

**LAW ON
AMENDMENT AND
ADDITION TO A NUMBER OF ARTICLES
OF THE LAW ON PETROLEUM**

**National Assembly of the
Socialist Republic of Vietnam
Legislature XII, 3rd Session
[May 2008]**

Pursuant to the 1992 Constitution of the Socialist Republic of Vietnam as amended by Resolution 51-2001-QH10:

The National Assembly hereby promulgates the *Law on Amendment and Addition to a Number of Articles of the Law on Petroleum* No. 19-2000-QH10.

Article 1

To amend and add to a number of articles of the *Law on Petroleum* as follows:

1. To amend and add to article 3.1 as follows:

"1. *Petroleum* means crude oil, natural gas, and hydrocarbons whether in natural liquid, gaseous, solid or semisolid state, including coal bed methane, sulphur and other similar substances associated with hydrocarbons except coal, shale, bitumen or other minerals from which oil can be extracted."

2. To amend and add to article 3.12 as follows:

"12. *Encouraged petroleum investment project* means a project carrying out a petroleum operation in a deep-sea and remote offshore area or in a region with especially difficult geographical or complex geological conditions and in other areas in accordance with the list of blocks delimited by the Prime Minister of the Government; and a project carrying out coal bed methane exploration and production."

3. To add article 3.13 as follows:

"13. *Coal bed methane* means hydrocarbons with a major component of methane in a gaseous or liquid state, contained in coal seams or adjacent strata."

4. To add article 3.14 as follows:

"14. *Fixed installation* means fixed building works which have been constructed and installed and which are used to service a petroleum operation."

5. To add article 3.15 as follows:

- "15. *Equipment* means a combination of mechanical, electrical [and/or] electronic components and other component parts which have been constructed and installed and which are used to service a petroleum operation."

6. To amend and add to article 8 as follows:

"Article 8

The exploration acreage covered by a petroleum contract shall be determined on the basis of the blocks delimited by the Prime Minister of the Government".

7. To amend and add to article 13 as follows:

"Article 13

During the process of conducting a petroleum operation, after completion of each work [works] or each stage or upon termination of the petroleum contract, organizations and individuals conducting the petroleum operation shall remove any fixed installations, equipment and facilities servicing the petroleum operation which are no longer used, and also restore the environment in accordance with law."

8. To amend and add to article 14 as follows:

"Article 14

Vietnam Oil and Gas Group – parent company, with its international trading name of VIETNAM OIL AND GAS GROUP, known as PETROVIETNAM and abbreviated as PVN (hereinafter referred to as *Vietnam Oil and Gas Group*) is a State company conducting petroleum operations and entering into petroleum contracts with organizations and individuals for the conduct of petroleum operations in accordance with law."

9. To amend and add to article 17 as follows:

"Article 17

1. The duration of a petroleum contract shall not exceed twenty five (25) years, during which the exploration period shall not exceed five (5) years.

In the case of encouraged petroleum investment projects and projects for exploration and production of natural gas, the duration of a petroleum contract shall not exceed thirty (30) years, during which the exploration period shall not exceed seven (7) years.

2. The duration of a petroleum contract may be extended, but not for more than five (5) years; and the exploration period may be extended, but not for more than two (2) years.

In special cases, approval for continued extension of the exploration period or of the duration of a petroleum contract shall be considered and decided by the Prime Minister of the Government.

3. If gas of a commercial potential is discovered, but there is not yet a market for sale and conditions in terms of appropriate pipelines or processing facilities are not yet available, the contractor may retain the area where gas has been discovered. The period for retention of an area where gas has been discovered shall not exceed five (5) years and, in special cases, may be extended for two (2)

subsequent years. Pending a market for sale and conditions in terms of appropriate pipelines or processing facilities, the contractor must carry out the work committed to in the petroleum contract.

4. In cases of *force majeure* or in special cases, the parties to a petroleum contract may agree on methods of the temporary cessation of performance of a number of rights and obligations in the petroleum contract. The period for temporary cessation due to an event of *force majeure* shall subsist until the end of the event of *force majeure*. The period for temporary cessation in other special cases shall be regulated by the Government of Vietnam, but shall not exceed three (3) years.
5. The extension of the exploration period, the period for retention of an area where gas of a commercial potential has been discovered, and the period for temporary cessation of performance of a number of rights and obligations in a petroleum contract in cases of an event of *force majeure* or in other special cases shall not be included in the period [duration] of the petroleum contract.
6. A petroleum contract may terminate prior to the expiry of its duration provided that the contractor fulfils its committed obligations and the contracting parties agree.
7. The Government shall provide regulations on conditions for temporary cessation of performance of a number of rights and obligations in a petroleum contract in special cases; and on conditions and procedures for extension of an exploration period or the duration of a petroleum contract.”

10. To amend and add to article 23 as follows:

"Article 23

A petroleum contract must be approved by the Prime Minister of the Government and shall take effect in accordance with the provision in the investment certificate.”

11. To amend and add to article 24 as follows:

"Article 24

1. Any total or partial assignment of a petroleum contract by the parties to the contract must satisfy the following conditions:
 - (a) The assignee undertakes to fulfil the contents of the petroleum contract signed by the assignor.
 - (b) The conditions on assignment of capital [and] of the project in accordance with the law on investment are assured.

