

Gas Regulation

Consulting editors

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Quick reference guide enabling side-by-side comparison of local insights, including into the domestic gas market, government policy and regulatory authorities; regulation of natural gas and unconventional gas production; regulation of natural gas pipeline transportation and storage, distribution, sales and trading; LNG regulation; mergers and competition, including price restrictions; international considerations, including foreign participation, treaties and other multinational agreements, and cross-border sales and deliveries; transactions between affiliates; and recent trends.

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DOMESTIC SECTOR OVERVIEW

State of the market

Describe the domestic natural gas sector, including the natural gas production, liquefied natural gas (LNG) storage, pipeline transportation, distribution, commodity sales and trading segments and retail sales and usage.

Oman is the largest oil and natural gas producer in the Middle East that is not a member of the Organization of the Petroleum Exporting Countries.

Total reserves of natural gas in Oman at the end of 2019 were estimated to be 23.8 trillion cubic feet, 53.7 per cent of which is the estimated reserve of PDO, followed by BP (Khazzan and Ghazeer) with 41 per cent, and 5.3 per cent of other companies. Khazzan is currently producing around one billion cubic feet per day (bcf/d) as of June 2020, according to the Ministry of Energy and Minerals (MEM). BP expects production to boost to 1.5 bcf/d when the Ghazeer development, representing Phase 2 of BP Oman's multi-year development, comes on stream early in 2021.

Average production of natural gas during 2019 amounted to 122.2 million standard cubic metres per day (mscm/d), 19 per cent of which was associated gas at an average of 22.8 mscm/d.

The total consumption of natural gas in Oman during 2019 reached 46,554 million cubic metres (Mm³). Oman LNG and Qalhat LNG projects ranked highest in terms of natural gas consumption, accounting for about 16,129 Mm³, or 35 per cent of the total consumption in 2019. This was followed by local industrial projects, with 27 per cent consumption, 22 per cent for field operations and other uses, and 16 per cent for power and desalination plants. Consumption in industrial areas constituted only 1 per cent of the total consumption of natural gas.

Oman's current liquefied natural gas (LNG) production capabilities are represented by the three LNG trains owned and operated by Oman LNG. Total exports of LNG during 2019 amounted to 10.6 million metric tonnes (Mmt) in 165 shipments. The export of gas condensates was 0.282 Mmt in 43 shipments. At the end of 2019, Oman LNG represented 71 per cent of the total natural gas exports, while Qalhat LNG accounted for about 29 per cent of the total production.

Law stated - 16 December 2021

Consumption

What percentage of the country's energy needs is met directly or indirectly with natural gas and LNG? What percentage of the country's natural gas needs is met through domestic production and imported production?

According to the US Energy Information Administration, approximately 70 per cent of Oman's energy needs are met through natural gas. Oman consumes more than 70 per cent of the natural gas it produces, with the majority used domestically in oil field operations, power generation and gas-based industries. The balance is exported in the form of LNG.

In addition, Oman imports a small quantity (estimated to be approximately 70 bcf per annum) of natural gas from the Abu Dhabi-owned Dolphin pipeline.

As per the Oil and Gas Law, natural gas producers must allocate gas production not required for field operations to satisfy domestic demand, as directed by the MEM.

Law stated - 16 December 2021

Government policy

What is the government's policy for the domestic natural gas sector and which bodies set it?

A detailed policy for the domestic natural gas sector is not publicly available. However, general policies or directions can be distilled from a variety of sources such as the relevant laws of Oman and the reports of the MEM.

The government is committed to securing additional gas reserves to meet rising domestic consumption driven by higher demand from the industrial sector and power producers (eg, Khazzan development in Block 61). In furtherance of this, the government has embarked on a number of innovative initiatives (eg, the integrated upstream and downstream development projects associated with the Greater Barik area, where the government is seeking to connect the upstream gas development directly with the industry allowing investors to participate in the complete value chain from gas well to product export).

Oman is currently embarking on its 2040 Vision, which is underpinned by, among other things, a move towards a green economy, green strategies and renewable energy production. In terms of traditional energy resources, the vision seeks to strike a balance between development requirements and environmental sustainability, as an economic necessity. It is expected that natural gas, as both a relatively clean energy solution and an industrial building block, will play a key role in this transition. Several structural changes and reforms have taken place over the past months with the aim of accelerating the pace of progress in the energy sector and achieving government efficiency in accordance with the Oman 2040 Vision. These changes and reforms cover, inter alia, the cancellation of several councils and ministries, renaming authorities and ministries (eg, the Ministry of Oil and Gas, which has been renamed the Ministry of Energy and Minerals) and merging ministries together. A reshuffling and restructuring of oil and gas companies in Oman is currently underway, which has resulted in, inter alia, the creation of the OQ group of companies.

