

Oil and gas regulation in the United Arab Emirates: overview

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A Q&A guide to oil and gas regulation in the United Arab Emirates.

The Q&A gives a high level overview of the domestic oil and gas sector, rights to oil and gas, health safety and the environment, sale and trade in oil and gas, tax and enforcement of regulation. It covers transfer of rights; transportation by pipeline; environmental impact assessments; decommissioning; waste regulations and proposals for reform.

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Domestic sector

1. What is the role of the domestic oil sector in your jurisdiction?

Domestic production

The United Arab Emirates (UAE) has the world's seventh largest proved oil and gas reserves. The UAE holds 4% of the world's proven oil reserves and 3.5% of proven gas reserves. The proven crude oil and gas reserves are estimated to be 97.8 million barrels and 6.1 trillion cubic metres (slightly more than 215 trillion cubic feet) respectively. Nearly 10% of the total world supply of proven crude oil reserves is met by the UAE. The UAE is a member of the:

- Organization of the Petroleum Exporting Countries (OPEC) (since 1967).
- Organization of Arab Petroleum Exporting Countries (OAPEC) (since 2012).
- Gas Exporting Countries Forum (GECF) (since 2012).

The total domestic oil reserves in the UAE consist of:

- Abu Dhabi: 94%.
- Dubai: 4%.
- Sharjah: 1.5%.
- Ras al-Khaimah: 0.5%.

The reserves were stable at 97.8 million barrels from 2010 to 2015. However, there was only one oil discovery in 2010. The production of crude oil is 2.79 million barrels per day (mbpd) (*OPEC Annual Bulletin 2015*). There have not been any subsequent oil discoveries in the UAE.

The active rigs in the UAE increased from 26 in 2012 to 52 in November 2015 but reduced to 48 in March 2016. The number of completed wells increased from 182 in 2010 to 292 in 2014, with 15 wells completed that year. The official oil well figures for the year 2015 have not yet been published by the OPEC.

The producing wells have increased from 1640 in 2012 to 1735 in 2014. The average crude oil production for 2014 was 2.79 mbpd, a reduction of 0.1% compared to 2013 (2.79 mbpd). The crude oil production stood at 2.877 mbpd as at December 2015.

The refinery capacity of the UAE was 707,000 bpd in 2014, which was the same capacity as 2013. The official figures of the refinery capacity for the year 2015 have not yet been published by the OPEC.

The UAE is the sixth largest producer of petroleum and other liquids with 3.5 mbpd in 2014 of which 2.79 mbpd was crude oil. The output of refined petroleum product was 402.2 (1000 bpd) in 2014 which is 9% less than 442 (1,000 bpd) in 2013. In 2011 and 2012 output was 446.2 and 454.3 (1,000bpd) respectively. The unconventional oil production inched to 62.3 mbpd, an increase by 3.9% from 2013.

Oil imports/exports market

The UAE spent US\$298,616 million on imports and earned US\$380,347 million from exports in 2014. The imports have been raised from 2013 from US\$284,126 million. This was a further increase over 2012 from US\$255,882 million.

The value of petroleum exports is US\$107,853 million, which is less than 2011 to 2013 exports ranging at US\$111,607 million, US\$119,986 million and US\$122,973 million respectively. The crude oil exports were US\$378,660 million in 2013 and US\$349,481 million in 2012. The crude oil exports were 2.7mbpd in 2013 which reduced by 7.6% in 2014 at 2.4mbpd.

Domestic market structure

The Emirates are responsible for regulating the oil industry within their own borders. As Abu Dhabi holds 94% of the country's reserves and is a major contributor in the industry, this Q&A overview will focus on Abu Dhabi as an exemplar of the overall perspective.

The Abu Dhabi National Oil Company (ADNOC) is a state-owned company of Abu Dhabi and operates 16 subsidiaries. ADNOC Group's activities include:

- Exploration and production of crude oil and natural gas.
- Refining.
- Marketing, supply and transportation.
- Day-to-day operations.
- Implementation of Supreme Petroleum Council's (SPC) directives.

The following structure of ADNOC's major subsidiaries illustrates the market structure:

- **ADCO.** ADCO operates onshore and in the shallow coastal waters of the Emirate of Abu Dhabi for upstream oil and gas operations. ADCO produces from six oil fields:
 - Asab;
 - Bab;
 - Bu Hasa;
 - Sahil;
 - Shah; and
 - North East Bab (Dabbiya, Rumaitha and Shanayel).

