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The Oil and Gas Sector in Jordan - An Overview by Y. Abul-Failat

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The Oil and Gas Sector in Jordan

An overview

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In order to tackle the accelerating growth in the demand for energy, and confront any obstacles which impede the implementation of prosperous energy projects, The Master Strategy of the Energy Sector in Jordan for the Period 2007 – 2020 ("Jordan's Energy Strategy") has been sanctioned by the Cabinet on 7/12/2004. In both the oil and the natural gas sectors, the principle recommendation and goal of the Jordan's Energy Strategy is to attract foreign investment to explore, develop and produce resources in open areas. In Jordan there is no specific legislation regulating oil and gas activities, yet, the legal framework is suitable for the current volume and condition of operations in the sector. This paper will outline such regime and the oil and gas market as a whole. It will look at the historic development of the market, the current market conditions and players and the legal framework governing oil and gas activities.

0. Abstract:

In order to tackle the accelerating growth in the demand for energy, and confront any obstacles which impede the implementation of prosperous energy projects, The Master Strategy of the Energy Sector in Jordan for the Period 2007 – 2020 ("Jordan's Energy Strategy") has been sanctioned by the Cabinet on 7/12/2004.[1] In both the oil and the natural gas sectors, the principle recommendation and goal of the Jordan's Energy Strategy is to attract foreign investment to explore, develop and produce resources in open areas.[2] In Jordan there is no specific legislation regulating oil and gas activities, yet, the legal framework is suitable for the current volume and condition of operations in the sector. This paper will outline such regime and the oil and gas market as a whole. It will look at the historic development of the market, the current market conditions and players and the legal framework governing oil and gas activities.

1. The Origins of the Oil and Gas Sector in Jordan

Jordan's oil industry began with exploration in 1947 by the Iraqi Petroleum Company which established the Trans-Jordanian Petroleum Company in 1938.[3] The company relinquished its 75 year term license after unsatisfactory geological surveys.[4] Afterwards and until 1978, companies such as Edwin Pauley, Phillips Petroleum INA, Total Filon and Fuyo have on several occasions also conducted geological surveys which did not offer prosperous results.[5] Nevertheless subsequent efforts from the treasury fund by the Government of Jordan ("GOJ") resulted in 34,030 Kms of 2-D seismic data and the drilling of 83 wells of which two fields were discovered, namely: the Hamzeh Oil field in 1984 and the Risha Gas Field in 1987.[6] Despite such results, Jordan's dependency on imported oil remained unchanged; supply was mainly traded in from Saudi Arabia and Iraq.[7] The oil was processed at the Zarqa refinery

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[1] MEMR, 'Summary of the Updated Master Strategy of Energy Sector in Jordan for the Period (2007-2020)' (2007), 2; available at: http://www.memr.gov.jo/Portals/0/energystrategy.pdf accessed 29.01.13.

[2] Ibid, 23.

[3] 'Elusive Energy' (2000) 1 MEARR 54, 55.

[4] Ibid.

[5] Natural Resources Authority ("NRA"): The Petroleum Directorate, 'Petroleum Exploration Opportunities in Jordan' (2006) at 21. Available at: http://www.nra.gov.jo/images/stories/pdf_files/Petroleum_Exploration.pdf accessed 15.03.13.

[6] Ibid.

[7] Robert Scott Mason, 'The Economy' in Helen Chapin Metz (Ed), *Jordan: a Country Study* (Library of Congress 1991) 161.

which in 1985 refined 2.6 million tons of crude oil of which approx 69% was Saudi Arabian oil, 27% Iraqi oil and only 0.1% derived from the Hamzeh Field.[8] Thus, Jordan's oil bill was high and was further affected by OPEC's change of crude oil published prices.[9]

However, at the time, Jordan was recovering from this debt through barter agreements with Iraq and through diversification of imports, efficiently managing the fuel mix and cutting consumption through conservation measures.[10] Moreover, Jordan was inviting International Oil Companies ("IOC") to conduct oil exploration in Jordan and IOC's such as Amoco, Hunt/ British Petroleum, Petrofino, Arco, Hanbo Energy and Anadarko have explored and drilled under Production Sharing Contracts ("PSC") between the mid 80s up until the year 2000.[11] Realising the need for national participation, the GOJ has formed The National Petroleum Company ("NPC") on 21 June 1995 as a public shareholding company with an authorised capital of JD 150,000,000 to operate as the national oil company.[12]