With regard to conventional versus unconventional resources, there is no particular, generally applicable policy or regulatory distinction between the two. While unconventional gas resources are a major area of focus for Oman, we are not aware of any specific, generally applicable government policies or incentives to encourage the exploration of unconventional gas resources. That said, the government may provide different treatment under a concession to be granted in relation to an unconventional project in recognition of the different risk profile and fiscal requirements.

Law stated - 16 December 2021

Regulatory authorities

Which authorities make regulatory policies and decisions in respect of the production, transmission, distribution and supply of natural gas?

Subject to the ultimate oversight of His Majesty the Sultan, the primary regulators are the Oman Council of Ministers (which replaced the dissolved Financial Affairs and Energy Resources Council pursuant to Royal Decree No. 108/2020) and the MEM. Their regulatory authorities are conferred upon them by Royal Decrees.

In summary, the Council of Ministers considers state investments in oil and natural gas and formulates the general policy regulating the production and transport of oil and natural gas, while the MEM coordinates the government's role in the oil and gas sector, overseeing all oil and gas exploration and production activities carried out in concession areas in Oman. The regulation of natural gas transportation activities falls within the sphere of competence of the Authority for Public Services Regulation (APSR) pursuant to the legislative amendments introduced by Royal Decree No. 78/2020.

The MEM acts as the government counterparty to exploration and production sharing agreements, under which rights to explore for and produce hydrocarbons are awarded. The APSR acts as the government counterparty to concession agreements relating to the transportation of natural gas pursuant to the abovementioned Royal Decree No. 78/2020.

Other government bodies also play roles with regard to discrete elements. For example, the Oman Environment Authority is the regulatory authority for environmental aspects of upstream operations in Oman.

Law stated - 16 December 2021

REGULATION OF NATURAL GAS PRODUCTION

Ownership and organisation

What is the ownership and organisational structure for production of natural gas (other than LNG)? How does the government derive value from natural gas production?

The Oil and Gas Law (Royal Decree No. 8/2011) provides that oil and gas in natural form anywhere in Oman are the property of the state and that the rights to survey explore, appraise, develop and exploit petroleum substances may be undertaken only pursuant to a concession agreement, which, in Oman, takes the form of an exploration and production sharing agreement (EPSA). The Ministry of Energy and Minerals (MEM), acting on behalf of the government, is the body authorised to negotiate and execute EPSAs with selected oil and gas exploration and production companies. The EPSA takes effect only after the issuance of a Royal Decree approving it.

The Oil and Gas Law contains a section on Special Provisions for Natural Gas, providing a priority of exploitation of natural gas, which, subject to the approval of the MEM, must be used in the following order of priority:

- petroleum operations;
- commercial exploitation;
- injection for enhancing extraction rates;
- storage; and
- other purposes as decided by the MEM.

Additionally, all natural gas to be sold must be sold to the government (whereas crude oil and condensate can usually be sold in the open market). The MEM purchases gas from producers and on-sells to gas customers pursuant to gas sales agreements.

Law stated - 16 December 2021

Regulatory framework

Describe the statutory and regulatory framework and any relevant authorisations applicable to natural gas exploration and production.

The Oil and Gas Law is the primary legislation governing the oil and gas industry in Oman. The Oil and Gas Law provides that oil and gas in natural form anywhere in Oman are the property of the state and that the rights to survey, explore, appraise, develop and exploit petroleum substances may be undertaken only pursuant to a concession agreement, which, in Oman, takes the form of an EPSA. The MEM, acting on behalf of the government, is the body authorised to negotiate and execute EPSAs with selected oil and gas exploration and production companies. The EPSA takes effect only after the issuance of a Royal Decree approving it.

The Oil and Gas Law deals only generally with the rights and obligations of the concession holder, while the EPSA (itself approved by Royal Decree) establishes:

- the concession area;

- the term of concession;
- minimum work obligation;
- relinquishments;
- bonuses and other payments to the government;
- conduct of petroleum operations, including conditions for exploration, appraisal, development and production;
- governance through a joint management committee helmed by the MEM;
- appointment of an operator;
- production capacity or allowable production;
- cost recovery and production sharing;
- land access and rights of way within the concession area; and
- other rights and obligations of the parties.

