

REPUBLIC OF CAMEROON

PEACE - WORK - FATHERLAND

LAW No 2012/006 OF 19 AVR 2012

TO INSTITUTE THE GAS CODE

The National Assembly deliberated and adopted, the President of the Republic hereby enacts the law set out below:

PARTI 1
GENERAL PROVISIONS

SECTION 1: This law shall regulate the downstream gas sector comprising notably the transportation, distribution, processing, storage, importation, exportation and marketing of natural gas and its by-products within the national territory.

SECTION 2: The purpose of this law is to promote the development of the downstream gas sector in Cameroon.

As such, it is aimed at:

- creating an enabling legal framework for promoting the development of gas resources ;
- setting up an attractive gas sector environment for private national and foreign investors ;
- creating an enabling environment for the use of local human, material and industrial resources in every gas resource enhancement project ;
- laying down the principles governing the implementation of regulations and the role of the State in the gas sector ;
- guaranteeing the safety of facilities ; and
- promoting environmental protection.

SECTION 3: For purposes of this law and the implementing instruments thereof, the following terms shall mean :

- Authorization: deed whereby an operator is authorized to carry out the activities referred to in Section 25 of this law ;
- Customer : eligible customer or final customer;
- Eligible customer: corporate body having constant and regular need for natural gas as well as an annual gas consumption exceeding the ceiling fixed by regulation, and entitled to conclude gas purchase contracts with a producer, a transporter or distributor and accordingly, official access to the transportation and distribution networks;
- Final customer: a natural or legal person who purchases gas for its own use, and whose annual consumption is lower than the ceiling fixed by regulation;
- Petroleum code; Law No. 99/13 of 22 December 1999 to institute the Petroleum Code;

- Concession contract: agreement concluded between the State and an operator with a view to constructing, operating, maintaining and developing a gas transportation or distribution network on an exclusive basis within a given geographical area, for a specified duration, and on the basis of specifications;
- Concession: a deed whereby an operator is authorized to carry out the activities referred to in Section 12 of this law for a specified duration on the basis of specifications;
- Concession holder: a person who is holder of a gas transportation or distribution concession in accordance with this law;
- Local content: all activities relating to local capacity building, use of local human and material resources, technology transfer, use of local industrial and service companies and the creation of measurable value added for the local economy;
- Gas agreement: contract concluded between the State, directly or through a public establishment or body duly authorized for that purpose, and one or more gas companies, which specifies the rights and obligations of the parties relating in particular to the legal, financial, tax, social and environmental arrangements applicable to one or more gas exploitation operations during its validity period;
- Distribution: activity aimed at transporting gas within a distribution network for the purpose of supplying it to customers;
- Distributor: a legal person engaged in the distribution of gas within a distribution network assigned to it under a distribution concession;
- Exportation: export of gas produced in the Republic of Cameroon and sold in a third country;
- Gas: gaseous hydrocarbons as found in their natural state, otherwise referred to as natural gas or resulting from hydrocarbons refining operations, as well as all related products and substances extracted wherefrom, the exhaustive list of which shall be fixed by regulation;
- liquefied petroleum gas: hydrocarbons composed essentially of a mixture of butane and propane which is not liquid under normal conditions (0°C, 1 atm);
- hydrocarbons: liquid gaseous compounds found in their natural state, otherwise referred to as crude oil or natural gas, as the case may be, as well as all related products and substances extracted together with the said compounds;
- importation: purchase of gas from a foreign country intended for marketing or use within the national territory;
- licence: deed whereby an operator is authorized to carry out the activities referred to in Section 18 of this law;
- gas exploitation operations: activities involved in operating a transport network or facility, a distribution or production network or

- facility or a processing factory, for the storage, importation, exportation, marketing of natural gas and its by-products
- operator: any person who has been authorized to carry out an activity governed by this law;
 - person: any national or foreign natural person resident in the Republic of Cameroon or any corporate body governed by Cameroonian public or private law;
 - delivery point : connection point between a transportation network and a distribution network or an eligible customer where the latter is directly connected to the transportation network, or between the facilities of a producer and an eligible customer;
 - connection point: a point at which a customer is connected to a distribution network
 - reception point: a point linking the pipelines for the transport of gas extracted from the exploitation sites to a transportation network or an interconnection point with the network of a third country;
 - producer: any person engaged in gas exploitation activities within the meaning of the Petroleum Code;
 - petroleum products: products derived from refining of hydrocarbons, in particular petrol, aviation fuels, bunker oils, paraffin and fuel oil;
 - site restoration: all the operations intended to restore exploitation and protection areas at the end of the exploitation thereof;
 - distribution network: all the facilities comprising pipelines at a maximum pressure fixed by regulation as well as attachments and auxiliaries thereof used for the distribution of gas, linked from the delivery point to the connection point;
 - transportation network: all the structures comprising pipelines at a pressure above the level fixed by regulation as well as attachments and plants thereof, used for the purpose of transporting gas, linked from the reception point to the delivery point;
 - gas company: a commercial or industrial company or public organization with proven technical and financial capacity to successfully carry out gas operations, while ensuring safety and environmental protection;
 - storage: receiving and holding quantities of gas for subsequent use, including the use of porous geological formations, natural or artificially created cavities, excluding storage for production activities governed by the Petroleum Code;
 - Cameroonian territory: land and maritime areas over which the Republic of Cameroon exercises sovereignty, including the exclusive economic area;

- Holder: gas company or consortium of commercial companies with at least one component being a gas company, linked to the State by a gas agreement. The term "holder" shall equally refer to co-holders;
- Processing: gas liquefaction, petrochemical and gasochemical operations;
- Transportation: activities intended to convey gas within a transport and/or distribution network for marketing;
- Transporter: a person transporting gas within the transport network which he exploits by virtue of a transportation concession;
- Marketing: sale of gas intended for final consumers.

SECTION 4: (1) Natural gas discovered within the national territory shall be developed following a gas resource development plan prepared and updated by the State or a public body duly authorized for that purpose. Such development plan shall give priority to meeting domestic energy needs. It shall further specify other future gas development priorities and orientations, as well as resource allocation between natural gas domestic and export projects;

(2) Gas companies shall be bound to comply with the guidelines and priorities as well as the resource allocation set forth in the plan, subject to the provisions of gas agreements predating the plan.

