



NEWS RELEASE

The Ministry of Petroleum and Mineral Resources of the Federal Republic of Somalia

LANDMARK PETROLEUM LAW COMPLETES LEGISLATIVE PROCESS WITH PRESIDENTIAL RATIFICATION

[X] January 2020 Mogadishu, Somalia. The Ministry of Petroleum and Mineral Resources of the Federal Republic of Somalia announces that, following approval by the Upper and Lower Houses of the Federal Parliament, the Petroleum Law has been ratified by His Excellency President Mohamed Abdullahi Farmajo. The Presidential Ratification is a landmark moment in the development of Somalia's natural resources, which will be transformational for the country's development.

The law includes provisions that the country's oil and gas will belong exclusively to the Somali people. It also embeds a groundbreaking revenue-sharing agreement that ensures revenues will be distributed among the Somali people, through the six Federal States, for the benefit of future generations.

Future revenues will be invested in the continuing re-building of the country's economic and social infrastructure, in particular in education, security and healthcare, to ensure the long-term prosperity of the Somali people.

Following the Presidential ratification of the Petroleum Law, the next stage will be to establish the Somali Petroleum Authority ("SPA") which will include representatives from Member State in addition to two from the Federal Government. Following this the SPA will sign Production Sharing Agreements ("PSAs") with interested and proficient exploration and production companies enabling exploration activity to commence. Such PSAs will be implemented through the conversion of Legacy Concessions, potential direct negotiations and/or bid rounds.

Commenting on the ratification of the Petroleum Law His Excellency President Mohamed Abdullahi Farmajo of the Federal Republic of Somalia said:

"The Petroleum Law demonstrates the capacity of the Somali people to unite in an historic effort to work together to build an equitable, prosperous and peaceful nation. In supporting this law, our democratic institutions have renewed their commitment to work for all Somalis and advance the cause of continued reconstruction."

Commenting on the ratification of the Petroleum Law His Excellency Abdirashid Mohamed Ahmed, The Minister of Petroleum & Mineral Resources, said:

"The opportunities for the international exploration and development majors are enormous, with Somalia having the potential to become one of the most significant hydrocarbon plays in offshore East Africa. The legislative process has completed to open up this strategic opportunity. We now much look forward to moving to agreeing Production Sharing Agreements with our international partners."

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The Petroleum Act sets out its purpose as follows:

- To confirm the sovereign rights of Somalia to explore, develop, produce, utilize and manage its Petroleum resources, located onshore and offshore;
- To allow efforts to be undertaken to determine the extent of the Petroleum resources which may exist in Somalia, by creating a regulatory, contractual and financial regime that allows the reconnaissance and exploration of hydrocarbons, and development, production and marketing of any resources which are discovered;
- If Petroleum resources are discovered in Somalia, to provide maximum benefit to Somalia and its people from the development and production of such resources;
- To ensure the protection, conservation and preservation of the environment in the conduct of Petroleum Operations;
- To encourage and support foreign investment which occurs to attain the other purposes of this Law;
- To establish the Somalia Petroleum Authority as the competent regulatory authority to regulate Petroleum Operations, applying regulatory principles of equality, openness, accountability, transparency and non-discrimination;
- To establish Somali National Oil Company (SONOC) as an entity controlled by the Government for the participation in Petroleum Operations in Somalia;
- To comply with international initiatives to ensure transparency of extractive industries, by enhancing public financial management and accountability, recognizing that management of natural resource wealth for the benefit of Somali citizens is in the domain of the Government, to be exercised in the interests of national development; and
- To ensure fair treatment of specified persons holding rights pursuant to Petroleum grants made by the Somali Democratic Republic on or before December 30, 1990, and agreements made by the Federal Government of Somalia