The contracting parties undertake to conduct the operations under the EPSA, pursuant to the general policy guidance and the direct supervision and control of a joint management committee helmed by the MEM. The standard EPSA sets out a regime to resolve differences through escalation to the minister and the senior executive of the operator, and if escalation is unsuccessful, the matter may be submitted to arbitration at the International Centre for Settlement of Investment Disputes or the International Chamber of Commerce.

It should be noted that the executive regulations of the Oil and Gas Law have not as yet been issued.

Law stated - 16 December 2021

Unconventional gas production

Are there different rules for, or any restrictions on, unconventional natural gas production (including fracking)?

While unconventional natural gas (and oil) production is an area of focus for the government of Oman, we are not aware of any particular different rules for, or restrictions on, unconventional natural gas production (ie, the same rules and restrictions for conventional production apply).

Law stated - 16 December 2021

Required security and guarantees

Are participants required to provide security or any guarantees to be issued with a licence to explore for or to store gas?

The Oil and Gas Law provides that the MEM may require the counter-parties to the EPSA to provide financial security equivalent to a minimum of 2 per cent and a maximum of 5 per cent of the value of the agreement, valid throughout the term of the EPSA, to ensure that these parties fulfil their liabilities under the EPSA.

Law stated - 16 December 2021

REGULATION OF NATURAL GAS PIPELINE TRANSPORTATION AND STORAGE

Ownership and infrastructure

Describe in general the ownership of natural gas pipeline transportation, and storage infrastructure.

Currently, Oman has no significant natural gas storage infrastructure aside from any export facilities associated with Oman LNG.

In general, the right to import, export, transport, store, distribute, process or market petroleum substances requires a licence from the Ministry of Energy and Minerals (MEM) in coordination with the Council of Ministers. The transportation of natural gas is, however, an exception to this as it requires a licence from the Authority for Public Services Regulation (APSR), also in coordination with the Council of Ministers.

Regarding ownership of the natural gas transportation infrastructure, historically, the main elements of the natural gas transmission and distribution infrastructure have been owned by the government and operated by a mix of government-owned entities, notably Oman Gas Company SAOC (OGC) and PDO.

In 2018, OGC, a subsidiary of OQ SAOC and member of the OQ Group, was granted a new long-term concession by the government to own and operate Oman's gas transmission system of pipelines, metering and compressor and gas stations under a new revenue framework based on the regulated asset base (RAB) model.

The new framework will provide the basis for reshaping the gas transmission sector by implementing a transparent, cost-reflective tariff to transport gas across the transmission system.

To establish itself as the sole gas transmission system operator, OGC is in the process of consolidating ownership of gas transmission assets by acquiring assets owned by the government, including gas transmission assets operated by PDO.

With regard to connecting infrastructure that is discrete to a particular concession, the standard exploration and production sharing agreement (EPSA) provides that title to existing, purchased and constructed assets used for petroleum operations under the EPSA transfers to the government once the associated cost has been recovered as per the EPSA terms and conditions.

Law stated - 16 December 2021

Regulatory framework

Describe the statutory and regulatory framework and any relevant authorisations applicable to the construction, ownership, operation and interconnection of natural gas transportation pipelines, and storage.

In general, the right to, among other things, distribute or store petroleum substances, including natural gas, requires a licence from the MEM. This is with the exception of the right to transport natural gas, which requires a licence from the APSR in coordination with the Council of Ministers pursuant to Royal Decree No. 78/2020.

In addition to the above activity-related licences, an environmental permit from the Oman Environment Authority is required to own and operate a gas pipeline.

The Civil Defence Branch of the Royal Oman Police issues permits for the transport and storage of all hazardous materials. The Oman Environment Authority issued Regulation 25/2009 regarding the handling and use of chemical substances, which applies to oil and gas substances. Further, Royal Decree No. 10/2016 sets out a general framework regulating the land transport of goods and individuals.

Law stated - 16 December 2021

Land rights

How does a company obtain the land rights to construct a natural gas transportation or storage facility? Is the method for obtaining land rights to construct natural gas distribution network infrastructure broadly similar?