SECTION 5: (1) The role of the State in the gas sector shall be to improve its organization and ensure the protection of the general interest, especially by facilitating the construction of gas facilities which shall be exploited by all stakeholders under optimum economic and safety conditions.

(2) The role of the State shall furthermore be to promote effective competition in the gas sector and ensure compliance with its instituted regulatory mechanisms.

SECTION 6: Any natural person of Cameroonian or foreign nationality resident in the Republic of Cameroon or any legal person governed by Cameroonian private or public law, without discrimination, may carry out, within the national territory, an activity in the downstream gas sector in accordance with the laws and regulations in force.

PART II

REGULATION OF DOWNSTREAM GAS SECTOR

SECTION 7: (1) The activities referred to in Section 1 above shall fall within the competence of the Minister in charge of the downstream gas sector or any public establishment so empowered

(2) The Minister in charge of the downstream gas sector shall ensure the regulation thereof and coordinate the role of the State therein.

(3) The Minister in charge of the downstream gas sector may, where circumstances undermining the energy security of the country so require, requisition gas resources in accordance with the regulations in force.

SECTION 8: (1) The regulation of the downstream gas sector shall, in particular, concern:

- control and monitoring of activities of downstream gas sector exploiters and operators;
- promotion and rational development of gas supply;
- ensuring the economic and financial balance of the gas sector as well as the economic conditions necessary for its development;
- protecting the rights and interests of the consumer, notably as concerns the price, supply and quality of gas;
- promotion competition and private sector participation in the downstream gas sector;
- implementing, monitoring and controlling the pricing system as well as compliance with the applicable methods and procedures;
- overseeing the application of technical, health and safety regulations as well as the applicable environmental protection laws and regulations;
- putting in place and monitoring the application of the rules governing access by third parties to gas transportation and distribution networks;
- monitoring the application of norms and standards by operators in the downstream gas sector;
- enforcing the penalties provided for by law;
- settling disputes between operators of the sector.

(2)The conditions of implementation of the provisions of subsection (1) above shall be laid down by regulation.

SECTION 9: (1) Financial resources shall be allocated to ensure regulation and the role of the State in the downstream gas sector. Such resources shall be public funds. They shall be managed in accordance with the rules laid down by the State financial regime.

(2) Such resources shall derive from:

- proceeds of royalties provided for by this law;
- gifts and legacies;
- fees paid in respect of applications for concessions, permits and authorizations;
- proceeds of the fines provided for by this law;
- loans from public or private funding agencies;
- state subsidies.

PART III

RULES AND REGULATIONS GOVERNING DOWNSTREAM GAS ACTIVITES CHAPTER I: GAS AGREEMENT

SECTION 10: (1) A gas agreement shall be concluded between the State, directly or through a public body duly authorized for that purpose, and one or more gas companies. It shall specify the rights and obligations of the parties relating in particular to the legal, economic, financial, tax, social, technical and environmental arrangements applicable to one or more gas exploitation operations during its validity period.

(2) The gas agreement shall be negotiated and signed on behalf of the State by the Minister in charge of the downstream gas sector or by any establishment duly authorized to do so, and on behalf of other party (ies) to the agreement, by their legal representatives.

(3) The gas agreement shall, in particular, specify:

- the purpose, bases and scope of the project it governs;
- the site on which the facilities necessary for its implementation shall be constructed;
- the detailed contents of gas projects to be implemented under the agreement and the technical and financial conditions for its implementation;
- the validity period of the agreement and the conditions for the renewal, extension and termination thereof;
- the gas resources necessary for the implementation of the projects identified in the agreement as well as the technical requirements for consolidating them where the gas sources are spread over the national mining area;
- the rights and obligations of the parties to the agreement, distinguishing the rights and obligations of bodies authorized by the State to manage its commercial interests from the sovereign rights of the State;
- the terms and conditions for granting, renewing and withdrawing the authorizations, permits and concessions necessary for implementing the projects specified in the agreement;
- the rules relating to ownership of the products derived from gas processing and the sharing thereof, where applicable, between the parties to the agreement, as well as the conditions for their marketing within the national territory and abroad;
- regulations governing the movable and immovable assets necessary for the implementation of the gas projects specified in the agreement;
- provisions relating to the participation of the State or a body authorized for that purpose, in the gas projects defined in the agreement as well as the rules governing the partnership between the State or public entity and the other commercial companies party to the agreement;
- provisions relating to the Local Content of projects implemented under the agreement and, in particular, to training, recruitment of Cameroonian labour, development and upgrading of local enterprises for their participation in the activities for the construction or operation of the factories or facilities earmarked under the projects defined in the agreement;

- the fiscal and customs conditions applicable to the projects identified in the agreement, as well as the conditions for importing or exporting, where applicable, the materials, supplies and equipment necessary for the projects;
- obligations relating to the safety and security of facilities and environmental protection;
- obligations relating to the abandonment of facilities and the restoration of sites used for the project and, where necessary, the conditions for State takeover of infrastructure and facilities at the end of operations;
- the rights and obligations of the agreement holder as well as the general conditions for the construction, operation and maintenance of gas processing facilities and other related facilities;
- conditions for the application of the legal, fiscal, customs, exchange regimes and general warranties, including the stability warranty;
- conditions for enforcing penalties in case of breach of the terms of the agreement;
- the dispute settlement procedure;
- enforcement of the conditions for the conveyance, renewal, non-renewal, expiry and renunciation of the agreement as well as cases of force majeure;
- the applicable land tenure regime in accordance with the relevant laws and regulations in force;
- the procedure for opening, keeping and closing foreign exchange bank accounts within the national territory;
- conditions for recruiting foreign nationals;
- conditions for subscribing, holding and transferring the shares of companies that may be created under the agreement;
- rules for the stability of the agreement;
- conditions for the transfer of technologies and know-how to nations within the framework of projects implemented under the agreement;
- principle of compensation for expropriation;

- conditions under which the State shall provide guarantees to projects, in particular, renunciation of sovereign immunity, guarantee to honour the State's obligations, financial guarantees of securities subscribed on behalf of the State by a public entity duly authorized for that purpose, guarantees demanded by lenders;
- any exclusive rights enjoyed by signatory gas companies and the conditions related thereto, notably, in terms of duration, renunciation and annulment applicable to the projects, where necessary;
- conditions under which third parties may have access to the infrastructure developed within the framework of the projects referred to in the agreement;
- the terms and conditions under which lenders could replace the gas company that signed the agreement or have it replaced with an entity under their control in terms of the rights and obligations resulting from the said Agreement as well as the Concessions and Licences governed by the said Agreement;
- the obligations of the parties to the agreement.