Until 2014 the shareholders of ADCO were ADNOC (60%), BP, Shell, Total, Exxon (9.5% each) and Partex (2%). The new consortium consists of ADNOC, TOTAL, JODCO Onshore Limited (acquired a 5% participating interest in the ADCO Onshore Concession in 2015) and Korea GS E&P Pte. Ltd.

- **Abu Dhabi Marine Operating Company (ADMA-OPCO).** ADMA-OPCO operates Umm Shaif and Zakum for offshore operations from which crude oil is transferred to Das Island for processing, storage and export. Currently the shareholders of the company are ADNOC (60%), BP (14%), TOTAL (13%) and JODCO (12%).
- **Zakum Development Company (ZADCO).** ZADCO operates the Upper Zakum field Umm Al-Dalkh and Satah. The shareholders of ZADCO are ADNOC (60%), ExxonMobil (28%) and JODCO (12%).

The Dubai Supreme Council of Energy (DSCE) supervises Dubai's energy policy development and co-ordination. The downstream and upstream activities are carried out by:

- Emirates National Oil Company (ENOC).
- Dubai Petroleum Establishment (DPE) (who is operating in four fields: Fateh, Southwest Fateh, Falah and Rashid).
- Dubai Nuclear Energy Committee (DNEC).

Sharjah LPG Corporation (in which the Sharjah Government holds 60%) processes output of the Sajaa, Moweyid and Kahaif fields in Sharjah with BP, Itochu Middle East and Tokyo Boeki (holding the remaining interests), producing liquefied petroleum gas (LPG) for Sharjah and Dubai.

Government policy objectives

Abu Dhabi and Dubai have formed local policies that align with the vision set by the federal UAE Government strategy. Based on the strategy, Dubai created the Strategic Plan 2015 and the Dubai Plan 2021, while Abu Dhabi made the vision 2030 policy. The policies seek to achieve economic development through channelling oil revenues to nurture well-diversified economic development and maintain disciplined fiscal policies.

Dismantling energy subsidies is one of the major policy objectives identified in August 2015, which will be carried out in a phased manner.

Current market trends

A new storage terminal in Fujairah was opened in March 2015 with the capacity to hold nearly 16 million barrels of crude oil and petroleum products. Plans to expand the terminal include the following:

- Three new subsea loading lines.
- An intermediate pumping station.
- Three offshore buoys designed for deepwater tanker loading.

A planned 200,000 bpd refinery is expected to provide fuel for both domestic and export markets when it begins operations in 2020.

The UAE and neighbouring Oman plan to build a jointly-operated refinery in the Duqum special economic zone that will have a capacity of 230,000 bpd by 2018.

DSCE also signed a memorandum of understanding with China Sonangol to build a refinery in Dubai.

2. What is the role of the natural gas sector in your jurisdiction?

Domestic production

The UAE is among the top 20 global natural gas producers and holds the seventh largest reserves. The reserves have been constant at 6,091 billion standard cubic metres (bcm) from 2010 to 2014. The UAE's gross production for 2013 was 83,796 bcm and in 2014 it declined by 0.1% to 83,706.1 bcm. Marketed production in 2013 was 54,600 bcm, which was reduced by 0.7% to 54,244.6 in 2014. The portion of gross production is re-injected as an enhanced oil recovery (EOR) technique and to operate its power plants and desalination plants (*see below, Current trends*). The UAE is a member of the Gas Exporting Countries Forum (GECF).

Natural gas imports/exports

The UAE exports have reduced from 15,456.2 bcm in 2013 to 15,301.60 bcm in 2014 by 0.1%. The UAE exported 284 bcf natural gas in 2013, mostly in the form of liquefied natural gas (LNG) (more than 90%) and the remainder via pipelines. The UAE exported LNG cargoes (260 bcf) to Japan. The imports have also reduced by 0.1% in 2014, 28,756.50 from 2013 export of 29,047.00 bcm.

Domestic market structure

The domestic gas market structure is as follows:

- **GASCO.** This is an operating company engaged in the extraction of NGL (natural gas liquids). It was incorporated in 1978 as a joint venture between ADNOC (68%), Shell (15%), Total (15%) and Parlex (2%).
- **ADGAS (Abu Dhabi Gas Liquefaction Limited).** This operates production and exports of LNG and LPG (liquefied petroleum gas). Its shareholders include ADNOC (70%), Mitsui (15%), BP(10%) and Total (5%).