2. <u>Current Market Conditions</u>

2.1. Current overview on oil and gas reserves and production

As of 2012, Jordan was ranked as the 100th in the world in respect of proven oil reserves at approximately 1 million bbl of oil and 88th in respect of proven natural gas reserves at approximately 6,031 billion cu m.[13] In Jordan, there is no oil and gas activities conducted offshore, and onshore upstream activities are spread over the divided eight blocks as displayed in figure 1, namely: the Risha Block, the Dead Sea Block, the Azraq Block, the West Safawi Block, the East Safawi Block, the North Highlands Block, the Jafer & Central Jordan Block and the Sirhan Block.[14] The majority of Jordan's oil and gas resources are

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[8] Ibid, 162.

[9] Ibid.

[10] Laurie Brand, *Jordan's Inter-Arab Relations: the Political Economy of Alliance Making* (Columbia University Press 1994) 216 – 217.

[11] Ibid, 21.

[12] NPC, 'The National Petroleum Company' (NPC 2013) available at: http://www.npc.com.jo/about.html accessed 16.02.13.

[13] Central Intelligence Agency ("CIA"): The World Factbook, 'Country Comparison: Crude Oil – Proven Reserves' (CIA 2013) available at: https://www.cia.gov/library/publications/the-world-factbook/rankorder/2244rank.html?countryName=Jordan&countryCode=jo&regionCode=mde&rank=100#jo accessed 13.02.13.

[14] NRA (n 5) 23 – 24.

concentrated in the Risha gas field in the northeast of Jordan and the Hamzeh oil field in the Azraq block which have cumulatively been producing an average of 30 mmscf/day and 40 bbl/day respectively since the late 80s.[15]