(4) The initial duration of the agreement shall be no more than 25 (twenty-five) years. However, the agreement may provide for a first automatic renewal period not exceeding 10 (ten) years.

SECTION 11: (1) The State, either directly or through a public establishment or entity duly authorized for that purpose, shall reserve the right to undertake and/or encourage the development of gas operations, by concluding gas agreements.

(2) The State shall reserve the right to acquire or ensure the acquisition of shares in any form whatsoever, in any gas agreement either directly or through a public establishment duly authorized for that purpose.

In such case, the State or duly authorized public establishment shall have the same rights and obligations as the entities that are parties to the gas agreement up to the level of its participation in the gas operations.

CHAPTER II: CONCESSION REGIME

I- PROVISIONS COMMON TO TRANSPORTATION AND DISTRIBUTION CONCESSIONS

SECTION 12: (1) Every gas transportation and distribution activity shall be subject to obtaining a concession.

(2) The concession shall be granted by the Minister in charge of the downstream gas sector for a maximum period of 25 (twenty-five) years, renewable.

(3) The concession shall be valid only within the area for which it is granted. It shall define, as the case may be, the rights and obligations of the transporter or distributor, in the management of the network under its responsibility.

SECTION 13: (1) The concession holder shall operate under the conditions set forth in its concession contract and specifications appended thereto.

(2) An order of the Minister in charge of the downstream gas sector shall define the standard clauses of a concession contract and, in particular, conditions for its review and renewal, as well as the rights and obligations of the concession holder in case of interruption or cessation of the transportation or distribution network operations.

(3) Concession contracts shall also lay down the conditions under which they may be suspended and withdrawn by the Minister in charge of the downstream gas sector, as well as conditions for the settlement of disputes.

SECTION 14: (1) Concession holders shall be selected through competitive bidding following a procedure laid down by regulation.

(2) However, where necessary and under certain conditions laid down by regulation, gas transportation and distribution concessions may, as a special measure, be granted without the bidding process.

(3) The concession shall be granted on the basis of:

- the applicant's technical and financial resources;

- adherence by the applicant to its obligations under this law as well as environmental protection laws and regulations;

- the safety and security of the transportation or distribution networks, as the case may be, for which the application is filed.

(4) Any rejection of an application for a concession shall be reasoned.

SECTION 15: The transfer in whole or in part of the rights of a transportation or distribution network shall be subject to the prior approval of the Minister in charge of the downstream gas sector and shall comply with conditions laid down by the regulations in force and by the concession contract.

II - SPECIFIC PROVISIONS ON TRANSPORTATION AND DISTRIBUTION CONCESSIONS

SECTION 16: (1) The construction and operation of a transportation network for supply to distribution networks, other transportation networks, storage facilities or eligible customers shall be subject to obtaining a transportation concession.

(2) The design, construction, operation, connection, maintenance and restoration of transportation network sites shall be done according to standard and internationally accepted practice as well as the laws and regulations in force.

SECTION 17: (1) The construction and operation of a gas distribution network for supply to final and eligible customers, distributors, transporters and producers at their request shall be subject to obtaining a distribution concession.

(2) The design, operation, maintenance and restoration of gas distribution network sites as well as distribution network to transportation network connection shall be done according to standard and internationally accepted practice and to the laws and regulations in force.

(3) In addition, the distribution network concession holder shall:

- maintain sufficient gas in stock to meet demand;

- supply gas to final customers at prices fixed by regulation;
- treat information given it by customers in the exercise of its activity with confidentiality.

CHAPTER III: LICENCE REGIME

I- GENERAL PROVISIONS

SECTION 18: (1) Gas processing, storage, importation and exportation shall be governed by the licence regime.

SECTION 19: (1) A licence shall be an instrument whereby the Minister in charge of the downstream gas sector authorizes an operator to exercise, under transparent and non-discriminatory conditions, any of the activities referred to in Section 18 above.

(2) In all the cases referred to in Section 18 above, the specifications shall stipulate the terms and conditions of undertaking the activity.

(3) A licence shall be granted for a renewable period of:

- 25 (twenty-five) years maximum for gas processing and storage, as well as for the production of liquefied natural gas;
- 5 (five) years maximum for importation and exportation licences.

SECTION 20: (1) Applications for licences shall be addressed to the Minister in charge of the downstream gas sector or to any other public entity so empowered.

(2) A licence shall be granted on the basis of the applicant's technical and financial resources.

(3) The procedure for obtaining licences shall be laid down by regulation.

SECTION 21: (1) The transfer in whole or in part of a licence shall be subject to prior approval by the Minister in charge of the downstream gas sector or any

other public entity so empowered. Such transfer shall comply with conditions laid down by regulation.

II- PROCESSING LICENCE

SECTION 22: The processing licence shall confer upon its holder the right to undertake gas processing activities in accordance with the provisions contained in its licence and specifications.

III- STORAGE LICENCE

SECTION 23: (1) The storage licence shall confer upon its holder the right to build and operate storage facilities in accordance with the provisions contained in its licence and specifications.

(2) The Minister in charge of the downstream gas sector may waive the obligation for a processing licence holder to have a storage licence for storage facilities associated with its processing activity.

SECTION 24: Any operator may use the storage facilities of a storage licence holder on the strength of the principle of open access against payment at a transparent and non-discriminatory rate which shall be made public after approval by the Minister in charge of the downstream gas sector and determined on the basis of the quantities handled and the duration of the service.