- **Abu Dhabi Gas Development Company Ltd (Al Hosn Gas).** It develops sour gas reservoirs in Abu Dhabi's Shah Field. Its shareholders include ADNOC (40%) and Occidental petroleum (40%).

Government policy objectives

Dubai has been exporting colossal amounts of natural gas from its neighbouring Emirate of Abu Dhabi for feeding its industrial needs. The DSCE develops policy and governance strategies for both oil and natural gas industries in the Emirate of Dubai. DSCE has also taken various strategic measures to reduce the carbon footprint in the Emirate. The strategic ambition of the Dubai Plan 2021 aims to increase the use of natural gas as it has a substantially less effect on the environment, compared to the usage of oil.

However, Abu Dhabi has been continuing to increase its production of natural gas while exploiting other renewable energy sources for the production of electricity and other industrial needs. The policy of Abu Dhabi Economic Vision 2030 aims to reduce the Emirate's dependency on natural gas by exploring alternative energy sources.

Current market trends

The demand for natural gas is growing as the UAE boosted imports from Qatar via the Dolphin Gas Project's pipeline over the past several years. Dubai and Abu Dhabi have both engaged in LNG trading (as both importer and exporter). Despite its large reserves, the UAE became a net importer of natural gas in 2008 as a result of:

- Re-injecting about 30% of gross natural gas production in 2012 into its oil fields as part of EOR techniques.
- The country's rapidly expanding electricity grid relying on electricity from natural gas-fired facilities.

3. Are domestic energy requirements met by oil and gas production?

Oil requirements

The UAE domestic market relies heavily on petroleum and natural gas imports to meet energy demand (*see below, Natural gas requirements*).

Natural gas requirements

The UAE generates most of its electricity (110 billion kilowatt hours in 2013) using natural gas-fired generation. The electricity sector is a major consumer of natural gas. Natural gas consumption reached a record high of more than 2.4 trillion cubic feet (Tcf) in 2013. The Dolphin energy pipeline meets around 26% of the UAE's natural gas demand. Consumption grew by an average of 6% per year between 2004 and 2013 from 1.4 Tcf to 2.4 Tcf, which was partially met by domestic production.

4. Are there specific government policies to encourage the exploration and production of unconventional gas or oil?

The pipeline connecting Habshan-Fujairah is major investment for increasing exports (*see Question 1*). Strategic plans and vision statements made by the UAE are not specific to the unconventional sector.

Regulation

Regulatory bodies

5. Who regulates the extraction of oil and gas?

The natural resources and wealth in each Emirate are deemed to be public property of that Emirate (*Article 23, UAE Federal Constitution*). As a result, each Emirate regulates the oil and gas industry within its territory through its own regulatory bodies and implements its own policies governing development of oil and gas industry. The ruler of each Emirate retains ultimate control over the exploration, extraction and management of its own natural resources.

Oil

Federal Ministry. The Ministry of Energy organises and develops general policies and legislation subject to the constitutional rights of the Emirates and under their consultation.

Abu Dhabi. The Supreme Petroleum Council (SPC) established under Law No. 1 of 1988 formulates and oversees the implementation of Abu Dhabi's petroleum policy. SPC received all roles, duties, and authorities of the Board of Directors of Abu Dhabi National Oil Company (ADNOC) and the Petrol Department on establishment. This mainly includes upholding the provisions of Law No. 8 of 1978 regarding the preservation of the oil industry. ADNOC, as the key shareholder in all its subsidiaries, implements SPC Directives.

Dubai. The Dubai Supreme Council of Energy (DSCE), formed in August 2009 under Law 19 of 2009, governs policy development, planning and co-ordinating with the relevant authorities and energy bodies. The DSCE includes representatives from key entities such as:

- Emirates National Oil Company.
- Department of Petroleum Affairs.
- Dubai Civil Aviation Authority.

The Department of Petroleum Affairs is responsible for the administration of oil and gas exploration and production within the Emirate.

Sharjah. The Petroleum Council of Sharjah is responsible for regulating the oil and gas development policy in Sharjah. 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.

Natural gas

The oil regulatory authorities above also oversee the gas industry in the UAE.

