it was the largest concentrated solar plant in the world.

New opportunities. In Abu Dhabi, the onshore ADCO concession expired in January 2014 and the offshore ADMA-OPCO concession expires in 2018. The renewal of these concessions is widely expected to create opportunities for new entrants.

There has already been a recent expansion of the historically narrow pool of participants in UAE oil and gas operations:

- In 2008, Occidental Petroleum was granted a concession covering two onshore fields in Abu Dhabi and ConocoPhillips was granted a concession to develop the Shah gas field (subsequently replaced by Occidental).

- In 2012, Korea National Oil Corporation and GS Energy were granted a concession covering two onshore areas and one offshore area in Abu Dhabi.
- Also in 2012, Wintershall and OMV signed a technical services agreement with ADNOC to appraise the Shuweihat sour gas and condensate field.

Sour gas. The technical difficulties of producing the UAE's sulphur-rich (sour) gas was previously an impediment to the development of its reserves. However, advances in technology and the growing domestic demand for natural gas make the country's vast reserves an attractive alternative to imports from Qatar. Scheduled for completion in 2015, a large sour gas development at the Shah field will process around 28.32 million cubic metres a day (mcm/d) of sour gas into 14.16 mcm/d of usable gas. The project is vital for keeping the UAE supplied with gas and reducing its gas imports.

2. What percentage of domestic energy needs is met by oil and gas?

Natural gas accounts for approximately 65% of the UAE's total energy consumption, with crude oil/petroleum products making up the majority of the balance. The primary source of the UAE's natural gas consumption is its electricity sector. 98% of the UAE's power plants are currently gas-fired. Although plants also stock diesel oil and crude oil as back-up fuel, gas supplies to the electricity sector in 2012 were significantly improved and enabled a 97% reduction in the consumption of liquid fuel in the sector.

Most of the balance (35%) of the UAE's total energy consumption is made up of crude oil and refined petroleum products. In 2011, the UAE had the seventh highest per capita petroleum consumption in the world, and the country consumed nearly 620,000 bbl/d of crude oil in 2012 (all of which was produced domestically).

REGULATION

Regulatory bodies

3. Who regulates the extraction of oil and gas?

Under Article 23 of the UAE Federal Constitution, the natural resources of each Emirate are considered the public property of that Emirate. Consequently, each Emirate is responsible for regulating the oil and gas industry within its borders. As a result, each Emirate pursues its own policies regarding the development of oil and gas, with the ruler in each Emirate retaining ultimate control over the development of its reserves.

Abu Dhabi

The Supreme Petroleum Council (SPC) regulates the extraction of oil and gas and sets its petroleum-related objectives and policies. Given Abu Dhabi's status as the main player in the UAE's oil and gas industry, the SPC is the most important entity in the country when it comes to establishing oil and gas policy.

ADNOC leads the day-to-day operations and implementation of SPC directives (through its 15 subsidiaries), and is the key shareholder in nearly all upstream activity in Abu Dhabi. Because Abu Dhabi holds 94% of the UAE's oil and gas reserves, ADNOC and its subsidiaries carry out most of the oil and gas development and production in the UAE.

Dubai

The Dubai Supreme Council of Energy (DSCE) oversees Dubai's oil and gas policy development and co-ordination. The DSCE includes representatives from several key entities, including the Emirates National Oil Company (ENOC) and the Department of Petroleum Affairs. The Department of Petroleum Affairs is responsible for the

overall administration of oil and gas exploration and production within the Emirate.

Through its subsidiaries and investments, ENOC provides a range of services similar to ADNOC.

Sharjah

The Sharjah Petroleum Council is responsible for regulating policy regarding the development of oil and gas in the Emirate. The Council is responsible for granting concessions on behalf of the Ruler and also represents the Sharjah government in companies that invest in oil and gas developments.

Federal level

The Federal Ministry of Energy has some limited powers to set policies and planning at a Federal level, but subject to the constitutional rights of each Emirate.

Environmental

The Federal Environmental Agency is required to (*Federal Law No. 24 of 1999 (Federal Environmental Law)*):

- Regulate and assess the environmental effect of projects (*Article 3*).
- Develop environmental protection standards (*Article 10*).