CHAPTER III: AUTHORIZATION REGIME

SECTION 25: (1) The following activities shall be subject to authorization: sale of gas, importation and installation of materials and equipment for setting up gas transportation and distribution networks, gas storage centres, as well as measuring and safety devices to be used by operators and customers.

SECTION 26: (1) An authorization shall be the instrument whereby the Minister in charge of the downstream gas sector or any other public establishment so empowered authorizes an operator to carry out, under transparent and non-discriminatory conditions, one of the activities referred to in Section 25 above.

(2) The authorization shall be granted for a renewable period of no more than 3 (three) years.

SECTION 27: (1) The procedure for obtaining authorizations shall be defined by regulation.

(2) The operator shall be bound to comply with the financial and technical criteria specific to the activity concerned and defined by a separate instrument.

SECTION 28: The transfer in whole or in part of an authorization shall be subject to prior approval by the Minister in charge of the downstream gas sector or any other public entity so empowered under conditions laid down by regulation.

PART IV

CONDITIONS FOR OPERATING IN THE DOWNSTREAM GAS SECTOR

SECTION 29: (1) Any downstream gas sector operator shall undertake its activities in compliance with the principles of continuity and quality of service. It shall be bound to maintain the financial and technical conditions applicable to its schedule of activities throughout the period of validity of the concession, licence or authorization.

(2) An operator who has been granted a concession, licence or authorization shall be bound to inform the Minister in charge of the downstream gas sector beforehand of any changes likely to occur in respect of shareholding and the composition of share capital, where such changes are likely to modify the control of the company.

(3) In the event of a change in the situation prevailing at the date of granting the concession, licence or authorization deemed contrary to the financial or technical commitments made by the operator, the regime granted it may be withdrawn by the Minister in charge of the downstream gas sector.

SECTION 30: The operator shall be bound to comply with the environmental protection and safety laws and regulations in force, as well as with internationally accepted environmental protection and safety standards.

SECTION 31: (1) Transportation and distribution concession holders shall be bound to build, maintain and develop their networks in accordance with the safety norms provided for by the laws governing compressed gas and steam-powered equipment, as well as with any other regulations issued in pursuance of this law and specific provisions stipulated in their concession contracts. Moreover, they shall be bound to restore the sites where they have wound up operations, according to standard and internationally recognized practice.

(2) Any holder of a processing or storage licence shall be bound to comply with the laws and regulations governing establishments classified as dangerous, unhealthy or obnoxious.

SECTION 32: The technical rules for operating, maintaining, designing and restoring transportation and distribution network sites shall be laid down by regulation.

PART V

ACCESS TO TRANSPORTATION AND DISTRIBUTION NETWORKS AND PRICING OF SERVICES

CHAPTER I

OPERATION OF TRANSPORTATION AND DISTRIBUTION NETWORKS

SECTION 33: (1) Every concession holder shall be responsible for operating and maintaining the structures and other facilities that comprise its network, to ensure the connection and access of users, in particular eligible customers, as well as interconnection with other transportation or distribution networks in Cameroon. In addition, it shall be responsible for restoring the sites used at the end of operations.

(2) To ensure access to transportation or distribution networks, the transporter or distributor shall implement programmes for injecting and tapping gas over the network it operates. Such programmes shall be established in conjunction with producers and holders of sales licences and authorizations. They shall relate to the quantities of gas that they intend to

inject or tap over a specified period at reception, delivery and connection points.

SECTION 34: (1) Every transporter and distributor shall, on a permanent basis, ensure the balanced supply of gas within its network through optimal operations, taking into account the technical constraints.

(2) Every transporter and distributor shall perform the calculations necessary for its operations. It may, in view of the differentials recorded with respect to the schedules for injecting and tapping gas and adjustment-related costs, request or grant a financial compensation to the users concerned, under conditions laid down in the concession contracts, and the pricing regulations in force.

CHAPTER II

ACCESS TO TRANSPORTATION AND DISTRIBUTION NETWORKS

SECTION 35: (1) To enhance the efficiency of transportation and distribution networks, the organization of the sector shall be based on the principle of free access of third parties to transportation and distribution networks so as to permit direct supply to eligible customers.

(2) This principle of free access shall not apply to gas transportation by pipeline for supplying gas processing plants.

SECTION 36: Eligible customers shall negotiate with the transporter or the distributor, access to transportation and distribution network facilities under conditions of objectivity, transparency and non-discrimination. To this end, concession holders shall be bound to publish each year the commercial terms for using their network. The Minister in charge of the downstream gas sector shall publish samples of the standard contracts governing relations between eligible customers and the transporter or distributor

SECTION 37: (1) Transporters or distributors may refuse access to their network for the following reasons:

- inadequate capacity or where access to the network by a third party hinders them from fulfilling their contractual or regulatory obligations;

- technical or operational reasons;
- serious economic or financial problems arising from the execution of sales contracts stipulating a minimum supply or payment obligation.

(2) Any refusal shall be reasoned.

(3) Any disagreement between third parties requesting access to the network and the transporter or distributor shall be brought before the Minister in charge of the downstream gas sector.

CHAPTER III

PRICING OF SERVICES

SECTION 38: The rates applicable to final customers shall be fixed on the basis of a method and parameters previously agreed between the Minister in charge of the downstream gas sector and operators of the sector.

SECTION 39: Gas supply activities shall be remunerated and regulated on the basis of mechanisms fostering optimum management, profitability of activities as well as product quality improvement.

SECTION 40: (1) Remuneration for gas transportation and distribution shall be fixed on the basis of a method and parameters defined by the Minister in charge of the downstream gas sector in accordance with Section 38 above.

(2) The Minister in charge of the downstream gas sector shall ensure that rates charged take into account investment, operation and equipment maintenance costs, other costs incurred in the exercise of the activity as well as an equitable return on the invested capital such as is applied in similar activities and including development costs.

(3) The pricing formula shall include cost reduction and product quality improvement incentives.

(4) Pricing shall be reviewed on a regular basis and applied by the Minister in charge of the downstream gas sector following a periodicity and procedure stipulated in the concession contracts.