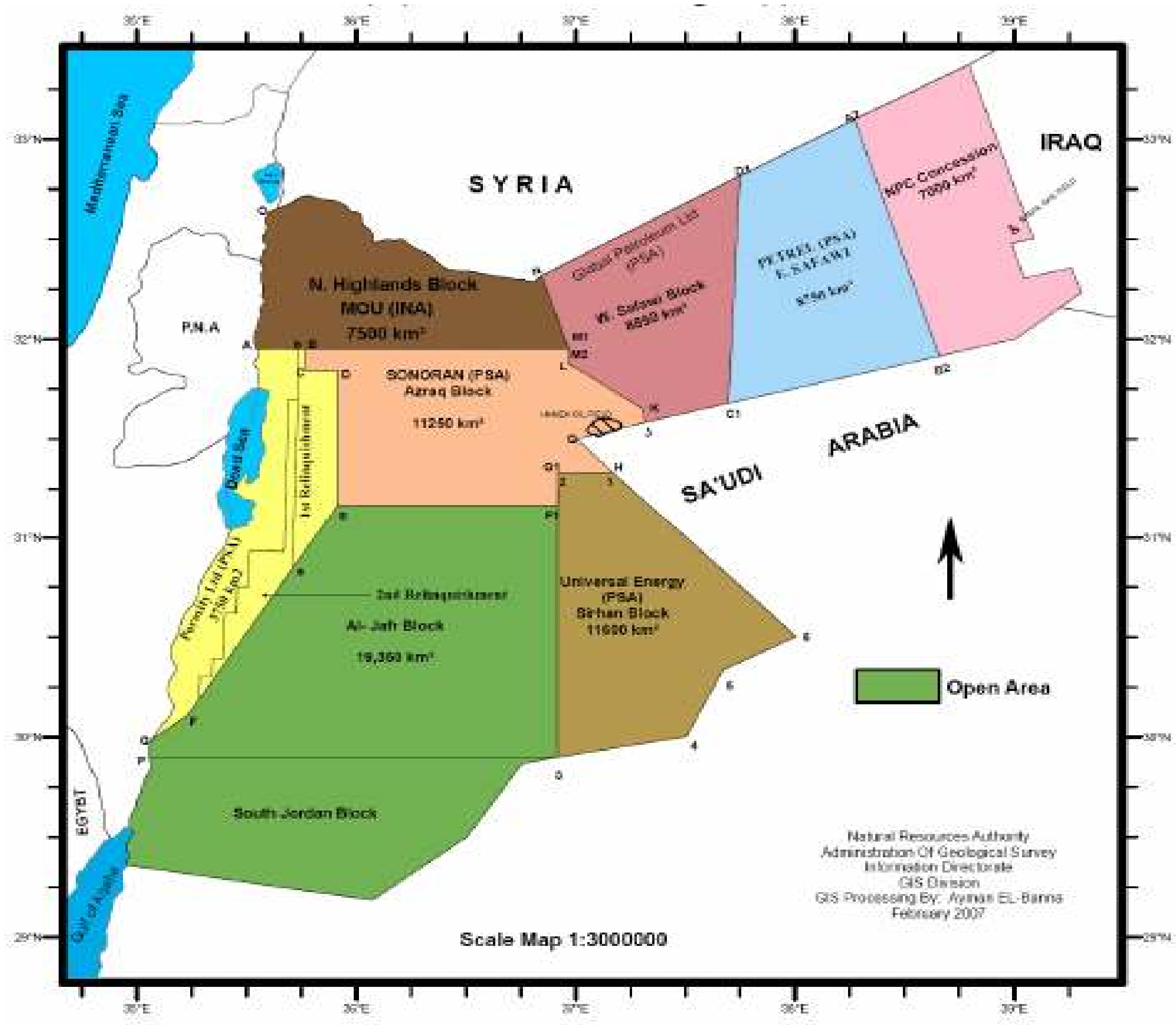

Figure 1. Petroleum Exploration Blocks in Jordan **Source: NRA**

2.2.Domestic demand and Consumption:

In 2011, over 82% of Jordan's domestic energy consumption needs were covered by crude oil, over 12% by natural gas and the rest being supplied by renewable energy and imported electricity.[16] Local production of crude oil and natural gas contributed as little as 3% of the overall energy consumption in Jordan with the rest being imported from Egypt, Iraq, Saudi

[15]Ibid, 27.

[16]Ibid, 23.

Arabia and the United Arab Emirates.[17] Prior to 2004, Jordan has relied heavily on fuel for electricity generation but was replaced gradually by imported Egyptian gas.[18] In 2011 however, fuel oil was used again and thus increasing the consumption of oil products; this was the result of the shortage in supply of imported Egyptian gas caused by continuous explosions on the transportation line.[19]

2.3. Export, Import and Infrastructure:

Jordan does not export any oil and gas and its energy security is highly dependent on imports, in 2011 imported crude oil and oil products amounted to approximately 5978 thousand toe ad 806 million cubic metres of natural gas representing a growth rate of 51% when compared to 2010.[20] Oil and gas are imported to Jordan via tankers and the Arab Gas Pipeline ("AGP"). Despite the previously used Trans-Arabian Pipeline ("TAPLINE")[21] and the older Mosul-Haifa oil pipeline, oil is imported overland by tanker trucks to Jordan's refinery in Zarqa.[22] The only pipeline in use at the moment is the AGP which is used to import gas from Egypt.[23]

Amongst many plans which would enhance the infrastructure in Jordan, is the scheduled work to extend the AGP beyond the Syrian border in order to meet future oil and gas requirements.[24] Moreover, there are recent statements from Iraqi officials stating that a tender will be announced in March 2013 to construct an $18 billion pipeline from Basra to Aqaba

[17]Ibid, 21.

[18]MEMR, 'Request for Proposals for Consulting Services for Establishing an Information System for Energy Sector in Jordan' (2013), 6; available at: http://www.memr.gov.jo/LinkClick.aspx?fileticket=_0mWMAXZ69c%3d&tabid=36 accessed 12.02.13.

[19]ERC, 'Annual Report' (2011) 14; available at: http://www.erc.gov.jo/English/Publication/Documents/annual%20report2011.pdf accessed 22.02.13.

[20]Ibid, 16.

[21]The Tapline was built in 1950 by the Aramo Partners and used to run from Abqaiq in Saudi Arabia to the Lebanese Mediterranean port of Sidon until 1990; M. S. Vassiliou, *The A to Z of the Petroleum Industry* (Scarecrow Press 2009) 512.

[22]Middle East Economic Survey, 'Jordan to Increase Iraqi Oil Imports to 15,000 B/D' (MEES 2013) available at: http://www.mees.com/en/articles/6091-jordan-to-increase-iraqi-oil-imports-to-15-0-b-slash-d accessed 23.02.13.

[23]International Monetary Fund, *Jordan: Staff Report for the 2012 Article IV Consultation* (International Monetary Fund 2012) 23.

[24]NRA (n 5) 15.