In practice, the local Emirate environmental departments are responsible for enforcing the requirements of the Federal Environment Law and any local environmental regulations and laws.

See box, *The regulatory authorities*.

The regulatory regime

4. Describe the regulatory regime that applies to oil and gas exploration and production, including the key legislation and features of the regime.

Each Emirate has developed its own separate regulatory regime for the exploration and production of oil and gas in its territory. In most circumstances, the right to explore, develop and produce oil and gas is granted by way of a concession by the relevant Emirate. Concessions are usually granted to state-owned companies, with the involvement of international oil companies being limited to minority shareholdings in the concession project company and the provision of technical services to that company under contractual arrangements. Foreign companies or investors are generally not permitted to hold majority interests in oil and gas concessions or developments.

Abu Dhabi

Abu Dhabi does not have one comprehensive legislation governing oil and gas operations. However, there are a number of laws and decrees relevant to the industry, including:

- Abu Dhabi Tax Decree of 1965, as amended.
- Abu Dhabi Law No. 7 of 1971, as amended (establishing ADNOC).
- Abu Dhabi Law No. 4 of 1976 (gas ownership).
- Abu Dhabi Law No. 2 of 1973, as amended (petroleum ports).
- Abu Dhabi Law No. 8 of 1978 (conservation of petroleum resources).
- Abu Dhabi Law No. 1 of 1988 (establishing the SPC).

In respect of gas (*Abu Dhabi Law No. 4 of 1976 (Gas Ownership Law)*):

- All gas in Abu Dhabi's territorial land, water and continental shelf belongs to Abu Dhabi alone (*Article 1*).
- ADNOC has the right to exploit and use all such gas and to claim all rights derived from agreements concluded by the government of Abu Dhabi related to gas (*Article 4*).
- ADNOC has the right to exploit gas either solely or through joint agreements or projects concluded with third parties, provided ADNOC's participation is not less than 51% (*Article 6*).

RIGHTS TO OIL AND GAS

Ownership

5. How are rights to oil and gas held, and who holds those rights?

Each Emirate has constitutionally entrenched rights to its own natural resources. Accordingly, each Emirate pursues its own policies regarding the development of oil and gas, with the ruler in each Emirate retaining ultimate control over the development of its oil and gas reserves.

Each Emirate participates directly in the development of its oil and gas reserves. In most circumstances, concessions are granted by the Emirate to either:

- The state-owned petroleum company.
- A concession project company in which the Emirate or the state-owned petroleum company holds a majority interest.

The involvement of international oil companies is usually limited to minority ownership interests in the concession project company. Given that Abu Dhabi holds 94% of the UAE's oil and gas reserves, most oil and gas operations are carried out by companies within the ADNOC group of companies.

Nature of oil and gas rights

6. What are the key features of the leases, licences or concessions which are issued under the regulatory regime? Can these rights be leased by the right-holder?

Lease/licence/concession term

In Abu Dhabi, concessions have been granted to:

- ADNOC.
- A consortium of international oil companies and ADNOC.
- A project company (which may or may not include ADNOC as shareholder).

Where ADNOC is not involved in the initial project company, it is likely to have the option to do so during the term of the project. Unless granted by law, concessions are typically private arrangements and the terms are not publicly available.

Fees

Depending on the nature of the concession, Emirate governments derive value from oil and gas developments through equity participation, taxation and any bonus, royalty or milestone payments that may be applicable to the concession. The commercial terms of a concession are set out in the concession agreement between the Emirate and the concession holder (see *Question 9*).

Liability

Abu Dhabi. Operating entities have several obligations, breach of which incurs liability (*Abu Dhabi Law No. 8 of 1978 (Petroleum Resources Conservation Law)*):

- Operating entities must take all precautions to prevent damage to petroleum layers during drilling operations and are responsible for compensating the government for all damage arising from a failure to take precautions (*Article 28*).
- In the event of pollution attributable to an operating entity, the operating entity must immediately remove the effects of the pollution using modern technical methods (*Article 56*).
- An operating entity that causes loss or waste of oil or other hydrocarbons must pay adequate compensation to the government in addition to indemnifying the government for all damages sustained by reservoirs due to a failure to adopt the common practices of the petroleum industry (*Article 58*).