PART VI

LAND OCCUPANCY FOR GAS TRANSPORTATION AND DISTRIBUTION

SECTION 41 : Any person wishing to engage in gas transportation and distribution may occupy the land required for that purpose and undertake works both within and outside the area covered by its concession. Such land may be allocated to it for use, in accordance with the provisions of this law and its implementing instruments as well as the land tenure law in force.

(2) Once the concession contract is concluded, the holder shall submit to the competent administrative authorities a land inquiry file allowing it access to the said land under conditions laid down by law.

(3) The objectives of such land inquiry shall be:

- (a) to determine the status of the land covered by the concession;
- (b) to identify the title holders and property owners on the said land;
- (c) to inform the title holders and property owners of the conditions of compensation for loss of their rights;
- (d) to sensitize the population on the gas operations.

SECTION 42 (1) : From the findings of the land inquiry referred to in Section 41 above, the State may decide to set aside plots to be used as right-of-way for the construction, operation and maintenance of the gas transportation and distribution network.

(2) To this end and in accordance with the provisions of the land tenure laws in force, the State may, depending on the legal status of the land concerned, either incorporate it into the private property of the State, classify it as public land or expropriate it for public purposes.

(3) The transportation or distribution concession holder shall be notified of all decisions taken by the State and shall take into account the rights-of-way in the course of its operations.

SECTION 43 (1): Right-of-way shall be granted by decree temporarily allocating the land for the construction, operation and maintenance of the gas transportation or distribution network. It shall confer on the transportation or distribution concession holder the land rights referred to in Section 44 below.

(2) The decree shall, in particular, stipulate the time-limit within which the transportation or distribution concession holder must submit to the Minister in charge of the downstream gas sector the coordinates of the lands constituting the right-of-way of the transportation or distribution network.

(3) In constituting the right-of-way of the gas transportation and distribution network, the decree referred to in subsection (1) above may be amended to maintain the said land for the operation and upkeep of the gas transportation or distribution network in accordance with the land laws in force.

(4) The decree shall limit the rights of the transporter or distributor to the part of the land not forming part of the right-of-way of the gas transportation or distribution network and shall attach it to the right-of-way used for maintenance works entailing excavation.

(5) Lands constituting the right-of-way are and shall remain the private property of the State. They may not in any manner whatsoever be transferred during the period of validity of the transportation or distribution concession or become the property of the transportation or distribution concession holder.

(6) After the construction of the gas transportation or distribution network, lands found within the right-of-way may be used for other purposes, subject to the protection areas referred to in Section 53 of this law, and on condition that such use may not hinder or constitute an obstacle to the smooth operation and maintenance of the transportation and distribution network.

SECTION 44 (1) The decree referred to in Section 43 above shall entitle the transportation or distribution concession holder to occupy and use the lands in accordance with the objective and purpose stipulated in the concession as well as free access to and use of ancillary facilities of the gas transportation and distribution network.

(2) Piping and ancillary facilities of the gas transportation or distribution network as defined in the concession contract are and shall remain the property of the concession holder until expiry of the concession. They shall be transferred to the State under conditions fixed by the concession contract.

SECTION 45 (1) The costs of and fees for opening rights-of-way, incorporation, allocation and vacation of land for the construction, operation and maintenance of the transportation or distribution network shall be fixed in accordance with the procedure in force as regards expropriation for public purposes.

(2) The fees due for using the rights-of-way referred to in subsection (1) above shall be equivalent to the value of the developments by the third party that have been destroyed, in accordance with Section 46 below.

(3) The competent authority shall fix the amount of compensation and approve the costs. Its decisions in this regard may be subject to appeal. The appeal may concern only the amount of compensation and costs, and shall not constitute an obstruction to the execution of works on the right-of-way.

SECTION 46 : Under pain of prosecution, owners of private lands or their rightful claimants, users of State lands, public utility concession holders or occupants of national lands shall not be permitted to carry out any activities that are likely to jeopardize construction, operation and maintenance work on the transportation or distribution network, if such work is carried out in accordance with the provisions of this law.

SECTION 47 (1): The transportation or distribution concession holder may, where its application is deemed justified by the competent authority, be authorized, against due compensation, to temporarily occupy the private lands located outside its right-of-way and that are required for the construction, operation or maintenance of the gas transportation or distribution network.

(2) The temporary land use authorization shall state the reasons for the request, define the lands required and authorize temporary use in accordance with the land laws in force.

SECTION 48 (1): For purposes of constructing, operating and maintaining the gas transportation and distribution network and related industries, the transportation or distribution concession holder may, where its request is deemed justified by the relevant authority, against due prior compensation paid to the owner of the land outside the concession area, dispose of substances not covered in the concession where operations require their felling in accordance with the laws and regulations in force.

(2) Without compensation, the owner of the private lands shall maintain free disposal of substances not covered in the concession and not used by the transportation or distribution concession holder.

SECTION 49: Where the gas transportation or distribution network constitutes a permanent obstacle to the use of the lands outside the right-of-way, the owner of the private land may seek compensation from the concession holder.

SECTION 50 (1): The transportation or distribution concession holder may, in accordance with the laws in force, temporarily occupy national land, public or private property of the State or of regional and local authorities lying outside the right-of-way.

(2) Such occupation shall be authorized by the Minister in charge of lands after the assent of the regional and local authorities or public utility services concerned regarding their respective private lands or portions of public land respectively under their charge.

(3) However, the authorization to occupy shall not confer ownership of such lands to the transportation or distribution concession holder.

(4) The provisions of Section 45(3) of this law shall apply to occupation of the public and private property referred to in this Section.

SECTION 51: In case of use of public property and save where provided for by the concession contract, no action may be brought against the State, administrative services or regional and local authorities by the transportation or distribution concession holder for damages that such normal use of the public land may cause to its facilities or for work carried out on public land in the interest of public security.

SECTION 52: The transportation or distribution concession holder shall be subject to:

- the provisions of the land tenure laws in force, in respect of the lands and facilities required for constructing, operating and maintaining the transportation or distribution network;
- the provisions of the mining law in force, in respect of the quarries required for constructing, operating and maintaining the transportation or distribution network;

- the laws and regulations in force and internationally recognized standards and practices, in respect of site restoration at the end of operations.