Any total or partial assignment of a petroleum contract must be approved by the Prime Minister of the Government and shall take effect in accordance with the provisions in the amended investment certificate.

2. Vietnam Oil and Gas Group shall have the right of priority [pre-emptive right] to acquire the assigned contract [farmed-out contract] or a portion thereof.
3. The assignor must pay tax, fees and charges in accordance with the law on tax, fees and charges”.

12. To amend and add to article 26 as follows:

"Article 26

The contractor shall be entitled to enter into petroleum service contracts, but preference must be given to signing contracts with Vietnamese organizations and individuals.

Tendering for and signing contracts for petroleum services directly relating to operations of exploration and development of mines and mining petroleum shall be implemented in accordance with separate regulations of the Government.

Vietnam will undertake flight services or enter into a joint venture contract with a foreign party to provide flight services in support of petroleum operations."

13. To amend and add to article 28.1(dd) as follows:

"(dd) To be entitled to exemption from import duty and export duty in accordance with the *Law on Import and Export Duties*;"

14. To amend and add to article 28.1(g) as follows:

"(g) To export its share of petroleum in accordance with the agreement in the petroleum contract without applying for an export permit, except in the cases stipulated in article 30.9 of this Law."

15. To amend and add to article 29 as follows:

"Article 29

A sub-contractor shall be entitled to the rights stated in sub-clauses (a), (c) and (dd) of clause 1 of article 28 of this Law.

A sub-contractor being a foreign organization or individual shall be entitled to remit abroad its share of cost recovery and profits earned during petroleum services operations".

16. To amend and add to article 30.9 as follows:

"9. To sell in the Vietnamese market at the request of the Government:

- (a) Natural gas owned by it, on the basis of agreements in projects for the development and production of gas;
- (b) A portion of its share of crude oil at an internationally competitive price."

17. To amend and add to article 32 as follows:

"Article 32

- 1. Any organization or individual conducting petroleum operations, any foreigner or Vietnamese working for petroleum contractors, petroleum joint venture enterprises and sub-contractors must pay taxes in accordance with law.

2. The State budget shall, after corporate income tax has been paid, re-allocate an appropriate portion of income from petroleum operations to Vietnam Oil and Gas Group to invest in petroleum projects in accordance with law."

18. To amend and add to article 38 as follows:

"Article 38

1. The Government shall exercise uniform State administration of petroleum operations.
2. The Ministry of Industry and Trade shall be responsible to the Government for the exercise of State administration of petroleum operations as follows:
 - (a) To promulgate within its authority, or to submit to the competent authority to promulgate, legal instruments, strategies, the master plan and plans for the development of the petroleum industry.
 - (b) To preside over submission of petroleum contracts and petroleum investment projects to the Prime Minister of the Government for approval in accordance with the law on investment; and of reserves assessment reports, of overall field development plans and [individual] field development plans, of tendering results for petroleum blocks and petroleum contracts, of co-operative plans to carry out petroleum operations in areas overlapping with foreign countries, of extension of the exploration period or of the duration of petroleum contracts, and of extension of the period of temporary cessation of petroleum contracts due to an event of *force majeure* or in special cases.
 - (c) To formulate and submit to the Prime Minister of the Government for issuance, a list of blocks, and the delimitation and adjustment of block boundaries.
 - (d) To collate, monitor and report on the developmental status and results of petroleum exploration, production, domestic consumption and export.
 - (dd) To approve early production programs and plans for contract areas; to approve plans for removal of fixed installations, equipment and facilities servicing a petroleum operation which are no longer used and for restoration of the environment, and to inspect implementation of such plans and to deal with any breaches committed during implementation.
 - (e) To make decisions on flaring associated gas; and to revoke a field if a contractor fails to carry out field development work and the petroleum production operation within the schedule stipulated in the approved field development plan.
 - (g) To manage training and development of manpower for petroleum operations, and to formulate an appropriate regime and policies in order to attract manpower.
 - (h) To conduct international co-operation in the petroleum sector.
 - (i) To promulgate, disseminate and instruct on the law on petroleum.
 - (k) To conduct inspections, to deal with breaches, and to resolve complaints and denunciations about petroleum operations.
 - (l) To conduct other State administrative tasks regarding petroleum operations as stipulated by law.

3. Ministries, ministerial equivalent bodies and Government bodies shall, within the scope of their respective duties and powers, be responsible for the exercise of State administration of petroleum operations in accordance with law.
4. People's committees of provinces and cities under central authority shall, within the scope of their respective duties and powers, be responsible for the exercise of State administration of petroleum operations within their localities in accordance with law."

19.

The phrase "Vietnam Oil and Gas Corporation" used in articles 3.5, 15.9, 20, 21, 22, 25 and 30.6 of the 1993 *Law on Petroleum* (as amended by the *Law on Petroleum* No. 19-2000-QH10) shall read "Vietnam Oil and Gas Group".

20.

Articles 33, 34, 35, 36, 37 and 39 of the 1993 *Law on Petroleum* (as amended by the *Law on Petroleum* No. 19-2000-QH10) are hereby repealed.

Article 2

This Law shall be of full force and effect as from 1 January 2009.

This Law was passed by Legislature XII of the National Assembly of the Socialist Republic of Vietnam at its 3rd Session on 3 June 2008.

Chairman of the National Assembly
NGUYEN PHU TRONG