Oil Terminal ("AOT") in Jordan for export use.[25] The AOT which is the only export terminal in Jordan is also subject to expansion; in 2012 the MEMR has announced a call for tender in order to rehabilitate the terminal, expand its capacity (300,000 dwt) and build and accommodate an LNG import terminal.[26] Other oil and gas infrastructure in Jordan include its only refinery in Zarqa owned by the Jordan Petroleum Refining Company ("JPRCO") which was established in 1956 and holds a capacity of 107,000 b/d and a storage capacity of 1,581,725 tons.[27]

2.4.Market Players:

2.4.1. Regulatory Institutions:

The Ministry of Energy and Mineral Resources, which was established in 1984, is responsible for regulating all activities relating to the energy sector including the oil and gas sectors; overseeing the energy sector; implementing policy amongst others and; maintaining statistics and information relating to the energy sector including oil and gas imports and exports.[28] Amongst their most important tasks is the responsibility to ensure the availability of all different forms of energy at affordable prices and best quality.[29] Energy companies in Jordan, whether public or private including the NRA and the JPRC are subject to the oversight of the MEMR.[30] The NRA was established by virtue of the Organisation of Natural Resources Law No.12/1968 ("the 1968 Law") as an independent institution but remains attached to the government.[31] Under the direction of the MEMR, the NRA's responsibilities include:

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[25]Omar Obeidat, 'Jordan Finalising Pipeline Deal' (The Jordan Times, 24.02.13) available at: http://jordantimes.com/iraq-jordan-finalising-pipeline-deal accessed on 19.02.13.

[26]Mohammed Tayseer, 'Jordan Delays Bids for Aqaba Port Oil Terminal Until July 3' (Bloomberg 21.06.12) available at: http://www.bloomberg.com/news/2012-06-21/jordan-delays-bids-for-aqaba-port-oil-terminal-until-july-3.html accessed 23.02.13.

[27]Ibid; JPRC, 'History and Milestones' (JOPETROL 2013) available at: http://www.jopetrol.com.jo/engcont.aspx?linkTitle=History and Milestones accessed on 23.02.13.

[28]Vedavalli Rangawamy, *Energy for Development: Twenty-First Century Challenges of Reform and Liberalisation in Developing Countries* (Anthem Press 2007) 277; MEMR, 'Energy Statistics' (2013) available at: http://www.memr.gov.jo/Default.aspx?tabid=241 accessed 19.02.13.

[29]MEMR (n 18) 8.

[30]Rangawamy (n 28).

[31]The Organisation of Natural Resources Law No.12/1968 ("the 1968 Law"), Articles 3-5.

- Exploration and prospecting for mineral resources and conducting geological and economic studies on natural resources."[32]
- Drafting policies for developing and exploiting resources in Jordan to be presented before the Council of Ministers for implementation.[33]
- Acting as an advisor on technical and financial matters.[34]
- Issue permits for exploration, licenses for prospecting or any other agreements for the exploitation of natural resources in Jordan.[35]

The NRA operates through several directorates which are not limited to but include:

Directorate	**Main Responsibility**
Geology Directorate	Conduct surface and subsurface studies
Project Development and Investment Directorate	Promoting investment in the natural resources, petroleum exploration and evaluate the mineral industries.
Information Directorate	Responsible for information management system.
Petroleum Directorate	Implement policies; negotiating and signing PSA; and monitor oil and gas companies.
Mines and Quarries Directorate	Provide information on the mining sector.

Figure 2: The directorates of the NRA **Source: NRA[36]**

2.4.2. Other Industry Participants:

The industry is currently divided between three main institutions:

- The National Petroleum Company ("NPC") which is the governmental and national exploration and production company. It operates mainly in the Risha Gas field with its partner BP under a 50 year concession expiring in 2046 as amended in 2002 and 2010.[37]

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[32]Ibid, Article 3.

[33]Ibid, Article 14 (a).

[34]Ibid, Article 14 (b).

[35]Ibid, Articles 36 – 37.

[36]NRA, 'Organisational Unites' (2013) available at: http://www.nra.gov.jo/index.php?option=com_content&task=view&id=20&Itemid=81 accessed 23.02.13.

[37]NPC (n 12).