SECTION 53 (1): Transportation, distribution, processing and storage operations may entail the setting up of protection areas without compensation to the concession or licence holder.

(2) The setting up of the protection area shall seek to protect persons and property such as buildings and built-up areas, water sources, roads, bridges and public interest works as well as any other site where such areas are deemed to be in the general interest.

PART VII

ACCOUNTING, FINANCIAL, TAX, AND CUSTOMS PROVISIONS

CHAPTER I

ACCOUNTING, FOREIGN EXCHANGE, CUSTOMS AND TAX REGULATIONS

SECTION 54 (1): Downstream gas sector operators shall keep accounts in accordance with the Uniform Act of the Organization for the Harmonization of Business Law in Africa.

(2) Operators engaged in several of the activities referred to in Section I above shall keep separate accounts for each transportation and/or distribution concession, as well as for each licence or authorization.

(3) In such case, they shall keep in their internal accounting separate accounts for their transportation, distribution, processing, storage, importation, exportation and gas sale activities, and where necessary, separate accounts for their activities outside the downstream gas sector governed by this law, in the same manner as if such activities were carried out by distinct persons.

(4) Without prejudice to the tax provisions in force, certified accounts shall be submitted to the competent authority no later than 3 (three) months after the close of the fiscal year under pain of sanctions set forth in Section 71 below.

SECTION 55 (1): Subject to the provisions of this Section, operators that are holders of a concession, a licence or an authorization shall comply with the regulations governing foreign exchange in the Republic of Cameroon.

(2) During the concession, licence or authorization period and subject to compliance with the obligations binding them, notably, the foreign exchange regulations and the Tax Law, holders shall enjoy the following benefits:

- the right to open in the Republic of Cameroon and abroad, local and foreign currency accounts and to use them in carrying out transactions;

- the right to receive and freely keep abroad funds acquired or borrowed abroad and freely dispose of same;

- the right to transfer and freely keep abroad revenue related to gas operations, dividends and any returns on invested capital as well as proceeds from the liquidation or disposal of their assets;

- the right to pay directly abroad, non-resident suppliers of goods and services required for carrying out gas operations.

(3) Expatriate personnel employed by the concession holder and resident in the Republic of Cameroon shall enjoy free conversion and transfer to their countries of origin all or part of their entitlements, subject to prior payment of taxes and sundry levies to which they are liable under the regulations in force.

(4) Gas companies shall, on a periodic basis, be bound to submit to Government information on the transfer of funds between the Republic of Cameroon and other countries, receipts and disbursements from accounts opened abroad and concerning gas activities that the Government deems necessary for updating national accounts in terms of its trade balance and balance of payments.

SECTION 56 (1): Subject to the provision of this Section, activities related to gas transportation, distribution and sale shall be liable to taxes, duties and royalties laid down by the General Tax Code.

(2) During the installation phase which may not exceed 5 (five) years with effect from the date of notification, publication of grant instruments and signing of contracts as the case may be, gas companies shall enjoy the following benefits.

- exemption from registration duties on incorporation or capital increase instruments;

- exemption from registration duties on leases for exclusively professional purposes and forming an integral part of the investment programme;

- exemption from transfer charge on acquisition of fixed assets, land and buildings indispensable for carrying out the investment programme;

- exemption from registration duties on equipment procurement contracts and construction of buildings and facilities required for carrying out the investment programme;

- exemption from the registration duties on concession contracts;

- 5% reduction on customs duties and exemption from VAT on the importation of physical capital goods for gas operations.

(3) During the first 10 (ten) years of operation, gas companies shall be entitled to deduction of depreciation normally entered for the first 3 (three) years of operation under taxable revenue for the following 5 (five) years.

(4) During the five 5 (five) years of operation, gas companies may be entitled to the following customs benefits:

(a) at importation,

- an overall 5% reduction of customs duties on equipment, machines, materials and tools, as well as chemical products directly required for gas activities. This regime shall be extended to spare parts for machines and equipment required for the said gas activities;
- temporary, normal or special admission, as the case may be, of equipment, machines and tools directly required for gas

activities, where such materials are to be re-exported after use;

- beyond the above-mentioned period, imports of equipment and material for gas activities shall be subject to the common law regime;
- exemption from pre-shipment inspection, subject to compulsory waiver of the import declaration.

(b) at exportation,

- exemption from export duties on hydrocarbons due to the processing of natural gas.

(5) Beyond the above-mentioned period, the importation of equipment and materials for gas operations shall be governed by ordinary law.

SECTION 57 (1): Subject to the provisions of this Section, all gas companies shall be liable to the taxes, duties and royalties laid down by the General Tax Code and customs laws.

(2) considering the volume of investments required for the gas projects covered by the gas agreements, and the expected financial returns of such projects, notably the construction of gas liquefaction plants or similar projects, gas companies that have signed gas agreements may be entitled, for a maximum period of 10 (ten) years, as provided for under the said agreements, to exemptions from taxes, duties and other charges as follows:

- (a) company tax;
- (b) value added tax;
- (c) registration and stamp duties;
- (d) land tax on built-on or non-built-on estates;
- (e) tax on income from movable capital;
- (f) special income tax, at the project development and construction phases;
- (g) customs duties;
- (h) any taxes, duties, levies or fees whatsoever, whether calculated on the basis of the turnover of the natural gas processing company or on the unit volume of LNG produced, sold or exported;
- (j) any tax on the transfer, purchase or sale of foreign exchange and any indirect consumer tax, including the special tax on petroleum products.

(3) Beyond the period of exemption referred to in subsection 2 above, natural gas processing companies shall be liable to company tax reduction of between 15% and 30%, including additional tax, whose basis of assessment conditions shall be defined under the gas agreement

(4) Total exemption from customs duties referred to in subsection 2 above may be granted by the State for equipment and materials to be used directly at the installation phase, subject to approval of the related estimated list of imports by the customs administration.