Federal. In addition, under Federal Law No. 24 of 1999 (Federal Environmental Law):

- Any person who intentionally/negligently causes damage to the environment or to others as a result of a breach of the Federal Environmental Law is responsible for the costs of treatment/removal of such damage and is also responsible for any compensation incurred as a result (*Article 71*).
- There are financial and penal sanctions for breaches of certain provisions. However, the sanctions do not apply in respect of a sudden break in oil pipelines during well operations provided the break is not caused by negligent maintenance or failure to take sufficient precautions (*Article 89*).

Individual concessions can include separate contractual liability provisions.

Restrictions

Individual concessions can include restrictions on the freedom of concession holders to deal with their respective concession rights. As discussed above, (see *Question 6, Lease/licence/concession term*), concessions are typically private arrangements and the terms are not publicly available.

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

Concessions can be awarded by the Emirate either by law or through private concession agreements (see *Questions 5 and 6*).

Transfer of rights

8. How are oil and gas rights transferred? Are there any restrictions on the disposal of interests?

Individual concessions may include restrictions on the freedom of concession holders to deal with their respective concession rights. Concessions are typically private arrangements and the terms are not publicly available (see *Question 6*).

TAX

9. What payments, such as taxes or royalties, are payable by oil and gas interest holders to the government?

There is no Federal tax legislation in the UAE and the taxation of oil and gas developments is regulated by the individual Emirates.

Generally, there are no personal, withholding, capital gains, payroll or sales taxes levied in the UAE (except for pension contribution

obligations for employed UAE nationals). The taxation of companies engaged in oil and gas activities is one of the rare cases of corporate tax being levied and enforced in the UAE.

Abu Dhabi's corporate tax regime is governed by the Abu Dhabi Income Tax Decree of 1965, as amended. Under the tax decree, exploration and production companies are subject to specified tax rates on all taxable income including capital gains (tax rates are a minimum of 55%). However, it is understood that concession holders in Abu Dhabi are typically issued a fiscal letter by the Supreme Petroleum Council (SPC), which supplements (and may take precedence over) the tax decree and usually means concession holders pay income tax of between 55% (as per the tax decree) and 85%, depending on levels of production.

Other Emirates, including Dubai, Sharjah and Ras Al Khaimah, have implemented corporate tax regimes under tax decrees similar to Abu Dhabi. However, the terms of the actual concession or supplementary arrangements agreed with the relevant local government must be examined to determine the tax payable in respect of that concession.

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

See *Question 6, Fees* and *Question 9* for a description of the ways in which governments derive value from oil and gas concessions.

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

The UAE is a member of the Gulf Co-operation Council (GCC). Under the 2003 GCC Customs Union Agreement:

- GCC members adopted a common tariff rate of 5% for most imports, calculated on the cost, insurance and freight value of the items. Exemptions are available for government, semi-government and industrial licence holders.
- A single port of entry applies, so that items imported into any GCC state that are destined for another GCC market are subject to customs duty only at the first point of entry into the GCC.

All goods imported into free zones are exempt from import duties.

There are no export duties applicable in the UAE.

TRANSPORTATION BY PIPELINE

12. What regulatory requirements apply to the construction and operation of pipelines?

There is no integrated framework across the UAE for the ownership, organisation and/or regulation of oil and gas transmission and distribution infrastructure. The ownership and regulation of oil and gas transmission and distribution infrastructure is overseen at individual Emirate level. This may include permit requirements and procedures for transporting oil and gas.

The construction of pipelines and associated infrastructure requires a grant of rights from the relevant ruler of an Emirate, as ultimate owner of the land, who can use powers of compulsory acquisition to facilitate access to any land required.

Permit approval is required at a Federal level by the Ministry of Petroleum and the Ministry of Environment and Water (responsible for preparing guidelines for environmental safety and management of waste resulting from the transportation of oil and gas).

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

Access to oil and gas pipeline infrastructure is organised at Emirate level. The Emirate granting the rights to construct, own and operate oil and gas pipeline infrastructure retains inherent rights of access on the basis that the ruler ultimately owns the land on which the infrastructure is located.