The establishment of land rights, including pipeline corridors and pipeline corridors, is provided for under Omani law. In general, land use rights for a pipeline or storage facility would be granted by the government to the licence holder of the pipeline or storage facility by way of a usufruct agreement, which grants a land right similar to the absolute title but limited in time and subject to certain terms of use. The process for obtaining land use rights in one of Oman's industrial or free zones (eg, Sohar Industrial Port and Duqm Free Zone) is broadly similar, although the land use rights may take a different form and would be granted by the zone, as opposed to the government.

Regarding pipelines, the Oil and Gas Law stipulates an exclusion or setback zone around pipelines extending 25 metres on either side of the pipeline. Activities by non-government third parties within setback zones are prohibited.

Law stated - 16 December 2021

Access

How is access to the natural gas transportation system and storage facilities arranged? How are tolls and tariffs established?

Although the system is expected to evolve whereby gas producers and customers will enter into transmissions system connection agreements with the transmission system operator (TSO), the system has historically relied on accessing the gas network under a gas supply agreement between the gas producer or the gas customer, as the case may be, and the MEM as the natural gas buyer (from the producer) and the seller (to the customer). Until a new system is fully implemented, the cost associated with connection to the system and transportation of gas between producer and ultimate customers is 'bundled' into the gas price charged under the gas supply agreement entered into with the MEM. The exception to this may be the cost of certain connecting infrastructure at or near the natural gas delivery point (eg, a pressure reduction terminal and connecting pipeline to the customer's facility). It should be noted that it is unclear whether the APSR will replace the MEM in the exercise of the aforementioned roles following the amendments made to the legislative framework of oil and gas that have been introduced by Royal Decree No. 78/2020.

Law stated - 16 December 2021

Interconnection and expansion

Can customers, other natural gas suppliers or an authority require a pipeline or storage facilities owner or operator to expand its facilities to accommodate new customers? If so, who bears the costs of interconnection or expansion?

The ownership and operation of the primary elements of the natural gas transmission infrastructure is evolving. It is expected that under the RAB system, OGC as the TSO will be under an obligation to manage fair access, which would include expanding system capacity. As per a RAB model, the TSO would bear the cost in the first instance, which would be recouped from the government under the RAB tariff system.

Historically, system capacity, access and expansion have been regulated by the MEM through either the granting of concessions to producers or gas supply agreements to gas consumers. The transportation of natural gas is now

regulated by the APSR pursuant to Royal Decree No. 78/2020.

Law stated - 16 December 2021

Processing

Describe any statutory and regulatory requirements applicable to the processing of natural gas to extract liquids and to prepare it for pipeline transportation.

At present, the majority of the processing of natural gas by extracting liquids is conducted as part of petroleum operations under the various concessions.

In terms of a stand-alone gas processing arrangement, under the Oil and Gas Law, processing of natural gas to extract liquids would require a concession to be granted by the MEM. Unless the processor is providing the processing as a tolling arrangement, the processor would also need a licence to transport, store, distribute or market the liquids. The transportation of natural gas requires a licence from the APSR in coordination with the Council of Ministers.

Additionally, the Civil Defence Branch of the Royal Oman Police issues permits for the transport and storage of all hazardous materials. Further, the Environment Authority issued Regulation 25/2009 regarding the use of and trading in chemical substances, which applies to oil and gas substances, both of which may apply to the aforementioned activities.

Law stated - 16 December 2021

Contracts

Describe the contractual regime for transportation and storage.

The regulatory and contractual regime is evolving under the RAB system, which will entail, among other things, system users to enter into system connection agreements, as well as gas supply agreements with the gas supplier, which could at some point be a gas producer, rather than the MEM. Historically, the contractual regime for transportation of natural gas has been governed by the gas supply agreements between the MEM and the gas producers, on the one hand, and MEM and the gas customers on the other hand. Historically, the MEM would purchase gas from the producers at defined delivery points and based on required specifications, and on-sells the gas to customers at defined delivery points and based on committed specifications; it is, however, unclear whether the APSR has replaced, or will replace, the MEM in the exercise of these contractual roles after the passing of Royal Decree No. 78/2020. The physical transmission is managed by OGC, acting as the system operator on behalf of the MEM. From the point of view of the gas customer, the MEM assumes transportation risk to the customer's delivery point. However, the extent of liability for failure to supply contracted quantities of on-specification varies depending on certain factors.