SECTION 58 (1): Gas companies shall be liable to royalties, duties, taxes, fees and sundry charges regardless of their appellation, having the character of service fees. Such service fees shall be applied generally and proportionally to the service provided.

(2) Rules governing company tax basis of assessment and collection shall be those provided for, as concerns company tax, by the accounting and tax laws of the Republic of Cameroon, subject to contract arrangements that may provide for depreciation and special rules.

SECTION 59 (1): In accordance with the terms and conditions to be defined under the gas agreement, the State may grant contractors and sub-contractors as well as entities affiliated to gas companies exemption from taxes, duties, fees and other charges as stipulated under Section 57 above.

(2) On account of the scale of the project, the State may as a special measure, extend certain tax exemptions to shareholders, donors, promoters and other co-contracting parties of gas companies by contract.

CHAPTER II

FIXED DUTIES AND ROYALTIES

SECTION 60 (1): Any request for the award, renewal or transfer of a concession, a licence or an authorization in accordance with the provisions of this law, shall be subject to payment of fixed fees of the following amounts:

(a) Transportation or distribution concession

- award : 5 000 000 (five million) CFAF
- renewal: 7 500 000 (seven million five hundred thousand) CFAF
- transfer : 10 000 000 (ten million) CFAF

(b) Processing, storage, importation and exportation licence

- award: 2 000 000 (two million) CFAF
- renewal: 2. 500 000 (two million five hundred thousand) CFAF
- transfer: 3 000 000 (three million) CFAF

(c) Sale authorization

- award : 300 000 (three hundred thousand) CFAF
- renewal : 500 000 (five hundred thousand) CFAF
- transfer : 700 000 (seven hundred thousand) CFAF

(2) The conditions for the implementation of this section shall be laid down by regulation.

SECTION 61 (1): Subject to the provisions of Section 57 and 59 above, every operator of the downstream gas sector shall be liable to a royalty the amount of which shall be specific to each of the regimes provided for in this law. Such royalties shall be determined as follows:

- transportation : 5% of annual turnover
- distribution : 5 % annual turnover;
- processing : 5 % of annual turnover
- storage : 5% of annual turnover;
- importation and exportation : 5 % of the annual turnover of the operator concerned, relating to the activity;
- sale : 5% of the turnover of the operator concerned relating to the activity.

(2) Royalties shall be paid quarterly when they fall due; the first payment shall be made 6 (six) months after the accounting year concerned.

(3) Under no circumstances shall the amount of the royalties be included in the operating costs of the operator.

PART VIII
LOCAL CONTENT

SECTION 62 The development of national gas resources must be accompanied by a "Local Content" component that specifies the benefits of gas projects for Cameroon's economic, social industrial and technological development.

SECTION 63 (1): Local Content referred to in Section 62 above shall comprise a human resources development aspect and a local enterprises and industries development aspect. These two aspects must be the subject of a detailed content to be proposed by gas companies during gas agreement negotiations.

(2) Local Content shall include notably;

- a vocational and technical training programme for Cameroonian nationals in order to upgrade their skills in gas trades;

- a programme of recruitment of Cameroonian nationals at all duty positions and at all levels in gas companies signing the gas agreement, or any other structure involved in the gas sector;

- a programme and conditions for giving priority to local enterprises with the required capacities for the supply of goods, products, materials, tools, equipment and service delivery;

- conditions for the periodic assessment of the capacities of local enterprises that can take part in the construction operation and maintenance of specific gas installations and, as the case may be, a plan for the development and upgrading of enterprises lacking such capacities.

SECTION 64 (1): To implement the actions referred to in Section 63 above, gas companies that have signed a gas agreement shall be bound to contribute to a special account for local capacity building, with effect from a date and up to an amount determined under the gas agreement

(2) Such contributions shall be used in particular for:

- human resources development, notably the upgrading, adaptation or creation of local training establishments for gas sector professionals;

- development and upgrading of local enterprises that are likely to engage in the downstream gas sector as service providers, subcontractors or gas companies;

- monitoring the implementation by gas companies of their local content commitments.

(3) The amount of contributions, in CFA francs, shall be between 1% and 5% of total investments, for the initial validity period of the gas agreement. The amount of contributions for the other validity periods shall be determined under the gas agreement.

(4) Conditions for the collection and management of contributions shall be jointly agreed by the State, any duly authorized body and the contributing gas companies.

SECTION 65 : Gas companies shall, as a matter of priority, employ staff of Cameroonian nationality with the required competence.

SECTION 66 (1): In awarding contracts, gas companies and their subcontractors shall be bound to give preference to companies under Cameroonian law that meet international standards for constructions, service delivery of materials, equipment and products relating to gas activities.

(2) The Minister in charge of the downstream gas sector or any other duly authorized public establishment shall ensure the monitoring of implementation of the provisions of subsection (1) above.

(3) The terms and conditions for monitoring implementation provided for in subsection (2) above shall be fixed by regulation.

SECTION 67 Gas companies shall be bound to submit to the State and execute, according to their priorities, a technology and knowledge transfer programme related to their activities in a bid to encourage, facilitate and enable the gradual replacement of expatriate personnel of gas companies by local personnel.

SECTION 68 (1): Natural gas processing companies shall be bound to contribute to the supply of cooking gas in Cameroon, within the limits of implementation procedures and in accordance with the terms to be agreed upon with the State or any duly authorized State establishment.

(2) Conditions for marketing liquefied petroleum gas (LPG) from selected installations within the framework of these projects shall be defined by the State and gas companies, and included in gas agreements.

PART IX

OFFENCES AND PENALTIES

SECTION 69 (1): Under this law, the following shall be considered offences:

- exercise of activities in the downstream gas sector without a concession, licence or required authorization or in violation of conditions laid down by the Minister in charge of the downstream gas sector when granting same;
- failure to pay or late payment and/or insufficient payment of the royalties due;
- non-compliance with the set technical rules for the design, maintenance, and operation for connection and access to transportation and distribution networks, as well as to storage facilities;
- non compliance with the obligations relating to accounting rules, information and communication, the monitoring of which is the responsibility of the Minister in charge of the downstream gas sector;
- exercise of activities in the downstream gas sector in violation of the rules laid down in this law and its implementing instruments, particularly as concerns local content, the environment, hygiene, safety, technical standards and classified sites;
- failure to communicate the information provided for in Section 29 (2) above;
- non-compliance with the obligations contained in the specifications relating to the maintenance of operators facilities utilized for their activities of gas transportation, distribution, storage and processing for supply to consumers for exportation and importation.