- JPRCO a public shareholding company which is responsible for oil refinement, production, transportation and distribution within Jordan.[38]
- The Jordanian Egyptian Fajr Company which is licensed to build, own and operate the natural gas pipeline stretching between the south and the north of Jordan.[39]

Moreover, within the eight Jordanian blocks, IOCs are exploring and producing oil and gas in five blocks under Production Sharing Contracts (PSC) or Concessions with the NRA on behalf of the Ministry of Energy and Mineral Resources ("MEMR") as a state partner. Current IOCs with such agreements include BP, TransGlobal Petroleum, Porosity, Sonoran Energy, Petrel Resources, Global Petroleum and INA Industrija.[40] The Dead Sea, Al-Jafer and the Northern Highlands blocks are still opened for exploration.[41]

3. <u>The Legal Framework</u>

3.1.The Oil and Gas Regime

In Jordan, there is no legislation dedicated to the regulation of oil and gas. In the absence of such legislation, reference is made to the Organisation of Natural Resources Law No. (12) for the Year 1968 ("the 1968 Law") and the Constitution of the Hashemite Kingdom of Jordan 1952 ("the Constitution"). Article 30 of the 1968 Law provides that "[a]ll minerals existing within the borders of the Hashemite Kingdom of Jordan, whether found on the surface, underground or in territorial waters, rivers and internal seas, shall be considered state domain."[42] Thus, the exploitation, transfer or trade in minerals is illegal unless consent is granted by the government in harmony with legislation and regulation that is in effect at the time.[43] Such consent is granted in the form of permits or licenses which allow for the exploration and exploitation of oil and gas by way of special agreements concluded between the board of the Natural Resources Authority ("NRA") and the contractor seeking such

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[38]JPRCO (n 27).

[39]Fajr, 'Arab Gas Pipeline Phases of Implementation' (FAJR 2013) available at: http://www.fajr.com.jo/en/InfosandDownloads/TheArabGasPipelinePhasesofImplementation.aspx accessed 23.02.13.

[40]NRA (n 5) 23 – 24.

[41]Wijdan Rabadi, 'Success Stories of PPP and Further Investment Opportunities in the Energy Sector' (2010) available at: http://www.naruc.org/international/Documents/2-%20Jordan%20Ministry%20of%20Energy-%20Overview%20of%20RE%20in%20Jordan.pdf accessed 01.03.13.

[42]The 1968 Law, Article 30.

[43]Ibid, Article 30.

rights.[44] The constitution also provides that any right for the exploration of mines, minerals or public utilities must be granted under a special agreement or a concession which shall be sanctioned by law.[45]

3.2. A Concessionary approach:

The use of concession agreements is common in developing countries like Jordan which have an underdeveloped legal system for regulating hydrocarbons.[46] Concessions and Public Private Partnerships ("PPP") in general are regulated by the provisions of the Regulation No. (80) of 2008 for Implementing Privatisation Transactions ("2008 Regulation") which was established by virtue of Article (20) of the Privatisation Law No.25/2000.[47] The framework does not define concessions but the 2008 Regulation provides a generic definition of PPPs which may provide a generic reference as to what constitutes a concession agreement; PPP is defined as

> A relatively long-term written agreement between the public and private sectors for the purpose of providing a service of a general nature or implementing a project or performing a certain task whereby project financing and allocation of risks arising there from shall be pursuant to the contract.[48]

Moreover, it is generally accepted that a concession contract is one of the three main forms of international petroleum contracts; it may represent a permit, a license or a lease.[49] It

[44]The 1968 Law, Article 37.

[45]The Constitution of the Hashemite Kingdom of Jordan 1952 ("The Constitution"), Article 117.

[46]Ibid.

[47]Privatisation Law No.25/2000, Article 20: "The Council of Ministers shall issue the regulations required for the implementation of the provisions of this law including regulations relating to employees and financial matters of the commission."

[48]EBRD, 'Jordan: Assessment of the Quality of the PPP Legislation and of the Effectiveness of Its Implementation' (2011) 14; available at: http://www.ebrd.com/downloads/legal/concessions/jordan.pdf accessed 24.02.13; The 2008 Regulation, Article 2.