There are no standard rights for a third party to require the owner or operator of oil or gas pipeline infrastructure to provide capacity or access. Regulation is governed by the Emirate concerned, which may include third party access rights or rights to expand capacity/facilities as a matter of contract.

Parties are free to agree terms for capacity and access rights.

HEALTH, SAFETY AND THE ENVIRONMENT

Health and safety

14. Describe the health and safety regime that applies to oil and gas exploration and extraction, and transportation by pipeline.

Exploration

Health and safety issues are becoming increasingly important in the UAE oil and gas sector, with most participants implementing health and safety measures in line with international practice (which may be a requirement under a concession). There is no comprehensive health and safety legislation at Federal or Emirate level relating to oil and gas operations. However, health and safety principles and obligations are incorporated into several pieces of legislation, without specifying technical requirements or compliance standards. The main Federal law in this area is Federal Law No. 8 of 1980, as amended (UAE labour law), which sets out certain requirements for employers to ensure the health and safety of employees. The provisions of this Law do not apply to government or public entities. In addition to this, a number of safety regulations have been introduced by the Federal Ministry of Labour and Social Affairs, local authorities and civil defence.

ADNOC acts as the de-facto regulator of health, safety and environment (HSE) matters in the Abu Dhabi oil and gas industry. ADNOC has adopted a HSE policy and, through ADCO, has implemented a HSE Management System that ensures compliance with the Federal HSE laws and codes of practice. In addition, individual concession agreements may include obligations in respect of health and safety.

Extraction

See above, *Exploration*.

Transportation

See above, *Exploration*.

Environmental impact assessments (EIAs)

15. Is an EIA required before extracting or processing oil and gas?

The protection and development of the environment is regulated at Federal level by the Ministry of Environment and Water (through the Federal Environmental Agency) in accordance with the Federal Environmental Law. Permits must be issued and EIAs undertaken in respect of oil and gas development projects (*Articles 3 and 4, Federal Environmental Law*). The Federal Environmental Law also regulates the disposal of waste and hazardous materials, which may apply to oil and gas operations.

ADNOC, the de-facto regulator for health, safety and environment (HSE) for the Abu Dhabi oil and gas industry, has implemented (throughout its group structure) an EIA process aimed at identifying, avoiding and mitigating environmental impacts at the project design phase of a project. ADNOC has completed EIAs for all of its operating sites and is in the process of implementing management plans targeted at mitigating the risks identified. ADNOC's HSE department supports and provides guidance to its projects in terms of environmental policies, requirements and procedures. No fines or sanctions were imposed on ADNOC for non-compliance with environmental laws and regulations in 2012.

16. What are the different stages of the EIA?

At Federal level, the EIA process set out in the Federal Environmental Law is as follows:

- The Federal Environmental Agency, in co-operation with other applicable authorities, assesses the environmental effect of a proposed project applying for a licence (*Article 4*).
- The project cannot commence activities before obtaining a licence including the completion of an EIA (*Article 4*).
- An application for a licence must include a complete statement of the proposed project or activity, including all supporting data required under implementing regulations (*Article 5*).
- The Federal Environmental Agency makes a decision regarding the application within one month from the date of the submission (which itself can be extended by one month) (*Articles 6 and 7*).

Environmental permits

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

The Federal Environmental Law sets out certain obligations and prohibitions regarding emissions, including:

- Parties licensed to conduct oil and gas operations are prohibited from discharging any polluting substance resulting from those operations unless (*Article 18*):
 - safety measures preventing damage to the land and aquatic life are adopted;
 - discharged waste and polluting substances are treated by available up-to-date technical systems in accordance with approved regional and international conventions and protocols.
- The burning of any fuel or other substances in oil and gas operations must be within permissible limits and all precautions must be taken to reduce the quantity of pollutants in combustion emissions (*Article 53*).

Waste

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

The Federal Environmental Law sets out certain obligations and prohibitions regarding the handling of hazardous substances and wastes including the following:

- Handling, dealing and treatment of hazardous substances or wastes requires a licence (*Articles 58 and 59*).