The regulatory regime

6. What is the regulatory regime for onshore and offshore oil and gas exploration and production?

Each Emirate governs the sector through its regulatory bodies (see *Question 5*). The right to exploration and production is granted by the government as concessions. Concessions are granted to state-owned companies and minority shareholdings are granted to international oil companies. The technical service contracts are also granted on contractual basis. Recent 2015 upstream concessions were also granted to ADNOC, with limited share to foreign oil companies collectively. There are no federal laws regulating the sector.

Abu Dhabi. The Emirate does not have comprehensive laws governing the oil and gas operations. The applicable laws and decrees governing the industry are:

- 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).
- Abu Dhabi Law No. 4 of 1976 (Gas Ownership Law), which grants ADNOC the right to exploit and use all such gas either solely or through joint agreements or projects concluded with third parties, provided ADNOC's participation is not less than 51% (*Article 6, Gas Ownership Law*) and to claim all rights derived from agreements concluded by the Abu Dhabi Government related to gas (*Article 4, Gas Ownership Law*).

Rights to oil and gas

Ownership

7. How are rights to oil and gas held?

Each Emirate has constitutionally entrenched ultimate ownership and control of its own natural resources (*Article 23, UAE Federal Constitution*). Each Emirate has been pursuing its own legislation and decrees in view of ruler's ultimate rights. The rights are granted through concessions to the following companies:

- State-owned oil and gas exploration companies.
- Consortium of foreign companies as minority shareholders, with a state-owned company as majority shareholder, forming a concession project company.

The ADNOC subsidiaries and joint ventures are examples of such concession project companies operating in the UAE.

In Dubai, operations are carried out through concessions between the companies and the Dubai Government. The Department of Oil Affairs issues licences for oil related activities.

Nature of oil and gas rights

8. What are the key features of the leases, licences or concessions which are issued under the regulatory regime?

Lease/licence/concession term

The concessions are granted by the government to ADNOC, a consortium of foreign companies or a project company. In 2015, ADCO onshore concessions were granted to foreign companies, who were given minority shareholders' rights. ADNOC holds a majority shareholding in concessions. When approvals for concession were in process, ADNOC was operating independently.

The terms of the concession agreements are not publicly available. The recent ADCO onshore concessions is a commercial decision as agreed and provides that TOTAL and INPEX has a 40-year ADCO concession agreement with 10% and 5% participating interest.

Fees

The commercial terms are laid down in the concession agreement. Depending on the concession, the successful party accepted as sharing participating interest pays a licence fee and/or signing bonus. In addition to equity participation, the host government also earns royalties based on gross revenue and/or a profit tax based on net income if commercial production occurs, both of which are based on the quantity of production and the price at which the production is sold, subject to any deviation as stated in the concession agreement.

Liability

The concessions granted by the government provides for accountability and obligations, breach of which incurs liability to the concession holder. Further, the companies operating in the sector must adhere to several obligations:

- The company must obtain the licence for starting a project, establishment or activity including an environmental impact assessment (EIA) (*Article 4, Federal Law No. 24 of 1999*).
- Any person causing damage, intentionally or by way of negligence, to the environment or any others as a result of violation of the provisions of Law No. 24 of 1999, orders or resolutions issued for its enforcement, is responsible for all costs of treatment or removal of such damages and any compensation incurred as a result (*Article 71*).
- The marine environment must be protected under chapter II of Law No. 24 of 1999, which specifies standards and regulations in accordance with regional and international conventions regardless of the source (chemical/oil/wastes) from marine means or establishments near the coastline and deals with protection of drinking and groundwater. The financial and penal sanctions are provided for in the event of a breach of the law. However, the penalties do not apply in the event of a sudden break in pipeline carrying

oil or oil mixture during working operations, drilling, exploration or testing of wells, and not resulting from negligence in the monitoring or maintenance of the lines and provided that sufficient precautions to monitor operations of the lines and immediately control pollution and its source.

- The operator must take all precautions required to prevent air pollution, subsurface and surface water pollution, territorial and continental shelf waters, the beaches and all islands located in the territorial waters and continental shelves. If pollution occurs the party involved must immediately take steps to remediate the pollution (*Article 56, Abu Dhabi Law No. 8 of 1978 (Petroleum Resource Conservation Law)*).
- The operator must pay compensation in addition to indemnifying the loss of reservoirs to the government for waste of oil or other hydrocarbons due to failure in adopting the common practice of the petroleum industry (*Article 58, Petroleum Resource Conservation Law*).

Dubai also adopted Local order No. 61 of 1991, which consists of different regulations dealing with different types and sources of pollution. It aims at protecting Dubai's internal and territorial waters. The polluter must remove the cause of pollution or the municipality will take action to remove the pollution and charge the costs to the polluter.