[49]LXL LLP, LXL Energy Handbook – 2012: A Guide to the Energy Industry for the in-house Energy Lawyer, Focusing in 2012 on the Gas and LNG Sectors (2012) 80; available at: www.lawxl.com accessed on 04.03.13.

contains the terms and conditions on which the concession is granted, creating a mini-legal system which regulates the relevant activities.[50]

3.3. Award of Contracts:

Concessions are usually awarded after succeeding in a bidding process initiated by a Request for Proposals ("RFP") announced by the NRA.[51] The 2008 regulation does not provide a detailed procedure for tendering but provides some guidance. Article 11 of the 2008 regulation provides that investors who are bidding for a tender shall be selected in one phase or two phases if an established Steering Committee recommends so.[52] The same lack of detail applies to criteria for selecting a private bidder; the 1968 Law provides that entities applying for exploration and production rights must be able to provide satisfactory evidence that they have sufficient technical and financial capacity to undertake such operations.[53] According to the 2008 Regulation, in an oil and gas tendering process, the NRA in coordination with the Steering Committee must provide interested and qualified investors a tendering document which defines the relevant financial and technical criteria for pre-qualification and qualification.[54] The application or bids must contain:

- The Joint Operating Agreement ("JOA") or partnership agreement
- The scope of the scheduled work
- The mechanism for monitoring the planned work
- Evidence of financial and technical capacity
- The respective financial obligations
- The funding mechanism which will be used for the project
- Risk distribution plans

Further detail can be found in RFPs, for instance, the recent RFP for the West Safawi Block provides that an application or a bid must show the company's:

- Previous exploration experience and activities;

[50] Jubile Easo, 'Licenses, Concessions, Production Sharing Agreements and Service Contracts' in Geoffrey Picton-Turbervill (ed.), *Oil and Gas: A Practical Handbook* (2009 Globe Business Publishing) 34.

[51] For examples of current request for proposals please see the NRA's homepage: http://www.nra.gov.jo/index.php?option=com_frontpage&Itemid=1 accessed 26.02.13.

[52] The 2008 Regulation, Article 11.

[53] The 1968 Law, Article 35.

[54] The 2008 Article 13 (a) (4).

- Company information (articles of association, directors, shareholders, shareholder capital etc...);
- Financial capacity and comfort letters if possible;
- Previous production rates which must be at least 500bbl/d or equivalent in gas.[55]

In general, concessions can be granted for any field within the eight Jordanian blocks if available and when tendered for bidding, however, the 1968 Law provides certain exceptions which may or do render certain areas off-limit to exploration and production. For instance, exploration and production permits may not be granted for land which is privately owned or held on a trust unless consent is granted by the landowner.[56] Moreover, governmental consent and supervision is required for exploration and production in locations of antiquity or holy sites; forest areas; railway lands; municipal areas; and reservoirs.[57]

3.4.Key Terms of PSCs in Jordan:

3.4.1. The Term:

The term includes an initial exploration term of three years, followed by an optional exploration extension of two years.[58] After the first exploration stage, the contractor is obliged to surrender a minimum of thirty per cent of the original area and an additional percentage after the second optional extension.[59] At the end of the optional two year extension, the concession will automatically expire unless a discovery is established where the second phase may be extended for a further eighteen months followed by a twenty five years for development and production.[60] However, in certain concession the structure of the

[55]NRA, 'Exploration Opportunities in Jordan: West Safawi Block' (2012) 5; available at: http://www.nra.gov.jo/images/stories/pdf_files/bid%20round%20-%20west%20safawi%20%20block%202012.pdf accessed on 20.02.13.

[56]The 1968 Law, Article 33 (a).

[57]Ibid, Article 33 (c).

[58]Jordanian Production Sharing Agreement: A Contract for Exploration, Appraisal, Development and Production of Petroleum in Jordan ("Model PSC"), Article 3; available at: http://www.nra.gov.jo/images/stories/pdf_files/psa%20northern%20highlands.pdf accessed 25.02.13.

[59]Ibid, Article 5(a).

[60]Ibid, Article 3.

terms vary completely, for instance, in the concession agreement between the NRA and both the NPC and BP, a term of fifty years which may be renewed was agreed.[61]

3.4.2. Work and Expenditure Obligations:

The Model PSC contains provisions relating to the minimum work commitments and expenditure obligations throughout the life of the contract. However, there are no standard obligations or costs provided but rather left open for negotiation; but generally the budget for each exploration term is circa $10 million.[62] Compliance with all work commitments may relieve the contractor from the minimum expenditure obligations. Moreover, the IOC shall be exempted from custom and other duties for items brought into the country for the purpose of petroleum exploration.[63]