Law stated - 16 December 2021

REGULATION OF NATURAL GAS DISTRIBUTION

Ownership

Describe in general the ownership of natural gas distribution networks.

Presently, the main elements of the natural gas transmission infrastructure are owned by the government, either directly or through the Oman Gas Company SAOC (OGC), which is indirectly wholly government-owned.

Law stated - 16 December 2021

Regulatory framework

Describe the statutory and regulatory structure and authorisations required to operate a distribution network. To what extent are gas distribution utilities subject to public service obligations?

In general, as per the Oil and Gas Law, the distribution or storage of natural gas requires a licence issued by the Ministry of Energy and Minerals (MEM) (and, in the case of natural gas transportation, a licence by the Authority for Public Services Regulation (APSR)) after coordination with the Council of Ministers.

Specifically, Oman is in the process of establishing a new regulated asset base (RAB) system with a wholly government-owned company, OGC, as the transmission system operator. It is anticipated that the RAB framework, to be issued along with the Royal Decree approving the new RAB system, will address a number of these issues.

Law stated - 16 December 2021

Access and pricing

How is access to the natural gas distribution grid organised? Describe any regulation of the prices for distribution services. In which circumstances can a rate or term of service be changed?

In general, the right to import, export, store, distribute, process or market petroleum substances requires a licence from the MEM, while the transportation of natural gas requires a licence from the APSR; in both cases, coordination with the Council of Ministers is necessary pursuant to article 4 of the Oil and Gas Law. Historically, the main elements of the natural gas transmission and distribution infrastructure have been owned by the government and operated by a mix of government-owned entities, notably OGC and PDO.

While there is no published regulatory guidance on how a rate or term of service can be varied, this is likely subject to the MEM's prior consent and approval with regard to any activity other than natural gas transportation, the licensing of which falls within the sphere of competence of the APSR.

Law stated - 16 December 2021

System/service expansion and limitation

May the regulator require a distributor to expand its system to accommodate new customers?
May the regulator require the distributor to limit service to existing customers so that new customers can be served?

There is no published regulatory guidance on this, but such authorities are within the regulator's sphere of competence.

Law stated - 16 December 2021

Contracts

Describe the contractual regime in relation to natural gas distribution.

The right to import, export, store, distribute, process or market petroleum substances requires a licence from the MEM, while the transportation of natural gas requires a licence from the APSR; in both cases, coordination with the Council of Ministers is necessary pursuant to article 4 of the Oil and Gas Law. Historically, the main elements of the natural gas

transmission and distribution infrastructure have been owned by the government and operated by a mix of government-owned entities, notably OGC and PDO.

Historically, the contractual regime for transportation of natural gas has been governed by the gas supply agreements between the MEM and the gas producers, on one hand, and MEM and the gas customers on the other hand. Historically, the MEM would purchase gas from the producers at defined delivery points and based on required specifications, and on-sell the gas to customers at defined delivery points and based on committed specifications; it is, however, unclear whether the APSR has replaced, or will replace, the MEM in the exercise of these contractual roles after the passing of Royal Decree No. 78/2020.

Law stated - 16 December 2021

REGULATION OF NATURAL GAS SALES AND TRADING

Ownership and organisation

What is the ownership and organisational structure for the supply and trading of natural gas?

All petroleum substances in situ are owned by the state. Under the Oil and Gas Law, the rights to explore, appraise, develop and exploit petroleum substances are granted on the basis of a concession agreement, which takes the form of an exploration and production sharing agreement (EPSA).

Rights to import, export, store, distribute, process, or market petroleum substances, including natural gas, require a separate licence granted by the Ministry of Energy and Minerals (MEM) in coordination with the Council of Ministers. Transportation of natural gas, however, requires a licence from the Authority for Public Services Regulation (APSR) in coordination with the Council of Ministers.

The MEM, acting on behalf of the government, is the body authorised to negotiate and execute EPSAs with selected oil and gas exploration and production companies. An EPSA takes effect only after a Royal Decree approving it has been promulgated.

The Oil and Gas Law provides special conditions for natural gas produced in Oman, including priority of usage as follows, subject to the approval of MEM:

- for use in petroleum operations;
- commercial exploitation;
- injection for enhancing extraction rates; and
- storage and other purposes as decided by the MEM.

Additionally, unless otherwise agreed by the MEM, all natural gas not used in field operations or stored must be sold to the government, which on-sells to gas customers.