Restrictions

The terms of concessions granted are private arrangement and not in the public domain. However, the apparent restrictions are on equity participation, control and ownership by foreign companies on the project company. Further restrictions may include:

- Fixed rate of return on equity permissible for project sponsors.
- The manner of granting compensation to government for granting licences.
- Terms of importation of equipments and supplies into the country.
- Applicability of tariffs and price controls to the project.

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

The concessions are awarded by the government by signing private concession agreements with the bid participants.

Transfer of rights

10. How are oil and gas rights transferred?

Transfer of rights

The concession agreement governs the concession holder's rights to transfer.

Restrictions on transfer

The Emirate's approval is required prior to the transfer of concession rights. Foreign companies are usually not obliged to provide any security or guarantees in relation to the granting of concessions. Security for loans is subject to the agreement. Foreclosure is practiced by lenders. However, as oil and gas are state owned the terms of foreclosure and security on property are subject to the Emirate's ultimate rights.

Tax

11. What payments are payable by oil and gas interest holders to the government?

The federal law on the tax regime has not been issued, but corporate tax decrees have been passed by Emirates such as Abu Dhabi, Sharjah and Dubai. However, the tax is applicable only on oil and gas companies as chargeable persons for "dealing in oil" at the rates set out in concessions. "Dealing in oil" has been defined in Article 2(15) of the Abu Dhabi Income Tax Decree 1965.

Exploration and production companies are subject to tax rates on taxable income including capital gains (*Abu Dhabi Income Tax Decree 1965, as amended*). Taxable income exceeding AED5 million attracts tax of 55%. In practice, the SPC issues financial notices that may take precedence over the tax decree. The tax payable can be 55% or more, subject to the examination of specific terms of the concessions granted by each Emirate for different projects.

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

The government derives benefits in form production sharing and equity participation, licence fees and royalties as stated (*see Questions 8 and 11*). Other benefits include economic stability and revenue generation.

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

Cross-border transactions are not expressly regulated. The local custom department of each Emirate implements regulations provided by the Federal Customs Authority, which is uniform across the UAE, as a member of the Gulf Co-operation Council (GCC) and applies Common Customs Law under GCC Customs Union Agreement 2003, providing for:

- Single entry port whereby items imported in the UAE or any other GCC country and destined to other GCC state are subject to customs duty only at the first port of entry with the same procedures and documentary requirements across the GCC.
- Common tariff of 5% is levied in GCC for imports on CIF (Cost, Insurance and Freight).
- Import duty is exempted for imports of goods in free zones.
- The export duties are not levied in the UAE.

Transportation by pipeline

14. What regulatory requirements apply to the construction and operation of oil and gas pipelines?

Infrastructural development for production, storage, transmission, distribution or export including transportation of oil and gas is under each Emirate's control. Each Emirate's authorities regulate the transportation based on the codes of practice. The Ministry of Petroleum and the Ministry of Environment and Water (MOEW) is regulated at a federal level. The authority for construction and operation of pipelines is granted by the Emirates, as the ultimate owner of resources and land.

The permits, including an environment impact assessment (EIA) based on Act No. 24 of 1999 if required, is issued by the MOEW and petroleum for management of waste ensuing from trade and dealing in oil and gas.

Oil pipelines

The Abu Dhabi crude oil pipeline runs 380 kilometres and transports crude oil from the ADCO facilities at Habshan to the export terminal in Fujairah. The Jebel Dhana, Ruwais, Umm Al-Nar, Das Island and Zirku Island terminals handle petroleum exports from Abu Dhabi. They are owned and operated by the Abu Dhabi Petroleum Ports Operating Company.

The Jebel Ali terminal in Dubai and the Fujairah terminal in Fujairah also handle petroleum exports. The export terminal in Fujairah is one of the largest bunkering ports in the world and there are plans to expand its capabilities significantly. The expansion of the Fujairah export terminal is set to commence in 2016 and is expected to be completed by March 2017. Further, the incorporation of the Fujairah Oil Industrial Zone has included the expansion of the storage capacity in the Emirate. This escalation in infrastructure has had a directly proportional effect on the growth of oil trade in the eastern region of the Arab nation.