3.4.3. Allocation of Profit and Hydrocarbons:

The allocation of the produced hydrocarbons and profits are amongst the most crucial terms of a PSC, their division between the state and the IOC is highly dependent on the relative bargaining power of the parties which is highly influenced by the (i) competition amongst IOCs, (ii) the extent of risk in the venture, and (iii) features of the relevant fields.[64] The Model PSC provides a general guideline described below:

Barrels of Oil Per Day	**Government Share (%)**	**Contractor Share (%)**
0-10,000	40	60
10,001 – 15,000	40 – 45	60 – 55
15,001 – 30,000	45 – 50	55 – 50
30,001 – 50,000	50 – 55	50 – 45
50,001 – 80,000	55 – 60	45 – 40
80,001 – 100,000	60 – 65	40 – 35
100,001 and above	70	30
Thousand Standard Cubic	**Government Share (%)**	**Contractor Share (%)**

[61]Concession agreement concluded between the Government of the Hashemite Kingdom of Jordan and the National Petroleum Company, Ltd. No. (1) for the year 2010; available at: http://www.lob.gov.jo/ui/contracts/search_no.jsp?no=1&year=2010 accessed 02.02.13.

[62]NRA (n 5) 29.

[63]Model PSC, Article 20.

[64]Easo (n 50) 36.

Feet of Gas Per Day		
0 – 56,000	40	60
56,056 – 84,000	40 – 45	60 – 55
84,056 – 168,000	45 – 50	55 – 50
168,056 – 280,000	50 – 55	60 – 45
280,056 – 448,000	55- 60	45 – 40
448,056 – 560,000	60 – 65	40 – 35
560,056 and above	70	30

Figure 3: Sharing of Profit Oil **Source: Model PSC**[65]

3.4.4. Tax Regime:

An attractive feature of the Jordanian framework is that it does not provide any requirements for royalties or signature bonuses under its legislation nor under the Model Exploration and Production Sharing Contract ("Model PSC").[66] A production bonus however, is set out on the basis of incremental cumulative incremental production levels ranging between 2,800 cft and 336,000 cft for gas and 500,000 bbl and 60,000,000 bbl for oil.[67] Moreover, IOCs are subject to a 15% flat tax rate on taxable income but are exempt from any other tax obligations under the Jordanian taxation framework for the duration of the agreement.[68]

3.4.5. Operatorship:

The Model PSC provides that the contractor or the IOC is entrusted with the operational role and shall be assigned as an operating company.[69] The operating company is responsible for designating a technically competent General Manager and to notify such appointment to the NRA.[70] Moreover, in the case where there is more than one IOC, under their JOA they must establish an operating committee and appoint one IOC as the operator on behalf of the contractor.[71] Like the Egyptian PSC, the Model PSC stipulates that once a commercial

[65]Model PSC, Annex H.

[66]Ibid; Article 14 (a) (1).

[67]Ibid, 14 (a) (4) (v).

[68]Ibid, Article 14(c).

[69]Ibid, Article 7 (a).

[70]Ibid, Article 7(b).

[71]Ibid, Article 7 (c).

discovery has been made, the NRA and the contractor must establish a joint committee in order jointly operate the project.[72]

3.4.6. Assignment and Change of Control:

Unless authorised or permitted in writing by the NRA, a licence or any rights under it, may not be transferred to other contractors.[73] The same applies to divesting from operatorship which also requires the written consent of the NRA, a permission that is based on the technical and financial capability of the proposed operators.[74] Transfers without prior written consent from the NRA are possible when the contractor is divesting some or all of its working interest to technically and financially capable affiliate.[75]

3.4.7. Stabilisation clause:

The Model PSC does not refer to stabilisation clauses however, it does provide stability in respect of tax as it guarantees protection by expressly exempting companies from "any and all other taxes, royalties or duties (including lease taxes, sales taxes, net worth taxes, withholding taxes, operations taxes or property taxes)" whether currently enforced or implemented in the future.[76] Such stability matches the classical stabilisation approach – the 'freezing' clauses which seek to insulate the contractual relationship from any future governmental administrative or legislative measures which could have a negative impact on the contract or the IOC.[77]

3.4.8. Disputes:

Under article 34 of the Model PSC, disputes under the Model PSC are governed by the principles and laws of Jordan and in their absence, then in conformity with "principles of international law normally recognised including those which have been applied by international tribunals."[78] Moreover article 34 provides that

[72]Ibid, Article 13; Easo (n 50) 36.

[73]Ibid, Article 31 (a) (1).