The integrated upstream to downstream projects under consideration in relation to prolific natural gas resources discovered in the Greater Barik area represent Oman Gas Company SAOC (OGC) taking an innovative approach in these regards. Under the integrated project model, foreign investors would be invited not only to develop and commercialise the upstream piece, but also invest in downstream gas industries that utilise these resources.

Law stated - 16 December 2021

Government oversight

To what extent are natural gas supply and trading activities subject to government oversight?
What authorisations are required to engage in wholesale trading of gas?

Supply and trading activities are entirely subject to government oversight. The rights to import, export, store, distribute, process or market petroleum substances, including natural gas, require a licence granted by the MEM in coordination with the Council of Ministers, while the transportation of natural gas requires a licence from the APSR in coordination with the Council of Ministers. The APSR also represents the government of Oman in natural gas transportation concession agreements.

Law stated - 16 December 2021

Trading processes

How are physical and financial trades of natural gas typically completed?

At present, this question is not generally relevant to the domestic natural gas market (outside the internal activities of Oman LNG).

Law stated - 16 December 2021

Available services and products

Must wholesale and retail buyers of natural gas purchase a bundled product from a single provider? If not, describe the range of services and products that customers can procure from competing providers.

At present, buyers of natural gas must purchase a 'bundled' product from the MEM. The new regulated asset base system is expected to unbundle transmission, distribution and sale and purchase. However, the transmission will be under a single transmission system operator. OGC and sale and purchase of natural gas is likely to remain with the MEM in the near term.

Law stated - 16 December 2021

REGULATION OF LNG

Ownership and organisation

What is the ownership and organisational structure for LNG, including liquefaction and export facilities, and receiving and regasification facilities?

The current LNG production facilities are owned by Oman LNG, which in turn is owned by the government (51 per cent), Shell Gas BV (30 per cent), Total SA (5.54 per cent), Korea LNG (5 per cent) and others. Total is seeking to enter the domestic LNG market through developing LNG vessel bunkering facilities and has, therefore, formed a joint venture with OQ under the name of Marsa LNG for the purpose of developing a state-of-the-art LNG liquefaction plant and bunkering facility at Sohar Port.

At present, there are no significant regasification facilities in Oman.

Law stated - 16 December 2021

Regulatory framework

Describe the regulatory framework and any relevant authorisations required to build and operate LNG facilities.

Similar to other oil and gas activities, conducting any activity relating to LNG, whether by way of sale, distribution or marketing, requires a licence from the Ministry of Energy and Minerals only after coordination with the Council of Ministers in accordance with the Oil and Gas Law.

Law stated - 16 December 2021

Pricing

Describe any regulation of the prices and terms of service in the LNG sector.

There is no specific generally applicable government regulation concerning the prices and terms of service in the LNG sector.

Law stated - 16 December 2021

MERGERS AND COMPETITION

Competition authorities

Which government body may prevent or punish anticompetitive or manipulative practices in the natural gas sector?

Pursuant to Royal Decree No. 67/2014, the Competition Protection and Monopoly Prevention Centre has the authority to prevent or punish anticompetitive or manipulative practices in all business sectors in Oman, except with respect to activities relevant to public facilities fully owned or controlled by Oman. It is not clear what 'public facility' means under the aforementioned law and whether it covers all or part of the activities relating to the natural gas sector.

Law stated - 16 December 2021

Competition standards

What substantive standards does that government body apply to determine whether conduct is anticompetitive or manipulative?

The standards for determining whether a conduct is anticompetitive or manipulative are provided by Royal Decree No. 67/2014 and its Executive Regulations (Ministerial Decision 18/2021). Under the aforementioned law and regulations, businesses that are deemed to be in a dominant position in the market are prohibited from engaging in practices that would undermine, reduce or prevent competition. A juristic or legal person is deemed to be in a 'dominant position' if in control of, or having an influence over, more than 35 per cent of the relevant market. Market share is the sole factor for determining a business's dominant position. Royal Decree No. 67/2014 also prohibits businesses or individuals from entering into agreements or contracts the purpose of which is to harm commercial competition in Oman, particularly with regard to the following:

- pricing, discounts, sale or purchase terms and conditions or provisions of the services;
- determination of the production quantities or elimination of the flows of the same to the market or removal