SECTION 70 (1): Without prejudice to the recognized prerogatives of the public prosecution, criminal investigation officers with general jurisdiction and competent authorities, workers specially commissioned by the Minister in charge of the downstream gas sector or any other public establishment duly authorized, shall be responsible for investigating and establishing gas sector offences and prosecuting their offenders.

(2) They shall take the oath before the competent court.

(3) They shall, at their request, receive assistance from the forces of law and order for the exercise of their duties.

SECTION 71 (1): Where an operator fails to comply with the obligations laid down by this law, it shall be served a formal notice to do so within 30 (thirty) days by the Minister in charge of the downstream gas sector or any other duly authorized public establishment.

(2) Where such notice is without effect, the Minister in charge of the downstream gas sector or any other duly authorized public establishment shall apply the following penalties to the operator.

- fine;
- suspension of the right to operate for a period of up to 3 (three) months;
- withdrawal of the concession, licence or authorization.

(3) The penalties under this Section shall be supplemented by those in the Penal Code.

SECTION 72 : without prejudice to the penalties provided under Section 71 of this law, the Minister in charge of the downstream gas sector may impose fines on the offender commensurate with the type of offence and its frequency.

SECTION 73 (1): The fines provided under Section 71 above shall be as follows

- (a) lack of concession : 300 000 000 (three hundred million) CFAF;
- (b) lack of licence: 200 000 000 (two hundred million) CFAF.
- (c) lack of authorization : 100 000 000 (one hundred million) CFAF.
- (d) obstruction of control by sworn officers:
 - operators under the concession regime : 50 000 000 (fifty million) CFAF;
 - operators under the licence regime : 25 000 000 (twenty-five million) CFAF,
 - operators under the authorization regime 10 000 000 (ten million) CFAF.

- (e) breaches of competition and transparency rules and access by third parties to transportation or distribution networks and to storage facilities : 150 000 000 (one hundred and fifty million) CFAF;
- (f) breach of local content regulations: 300 000 000 (three hundred million) CFAF;
- (g) non-compliance with prices fixed : 100 000 000 (one hundred million) CFAF;
- (h) non-compliance with technical, safety and hygiene rules or those relating to the environment and protected special sites ; 100 000 000 (one hundred million) CFAF ;
- (i) interruption of the gas supply chain, save in cases of force majeure, 100 000 000 (one hundred million) CFAF;
- (j) non compliance with the obligations contained in the specifications relating to the maintenance of operator's facilities intended for their activities of gas transportation, distribution, storage and processing for supply to consumers for exportation and importation : 100 000 000 (one hundred million) CFAF;
- (k) failure to communicate the information provided for in Section 29 (2) of this law: 25 000 000 (twenty-five million) CFAF;
- (l) non-compliance with the accounting rules provided for by this law: 50 000 000 (fifty million) CFAF
- (m) failure to pay royalties and fines : increase of 1 % per month.

(2) The conditions for imposing and collecting the above-mentioned fines shall be laid down by regulation.

SECTION 74 : Suspension shall be a penalty whereby the Minister in charge of the downstream gas sector or any other duly authorized public establishment suspends the activities of the operator for a period of no more than 3 (three) months for offences committed in the execution of its operations or repeated breaches of the obligations provided for in this law and its implementing instruments.

SECTION 75 (1): Where an operator who has been fined or suspended pursues its activities in violation of the rules and principles laid down in this law and its implementing instruments, the Minister in charge of the downstream gas sector or any other duly authorized public establishment shall proceed to withdraw the concession, licence or authorization concerned.

(2) Without prejudice to the application of subsection (1) above, where the operator punished with a fine or suspension pursues its activities in violation of local content rules as defined under this law and its implementing instruments, the Minister in charge of the downstream gas sector shall refer

the matter to the competent authority with a view to suspending the tax benefits granted under the gas agreement governing gas activities of the operator concerned.

(3) The Minister in charge of the downstream gas sector or any other duly authorized public establishment may pronounce the loss of rights of any operator in case of a decision of early dissolution, judicial liquidation accompanied or not with an authorization to continue business, or bankruptcy.

PART X

MISCELLANEOUS, TRANSITIONAL AND FINAL PROVISIONS

SECTION 76 (1): For a period of 15 (fifteen) years with effect from the date of signature of the gas agreement or concession contract referred to in this law, the Minister in charge of the downstream gas sector shall be empowered, following the prior approval of the President of the Republic, to grant gas companies, their shareholders and contractors, a transitional regime which will enhance the economic efficiency of the sector and financial profitability of concession holders and attract national and foreign investments to gas-related activities.

(2) The applicable regime, where the transportation and distribution of gas falls under distinct concession by the same operator, shall comprise the following waivers:

- the operator shall be exempted from the obligation of separate accounts referred to in Section 54 of this law until 31 December of the year of the sixth anniversary of the coming into force of the transportation or distribution concession contract in question;

- throughout the period of the transitional regime as defined in subsection (1) above, a distribution concession holder governed by this regime shall be the sole supplier of gas in the geographical area of the concession covering all consumers and eligible customers;

- throughout the period of the transitional regime as defined in subsection (1) above, the distribution concession holder governed by this regime shall be exempted from the obligation provided in Section 33 of this law concerning free access to transportation and distribution network for all operators and eligible customers.

(3) A distributor governed by the regime provided for in this Section and who is the sole person authorized in the area covered by its concession to supply gas to final and eligible customers shall be bound to procure supplies from national gas producers through open, transparent and non-discriminatory tenders.

SECTION 77 : This law which repeals Law No. 2002/13 of 30 December 2002 relating to the Gas Code shall be registered, published according to the procedure of urgency and inserted in the Official Gazette in English and French.

YAOUNDE, 19 AVR 2012