Gas pipelines

Gas pipeline projects currently being developed includes the construction of a series of product pipelines to transport natural gas, condensates and natural gas liquids from the Shah Gas Field to processing and distribution facilities at Habshan. Additionally, GASCO is developing two pipelines from Habshan to Ruwais and from Ruwais to the industrial complex at Shuweihat. This project will supply natural gas to the Abu Dhabi Oil Refining Company's refinery expansion and to ADWEC's power and desalinations plants in Shuweihat. It is hoped that these projects will increase gas production by 67.6 billion cubic metres by 2016 and 74 billion cubic metres by 2021.

The Dolphin Gas Project is the GCC's first cross-border refined gas transmission project and the largest energy-related venture ever undertaken in the regions of Qatar, the UAE and Oman. The project is developed and operated by Dolphin Energy, a company established in Abu Dhabi. Dolphin Energy is 51% owned by Mubadala Development Company, on behalf of the Abu Dhabi Government, and 24.5% each owned by Total S.A. and Occidental Petroleum. The export pipeline transports refined gas from Ras Laffan processing plant in Qatar to gas-receiving facilities at Taweelah in Abu Dhabi. From there, the majority of the gas is supplied to other parts of the UAE, using the Eastern Gas Distribution System. The Eastern Gas Distribution System is also used to transport natural gas to Oman, using a connection with a new Omani pipeline on the Oman border.

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

Land on which infrastructure is built is ultimately held by the Emirate and access to the land by third parties is subject to the rights granted individually based on agreements for owning, construction and operation.

The third party access is not regulated via set standards or customs. Recently, ADCO concessions for exploration and production outlined the possibility of new parties' entry based on the considerations of Emirate on a concession basis.

The government has not provided any explicit legislation regarding the regulation of third party access to the pipelines and other infrastructure. However, the government of the respective Emirate and the third parties are free to negotiate and enter into contracts which grant the latter with the right to access the pipelines and infrastructure of the former. Therefore, the scope of the right to access the pipelines and other infrastructure of the government depends on the underlying contract between the government of that Emirate and the third party. The same principle would apply for pipeline and infrastructure rights as decided by the Emirate.

Health, safety and the environment

Health and safety

16. What is the health and safety regime for oil and gas exploration and extraction, and transportation by pipeline?

The health, safety and environment (HSE) regime for the oil and gas sector is not specifically regulated. Generally, Federal Law No. 8 of 1980 concerning Labour Law and Environmental Law No. 24 of 1999 along with several regulations specifies certain health and safety requirements. The provision of Law No. 8 of 1980 does not apply to government companies.

The Ministry of Environment and Water has undertaken all prerogatives, functions and responsibilities of the Federal Environmental Agency contained in the Federal Law No. 7 of 1993 on the Federal Environment Agency. In practice, the local environmental regulatory bodies monitor the implementation of environmental laws and regulations. The environmental agencies for the Emirates are as follows:

- **Abu Dhabi.** Environment Agency Abu Dhabi (EAD).
- **Dubai.** Environment and Public Health Services Sector.
- **Sharjah.** Environment and Protected Areas Authority (EPAA).

Exploration

The following regulations provide technical specifications for HSE concerns:

- Local Order No. 61 of 1991 on the Environment Protection Regulations for Dubai.
- Technical guideline No. 1 on the disposal of hazardous waste for Dubai.

- Local Order No. 11 of 2003 Concerning Public Health and Safety of the Society.

Abu Dhabi Emirate EHS Policy was approved by executive council of Abu Dhabi Emirate on 6 December 2006. The executive council also issued a decree approving the establishment of Abu Dhabi EHS Centre on 2 February 2010. ADNOC and its subsidiaries (that is, project companies) provide their own HSE Policy and implements HSE management systems in compliance with federal regulations and laws.

Extraction

See above, *Exploration*.

Transportation

Abu Dhabi HSE Management System (EHSMS) by Department of Transportation provides Transport Sector EHSMS Requirements, 2012 (*see above*).

Environmental impact assessments (EIAs)

17. Is an EIA required before extracting or processing onshore or offshore oil and gas?

Federal Law No. 24 of 1999 for the Protection and Development of the Environment (Federal Environmental Law) governs the environmental impact assessment (EIA) requirements, which include:

- Obtaining the licence for starting a project, establishment or activity including environmental impact assessment (*Article 4, Federal Environmental Law*).
- Ensuring that parties who are licensed to prospect, extract or exploit onshore or offshore oil and gas fields carry out periodical monitoring of the environmental impact resulting activities taking place in the production fields, land and marine transportation routes (*Article 20, Federal Environmental Law*).