- thereof, entirely or partially, through covering, storing of the same or refraining from dealing therein;
- induction of the dealers in their market to provide quantities of products in an abrupt manner, leading the trade of such product or performance of such service for unrealistic prices;
 - division of any current or potential market for the products on the geographic or consuming basis, depending on the client's class, seasonal or period of time basis or the commodities' basis;
 - prevention, hampering, suspending any practice for any person to perform his or her economic or commercial activity within the market;
 - dealing or refraining from dealing with specific people;
 - refraining from trading the product in the market whether in terms of sale or purchase with certain persons;
 - suspending the conclusion of any arrangement subject to approving obligations, given its nature or the commercial use thereof, irrelevant to the subject matter of the transaction or the agreement; or
 - manipulation of auctions or tenders among certain people, setting stipulations under the tender conditions, including, but not limited to, listing the trademarks of the commodity or a description of the same.

Law stated - 16 December 2021

Enforcement

What authority does the government body have to preclude or remedy anticompetitive or manipulative practices?

The Competition Protection and Monopoly Prevention Centre's officers have the capacity of judicial officers (ie, they have the right to conduct investigations and gather evidence). Additionally, the Competition Protection and Monopoly Prevention Centre has the right to, inter alia, terminate the agreements that breach commercial competition, impose administrative penalties and fines on the offenders and refer them to the criminal court to decide on their penal punishment, if applicable, which includes imprisonment and the payment of penal fines.

Law stated - 16 December 2021

Merger control

Does any government body have authority to approve or disapprove mergers or other changes in control over businesses in the sector or acquisition of production, transportation or distribution assets?

In the context of a concession required in relation to exploration, discovery, development of exploration activities, yes. Under the Oil and Gas Law, the transfer of rights and obligations under the exploration and production sharing agreement (EPSA) is prohibited unless the same has been approved by the Ministry of Energy and Minerals (MEM) and ratified by Royal Decree. The EPSA may provide an exception for assignments or transfers to a majority owned affiliate. Although the government is not limited in terms of what it may consider in the context of considering a transferee, the basic requirements for granting a concession are that the party to whom the concession is granted is technically and financially qualified in accordance with the standards established by the Ministry.

Regarding a separate licence for import, export, transport, storage, distribution, manufacturing or marketing of petroleum products, the Oil and Gas Law is not as clear as it is in the case of a concession. Therefore, it would be up to the terms and conditions of the licence as decided by the MEM (or, in the case of natural gas transportation, the Authority for Public Services Regulation) in coordination with the Council of Ministers.

Law stated - 16 December 2021

Price restrictions

In the purchase of a regulated gas utility, are there any restrictions on the inclusion of the purchase cost in the price of services?

The question is not currently generally relevant to Oman.

Law stated - 16 December 2021

Corporate governance regulations

Are there any restrictions on the acquisition of shares in gas utilities? Do any corporate governance regulations or rules regarding the transfer of assets apply to gas utilities?

The question is not currently generally relevant to Oman.

Law stated - 16 December 2021

INTERNATIONAL

Foreign participation

Are there any special requirements or limitations on foreign companies acquiring interests in any part of the natural gas sector?

Typically, a foreign company must establish a business presence in Oman subject to the Foreign Capital Investment Law (RD 50/2019) (the FCIL).

That said, the government may exempt an applicant from this requirement if the applicant can prove that its project will significantly contribute to the development of the national economy. Notably, a branch office can be established only if the foreign company already has a government contract to undertake a project for the benefit of the Omani government.

Other than generally applicable requirements under the FCIL, and any specific thresholds set on foreign ownership of shares in companies undertaking certain activities there are no published requirements or limitations that apply by virtue of foreign ownership, per se. The Executive Regulations of the FCIL have not provided for a list of activities prohibited to foreigners and rather left the matter of issuing such a list and determining such activities to the Ministry of Commerce and Industry and Investment Promotion.

Law stated - 16 December 2021

International agreements

To what extent is regulatory policy affected by treaties or other multinational agreements?

In general, it is possible for regulatory policy to be affected by treaties or multilateral agreements (eg, free trade agreements and bilateral investment treaties). However, the Oman government has extensive experience in negotiating these types of agreements, and often the potential domestic impact is managed through exclusions or extended periods and other conditions for implementation.

Law stated - 16 December 2021

Cross-border sales and deliveries

What rules apply to cross-border sales or deliveries of natural gas?