[74]Ibid, Article 31 (a) (2).

[75]Ibid, Article 31 (a) (3).

[76]Ibid.

[77]A F M Maniruzzaman, `The pursuit of Stability in International energy Investment Contracts: A Critical Appraisal of emerging Trends` (2008) 1 J World Energy Law & Bus 124.

[78]Model PSC, Article 34 (a).

> Any dispute arising between NRA and Contractor relating to this [Model PSC] with respect to the interpretation, application or execution of this [Model PSC] and which cannot be settled amicably shall be finally settled by arbitration[79]

The seat of arbitration is Amman Jordan and is conducted in accordance with the laws of the ICC arbitration, or any successor legislation.[80] The arbitration clause however, reserves the settlement of disputes relating to technical matters such as quantities, measurements, values and prices which if not settled amicably must be submitted for final determination to an internationally recognised independent expert.[81] Since the establishment of Jordan, arbitration has been accepted as method of ADR by virtue of the Arbitration Law No.18 of 1953 which was repealed by the current Arbitration Law No.31 of 2001.[82] The current law is highly influenced by the Egyptian Arbitration Law No 27 of 1994 and the United Nations Commission on International Trade Law (UNCTIRAL) Model Law on International Commercial Arbitration of 1985.

Moreover, Jordan is a party to many bilateral and multilateral conventions[83] including the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards since 15 November 1979.[84] This has been considered to be a major advent in protecting foreign investors or international oil companies ("IOC") and securing their interests.[85] The European Bank for Reconstruction and Development ("ERBD") has positively evaluated the

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[79]Ibid, Article 34(b).

[80]Ibid.

[81]Ibid, Articles 34 (f) and (k).

[82]Jordan Investment Board, 'Arbitration' (2013) available at: http://www.jordaninvestment.com/BusinessandInvestment/InvestorProtectionDisputeSettlement/Arbitration/tabid/157/language/en-US/Default.aspx accessed on 05.03.13.

[83]Ibid; Riyadh Arabic Treaty on Judicial Collaboration, The Amman Arabic Treaty on Commercial Arbitration, the Settlement of Investment Disputes in the Arab Countries Treaty, the Treaty on Commercial Arbitration, and the ICSID amongst others.

[84]United Nations, 'The Status of the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Award' (2013) available at: http://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXII-1&chapter=22&lang=en accessed 13.03.13.

[85]Omar Aljazy, 'Jordanian Centre for Dispute Resolution' (2013),3; available at: http://www.jcdr.com/pdf/impact_adr.pdf accessed on 04.03.13.

"possibility to obtain proper remedy for breach under the applicable law through international arbitration and enforcement of arbitral awards" in Jordan at a score of 13/15 or 87% and that PPP projects have been generally implemented without serious arbitration claims.[86]

3.5.Environmental Duties:

Any contractor willing to conduct any oil and gas operations in Jordan is required to perform an Environmental Impact Assessment ("EIA") in their application. The purpose and design of an EIA is to assess the environmental impact of any action designed to describe and determine the effects of all phases of a certain project and also to identify ways to mitigate any negative impacts on the environment.[87] Such assessment is undertaken during the initial phases in conjunction with any feasibility studies or similar reports.[88] Amongst others, projects involving extraction of natural resources, hydrocarbons storage, oil and gas transport and transmission infrastructure cannot commence or operate without the receiving the necessary environmental approval from the Ministry of Environment.[89] The EIA should include the following items:[90]

- A non-technical summary of the findings and suggestions
- A description of the legal and administrative guidelines used
- A description of the project
- Baseline data
- A description of environmental impacts
- An analysis of alternatives
- A mitigation plan
- Monitoring and environmental post-auditing plan
- Appendices containing the names of individuals and entities involved in the EIA

[86]ERBD (n 48) 2, 57.

[87]Environmental Assessment Impact Regulation No.37/2005 ("EIA Regulation"), Article 3.

[88]Ibid.

[89]EIA Regulation, Article 4 and Annex 2: Projects That Require a Comprehensive Environmental Assessment, Articles 1 (1), 1 (6), 1 (10) and 1 (11).

[90]EIA Regulation, Annex 5: Items Which Must be Included in the EIA, Article 1; Jordan Investment Board, 'Overview of Environmental Legislation' (2013) http://www.jordaninvestment.com/Portals/0/library/PDF/634464741191895000.pdf accessed 03.03.2013.

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