- Hazardous wastes must be disposed of in accordance with regulatory requirements (*Article 59*).
- Transportation and disposal of hazardous wastes by land, sea or air must comply with regulatory requirements and have a written permit from the Ministry of Environment and Water (*Articles 60 and 62*).
- During the production or handling of hazardous substances all necessary precautions must be taken to ensure that no damage to the environment occurs (*Article 61*).
- The owner of an establishment that produces hazardous wastes must keep a record of waste data in accordance with regulatory requirements (*Article 61*).
- No person may import, store or dispose of hazardous wastes in the UAE environment (*Article 62*).

Flares and vents

19. Are flare and vent regulations in place?

The Federal Petroleum Resources Conservation Law sets out requirements for dealing with associated gas in the production of oil, including (*Articles 44 to 46*):

- Using gas to maintain reservoir pressure.
- In production processes.
- Re-injecting it back into reservoirs.

If such use is not possible, it must be disposed of in a safe way and cannot be flared without the written consent of the government (*Article 46*).

The Petroleum Resources Conservation Law also requires operating entities to:

- Take all precautionary measures to prevent pollution of, among other things, air (*Article 56*).
- Compensate the government for loss or waste of oil and other hydrocarbons (*Article 58*).

Under the Federal Environmental Law, in respect of the burning of any type of fuel in oil and gas operations, the emanating gases and vapours must be within permissible limits set out in implementing regulations and precautions must be taken to reduce the quantity of pollutants in combustion emissions (*Article 53*).

Decommissioning

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

There are no specific legislative or regulatory requirements relating to decommissioning in the UAE. Participants must comply with the general requirements relating to pollution and protection of the environment under the Federal Environmental Law and Petroleum Resources Conservation law, as well as any applicable local environmental regulations, in respect of oil and gas operations. However, individual concessions may contain specific decommissioning and/or environmental obligations. In any event, it is likely that the relevant Emirate government would engage with a concession holder prior to decommissioning or the expiry of a concession about decommissioning expectations.

SALE AND TRADE

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

There are no express regulatory requirements applicable to cross-border sales or deliveries of oil and gas products. Parties are free to agree terms and conditions of trade. Standard export controls may apply on certain products for safety, security and environmental reasons, and to ensure compliance with international treaty obligations.

Under the 2003 GCC Customs Union Agreement, a 5% import tariff applies on a single port of entry basis (see *Question 11*).

22. Are oil and gas prices regulated?

The price for oil and gas consumed within the UAE is controlled and subsidised by the Federal government (Ministry of Energy). The Federal government fixes retail prices for gasoline; however, prices for diesel in Dubai are unregulated and generally reflect global market trends.

In 2010, the Federal government increased its domestic gasoline price (95 octane) to 1.72 dirhams (US\$0.47) per litre to reduce the burden of subsidies on public finances and to promote efficiency. However, following the Arab Spring uprisings in 2011, plans for further price increases were deferred to avoid stoking public discontent. Domestic gasoline retailers have been facing heavy losses, largely due to these subsidies and imbalances between the Emirates. The combined losses of the four UAE state-owned retailers in 2011 were estimated to be 8.5 billion dirhams (US\$2.31 billion) divided between:

- Dubai government-owned ENOC.
- Emirates Petroleum Products Co.
- Federally owned Emarat.
- Abu Dhabi's ADNOC.

The primary reason for these losses is that almost all of the UAE's oil production is in Abu Dhabi, forcing Dubai-based retailers to import theirs at a loss. While Dubai residents continue to receive uninterrupted oil supplies, the northern Emirates are increasingly reliant on ADNOC petrol stations because it can easily absorb the losses due to its upstream operations and vertical integration.

ENFORCEMENT OF REGULATION

23. What are the regulator's enforcement powers?

There is no all encompassing oil and gas regulator in the UAE (see *Questions 3 to 6*). The main obligations on concession holders will be as set out in the individual concessions.

There are express penalties and sanctions for breaches of certain legislation applicable to oil and gas operations, in particular the Federal Environmental Law and the Abu Dhabi Petroleum Resources Conservation Law (see *Question 6*). The sanction for breaches of the:

- Petroleum Resources Conservation Law: fines of between AED10,000 to AED500,000 (doubled for repeated breach (*Article 59*)).