ADNOC and its subsidiaries have implemented EIA during its project design and implementation stage for its project sites. HSE and municipal departments also play a major role in environmental monitoring to mitigate the environmental risks during the course of the project.

18. What are the different stages of the EIA?

Federal Law No. 24 of 1999 for the Protection and Development of the Environment (Federal Environmental Law) provides for:

- Obtaining a licence from the MOEW to start a project, establishment or activity including environmental impact assessment by attaching a complete statement on the project or activity and all information required in accordance with the Executive Order and forms with application. The MOEW makes a decision in one month (*Article 4 to 7, Federal Environmental Law*).
- Parties licensed to prospect, extract or exploit onshore or offshore oil and gas fields must carry out periodical monitoring of the environmental impact resulting activities taking place in the production fields, land and marine transportation routes (*Article 20, Federal Environmental Law*).

Environmental permits

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

Federal Law No. 24 of 1999 for the Protection and Development of the Environment (Federal Environmental Law) provides for the following requirements:

- Prohibiting the discharge of any polluting substance resulting from drilling, exploring, testing of wells or production into the water environment or land area in the vicinity of referred activities unless there is a safety measure in place for treatment of discharged waste and polluting substances by the most recent technical systems available in accordance with the conditions provided for in the approved regional and international conventions and protocols (*Article 18 to 19, Federal Environmental Law*).
- Possessing a valid International Oil Pollution Prevention Certificate (IOPP) accompanied by a statement showing the last location of unloading of sludge and their quantities and the date of unloading (*Article 33, Federal Environmental Law*).
- Precautions to keep the amount of pollutants within permissible limits in combustion emission of smoke, vapours and fumes resulting from the burning of fuels or other substances at the time of exploration, drilling, extraction and production of crude oil, industry, generation of power, construction or any other commercial purpose and maintain registry.

Environmental concerns

20. Are there any specific government policies and/or incentives aimed at meeting the environmental concerns associated with the exploration and production of oil and gas?

See Questions 17 and 18.

Waste

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

The obligations for disposal of hazardous waste are provided by Federal Law No. 24 of 1999 for the Protection and Development of the Environment (Federal Environmental Law):

- Licence for handling and disposal of hazardous substances and waste (*Article 58 and 59, Federal Environmental Law*).
- The registry for such hazardous wastes, methods of disposal and the parties contracted to receive such wastes must be maintained by the company. There is a prohibition on importing, burying or disposing of hazardous wastes unless a written permit is obtained from MOEW for transporting (*Article 61 and 62, Federal Environmental Law*).

Flares and vents

22. Are flare and vent regulations in place?

The Petroleum Resource Conservation Law provides requirements for associated gas in production of oil and such other processes.

The gas must be used to maintain reservoir pressure, use in production process and re-injecting back in the reservoir. If such use of gas is not possible it must be disposed of in a safe way and a written consent from the government must be obtained for flaring (*Article 44 to 46, Petroleum Resource Conservation Law*).

The Federal Law No. 24 of 1999 for the Protection and Development of the Environment (Federal Environmental Law) provides for regulations for obtaining permits (see Question 17). Administrative Order No. 211 of 1991 on Issue of Executive Regulations issued under Local Order No. 61 of 1991 under Article 29 and 12 aims to prevent air pollution and the burning of fuels in oil and gas operations. It does not extend the permissible limits set out for emanating gases and vapours. The operating entities must take precautionary measures to prevent pollution, and the government must be compensated by operating entities for any loss caused or wastage of oil and hydrocarbons made.

Decommissioning

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

Breach of obligations resulting into decommissioning are implicitly provided by Federal Law No. 24 of 1999 for the Protection and Development of the Environment (Federal Environmental Law) and regulations applicable in each Emirate, in addition to any specific environmental requirements specified in the concession agreement. The Abu Dhabi Petroleum Resources Conservation Law also sets out

specific notification requirements in relation to abandonment. Participants must comply with general requirements relating to pollution and protection of the environment.

Sale and trade

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

Parties to the transaction are at liberty to decide on terms for trading oil and gas. The necessary permits under the law will be required to carry out the trading activities in accordance with regulation of different Emirates.