The transportation and export of natural gas requires a licence issued by the Authority for Public Services Regulation (APSR) acting in coordination with other bodies. The APSR has a monopoly over the regulation of transportation of natural gas pursuant to Royal Decree No. 78/2020.

In addition, the Oil and Gas Law generally provides a priority to use natural gas produced in Oman for domestic requirements, unless otherwise decided by the Ministry of Energy and Minerals.

Law stated - 16 December 2021

TRANSACTIONS BETWEEN AFFILIATES

Restrictions

What restrictions exist on transactions between a natural gas utility and its affiliates?

At present, there is really only one gas utility, the Oman Gas Company SAOC. Based on publicly available information, we understand that the transmission system operator under the new regulated asset base (RAB) model would be obliged to treat any of its affiliates under arm's-length terms.

Law stated - 16 December 2021

Enforcement

Who enforces the affiliate restrictions and what are the sanctions for non-compliance?

This information is not publicly available at the moment, but it stands to reason that the Ministry of Energy and Minerals, acting as the RAB independent regulator, would act as the principal enforcer. The Authority for Public Services Regulation would act as an enforcer with regards to matters relating to the transportation of natural gas or concessions relating to the same.

Law stated - 16 December 2021

UPDATE AND TRENDS

Gas sector-specific regulation

Describe recent trends and developments in the regulation of the domestic natural gas sector.

Pursuant to Royal Decree No. 78/2020, the Authority for Public Services Regulation (APSR) has replaced the Ministry of Energy and Minerals (MEM) as the regulator of the natural gas transportation activity and has been granted authority to represent the Omani government in concessions relating to the transportation of natural gas.

Law stated - 16 December 2021

Other regulatory developments of particular relevance to the gas sector

Describe any other recent regulatory trends and developments of particular interest to those operating in the domestic natural gas sector.

Over the past couple of years, several laws impacting the business sector as a whole, including the oil and gas sector, have been passed. In this regard, a new foreign capital investment law has been promulgated in Oman through Royal Decree No. 50/2019, under which foreign investors are permitted to own up to 100 per cent of the share capital of an Omani company provided that the activities the company intends to undertake are not subject to any local Omani shareholding requirement under the Executive Regulations to Royal Decree No. 50/2019. The Executive Regulations of the new foreign capital investment law have been issued by virtue of Decision No. 72/2020 of the Ministry of Commerce and Industry and Investment Promotion; however, it is noteworthy that said executive regulations did not specify whether oil and gas activities are subject to any specific foreign investment restrictions or prohibitions.

Royal Decree No. 96/2020 has changed the name of the Ministry of Oil and Gas to the MEM and transferred to the latter all the competencies, employees, rights and obligations of the now-dissolved Public Authority for Mining. This reflects Oman's desire to consolidate, to the extent possible, regulation of the natural resources sector.

Royal Decree No. 78/2020, which established the Authority for Public Services Regulation has transferred to the latter all the MEM's competencies relating to the regulation of the transportation of natural gas and entry into concession agreements relating to the transportation of the same.

Royal Decree No. 121/2020, which imposes a value added tax at a base rate of 5 per cent on most goods and services exported to or imported from Oman, came into effect six months following the date of its publication in the Official Gazette of Oman (ie, 12 October 2020). It should be noted that, in accordance with Royal Decree No. 121/2020, the supply of crude oil and its derivatives, as well as of natural gas, is zero-rated.

In addition, official statements have been made in confirmation of Oman's intention to impose income tax on individual income as of 2022. It is unknown whether the application will extend to those working in the oil and gas sector.

Law stated - 16 December 2021

Jurisdictions

	Austria	Schima Mayer Starlinger
	Brazil	Campos Mello Advogados
	Colombia	Figueroa Sierra & Asociados Abogados
	Denmark	Bech-Bruun
	European Union	Reed Smith LLP
	Faroe Islands	Bech-Bruun
	Germany	Luther Rechtsanwalts-gesellschaft
	Greenland	Bech-Bruun
	India	Clarus Law Associates
	Iraq	Al Hadeel Al Hasan Law
	Italy	CMS Italy
	Japan	TMI Associates
	Nigeria	ENR Advisory
	Oman	Al Busaidy Mansoor Jamal & Co
	Poland	Banasik Woźniak i Wspólnicy Kancelaria Radców Prawnych Sp. P.
	Thailand	Chandler MHM Limited
	Turkey	Kesikli Law Firm
	United Kingdom	Dentons