- Federal Environmental Law, including in respect of discharges of products, failure to maintain precautionary and prevention equipment and failure to maintain records: imprisonment of between one to five years and fines of between AED500 to AED1,000,000 (*Articles 73 to 86*) (doubled for repeated breaches (*Article 88*)).

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

Appeals against criminal sanctions are through the court appeals process. Appeals against civil regulatory sanctions are usually governed by the relevant regulator's appeals process (which may be to a higher regulatory authority).

Typically, decisions or disputes that affect a particular concession are governed in accordance with the terms of that concession rather than direct government regulation. The usual dispute resolution process in concessions is arbitration, often by international arbitration in a neutral jurisdiction, such as London. The UAE is a signatory to the New York Arbitration Convention and, as such, judgments and orders given in foreign jurisdictions are enforceable in the UAE.

In practice, the UAE courts have discretion in accepting or rejecting the enforcement of a foreign judgment, on the basis of conflict with public policy, public order or previously issued UAE judgments.

REFORM

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

In April 2014, the undersecretary to the UAE Minister of Energy announced that the Federal government is developing a comprehensive legal framework to regulate the energy sector. It was announced that the framework will regulate and define energy production, energy resources, waste recycling and energy saving and all other issues related to the energy sector. However, details of framework have not been announced and it is not clear what impact such a framework would have on the constitutional right of each Emirate to regulate the energy sector within their respective territories.

The Abu Dhabi onshore (ADCO) concession expired in January 2014 and the offshore (ADMA) concession is due to expire in 2018. If the renewed ADCO concession changes government policy on any key issues, such as the typical fiscal terms offered to international oil companies or the obligations or liability imposed on them, it would be reasonable to assume that these changes may be reflected in future concessions offered within Abu Dhabi.

THE REGULATORY AUTHORITIES

Federal Ministry of Energy

Address. PO Box 59, Abu Dhabi, United Arab Emirates
T +971 2 612 6500
F +971 2 626 2288
W www.moenr.gov.ae/en/home.aspx

Main responsibilities. To co-ordinate the petroleum, minerals, electricity and water sectors for the benefit of the UAE economy in collaboration with concerned entities.

Federal Ministry of Environment and Water

Address. PO Box 213, Abu Dhabi, United Arab Emirates
T +971 2 444 4740
F +971 2 449 0444
W www.moew.gov.ae/Portal/en/home.aspx

Main responsibilities. The integrated management of the UAE's environment ecosystems and natural resources to ensure environmental sustainability.

Abu Dhabi National Oil Company (ADNOC)

Address. PO Box 898, Abu Dhabi, United Arab Emirates
T +971 2 602 0000
F +971 2 602 3389
W www.adnoc.ae/default.aspx

Main responsibilities. Manages the upstream, midstream and downstream oil and gas operations in Abu Dhabi, implementing the directives and policies of the Abu Dhabi Supreme Petroleum Council (SPC).

Dubai Supreme Council of Energy

Address. PO Box 121555, Dubai, United Arab Emirates **T** +971 4 307 2034 **F** +971 4 385 4295 **W** www.dubaisce.gov.ae/default.aspx

Main responsibilities. The governing body tasked with policy development, planning and co-ordination of the strategic direction of Dubai towards securing sustainable supplies of energy and enhancing demand efficiency.

Emirates National Oil Company

Address. PO Box 6442, Dubai, United Arab Emirates **T** +971 4 337 4400 **W** www.enoc.com/EN/Pages/default.aspx

Main responsibilities. Dubai's integrated oil and gas company.

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Areas of practice. Oil and gas; power and water; energy and infrastructure projects.

Recent transactions

- Advising a bidder on the new ADCO concession in Abu Dhabi.
- Advising Wintershall on an upstream project in Abu Dhabi.
- Advising on a cross-border oil pipeline project.
- Advising an IOC on a farm-in in the UAE.
- Advising an oil trader on its activities in the UAE.

Professional qualifications. New Zealand, Solicitor

Areas of practice. Oil and gas; energy regulation.

Recent transactions

- Advising ADNOC on an upstream project in Abu Dhabi.
- Advising BP on various downstream activities in the UAE.
- Advising an IOC on a farm-in in the UAE.
- Advising an oil trader on its activities in the UAE.
- Advising companies on anti-bribery and corruption compliance in the Middle East.