25. Are oil and gas prices regulated?

The federal government through the Ministry of Energy (MOE) regulates the oil and gas prices for consumption in the UAE. The MOE deregulated gasoline and diesel prices and adopted a new pricing policy linked to global prices in July 2015. Prices in Dubai are not regulated and reflect the global trends. The deregulation is part of an energy subsidy reform to boost public finances. This has led to an increase in prices and recovery of losses incurred in 2010, 2011 and thereafter.

Enforcement of regulation

26. What are the regulator's enforcement powers?

Orders

There is no federal regulator to uniformly implement the orders throughout the UAE and each Emirate has a separate regulator (see *Questions 5 and 6*).

Fines and penalties

The penalties are provided under Federal Law No. 24 of 1999 for the Protection and Development of the Environment (Federal Environmental Law) and Petroleum Resources Conservation Law for various above mentioned obligations are as follows:

- Breach of Article 58 of the Federal Environmental Law can incur imprisonment for a period of not less than two years and not exceeding five years, and a fine of between AED200,000 and AED500,000 or either of the two penalties (*Article 73 to 86*) and double for habitual offenders (*Article 88*).
- Breach of Articles 6, 7, 11, 18, 19, and such others that pertain to the disposal of waste and the causing of pollution under the Federal Environmental Law results in a fine of not less than AED5,000. For a continuing offence, the fine can be up to AED15,000 or the closure of the offending premises for up to a one-month period, or the cancellation of the licence (*Administrative Order No. 211 of 1991 issued under Local Order No. 61 of 1991*).
- Breach of the Petroleum Resources Conservation Law can incur a fine of between AED10,000 to AED50,000 (double for habitual offenders).

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

Regulators are usually the ultimate authority in the sector and the matter can be referred to any other higher authority or ministry for civil sanctions. Criminal penalties can be decided by the court.

The disputes concerning concessions can be resolved according to the terms of the concessions. The dispute resolution mechanism in concessions is international arbitration via the international centre. The international centre is generally London as the UAE is a signatory to the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (New York Convention). The UAE has also ratified the ICSID Convention and awards granted in such forums are enforceable in the UAE, subject to the discretionary powers of courts to enforce or reject the enforcement of foreign awards or judgments on the basis of public policy.

Reform

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

The Ministry of Energy (MOE) announced a major energy subsidy reform in 2015 to reduce the fuel subsidy burden which stood at US\$12.6 billion in 2014 (about 2.9% of the GDP as estimated by the International Monetary Fund). The reform was implemented by deregulating diesel and gasoline prices and linking the prices to international standards. This has led to an increase in oil prices.

The 2015 ADCO concessions have been granted with a 40-year concession term and new entrants are welcomed for the 22% remaining share. The terms of the concession are not made public.

The regulatory authorities

Supreme Petroleum Council

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PO Box 26555

Abu Dhabi

United Arab Emirates

T +971 2 602 0000

F +971 2 666 1001

E spc@adnoc.com

W www.abudhabi.ae/portal/public/en/departments

Main responsibilities. The Council formulates and oversees the implementation of Abu Dhabi's petroleum policy and follows up its implementation across all areas of the petroleum policy and follows up its implementation across all areas of the petroleum industry to ensure that the set goals are accomplished.

Dubai Supreme Council of Energy

Address. BP Compound Building

Jumeirah Area

PO Box 121555

Dubai

United Arab Emirates

T +971 4 307 2034

F +971 4 385 4295

E info@dubaisce.gov.ae

W www.dubaisce.gov.ae/arabic/default.aspx

Main responsibilities. Supporting economic growth in the emirate of Dubai by securing and providing power supply and sustainability while preserving the environment.

Ministry of Energy

Address. PO Box 59

Abu Dhabi

United Arab Emirates

T +80 066 367

F +971 2 619 0001

W www.moenr.gov.ae/

Main responsibilities. To co-ordinate with relevant authorities in petroleum affairs, minerals, electricity and water for contributing to sustainable development by assuring that these resources are utilised to support the national economy in a pioneering and exemplary manner in collaboration with other relevant authorities.

Ministry of Environment and Water

Address. PO Box 213
United Arab Emirates
T +971 02 4444747
F +971 02 4490444
E adarchive@moccae.gov.ae
W www.moew.gov.ae

Main responsibilities. To provide an integrated, sustainable, environmentally friendly and cost efficient recovery and disposal solution in UAE to protect its ecosystem.

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.abudhabi.ae/portal/public/en/departments

Main responsibilities. To operate in all areas of the oil and gas industry and manage upstream, midstream and downstream operations and to implement SPC directives.

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