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OIL & GAS ALERT



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Cabinet approves submission of the Draft Upstream Petroleum Resources Development Bill to Parliament

In a media statement released on Thursday, 13 May 2021, the Ministry in the Presidency announced that Cabinet has approved the submission of the draft Upstream Petroleum Resources Development Bill (the Upstream Petroleum Bill) to Parliament.

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Cabinet approves submission of the Draft Upstream Petroleum Resources Development Bill to Parliament

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In a media statement released on Thursday, 13 May 2021, the Ministry in the Presidency announced that Cabinet has approved the submission of the draft Upstream Petroleum Resources Development Bill (the Upstream Petroleum Bill) to Parliament.

We anticipate that the updated iteration of the Upstream Petroleum Bill will be published in the Government Gazette by June 2021.

The Upstream Petroleum Bill was first published in the Government Gazette on 24 December 2019. Written submission from industry stakeholders were submitted by 21 February 2020. Government consultations on the industry submissions were conducted by the Department of Mineral Resources and Energy and the Petroleum Agency between April and May 2020. In September 2020, Government verbally presented its proposed amendments to the Upstream Petroleum Bill to industry stakeholders, which amendments aimed to address the concerns raised by industry stakeholders.

What we expect to see in the Upstream Petroleum Bill

A significant and welcomed amendment to the Upstream Petroleum Bill, would be the introduction of the petroleum right, which will govern the key terms of both the exploration and production phase. We expect to see the introduction of a retention permit which is to be granted in instances where development

and production of petroleum is not possible owing to unfavourable market or economic conditions and to enable a petroleum right holder to undertake gas market development, if so applicable. We also expect to see the end of granting of technical co-operation permits. However, the exclusive right of current technical co-operation permit holders to convert to a petroleum right in respect of the relevant technical co-operation permit area will remain up to date of expiry of the technical co-operation permit.

We hope to see black-owned oil and gas companies having the right to dilute equity at a shareholding level and at a participating interest level in order to raise funding to meet its share of costs with the option to exit and retain empowerment credentials for the JV partnership.

We also hope to see recoverability on the State carry with a percentage of the State's annual share of production to be allocated for repayment of its proportionate share of exploration and production costs. Furthermore, we hope to see all references to "production bonus" and "petroleum rent tax" removed from the Upstream Petroleum Bill, given that these fiscal terms had not been fully formed and created investor uncertainty.

The CDH Oil and Gas team will continue to keep you updated on the developments of the Upstream Petroleum Bill.

Megan Rodgers, Shameegh Allen and Amore Carstens

OUR TEAM

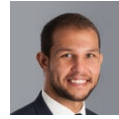
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BBBEE STATUS: LEVEL TWO CONTRIBUTOR

Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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