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AMENDMENT ON THE PETROLEUM ACT

Article 1- Article 1 of Petroleum Act ratified on 10/1/1987, which is called “Act” hereafter, is amended as follows:

Article 1- The following terms used in this Act, shall have the meanings and definitions ascribed to them under this Article:

1- Petroleum: Hydrocarbons in the form of crude oil, condensates, natural gas, bitumen (tar), oil shale and sands found in a natural condition or produced through upstream activities.

2- Natural Gas: Hydrocarbons existing in independent gas structures, gas anticlines or dissolved in oil, under normal circumstances as gas, or produced through upstream activities.

3- Petroleum Resources: Any subsurface or surface resource or reservoir in the territorial administrative districts, inland waters, coastal zone, continental shelf and international waters adjacent to country’s borderline and international high sea, in which existence of petroleum is likely and technical specifications and geographic coordinates of which would be determined by Ministry of Petroleum.

4- Upstream Petroleum Activities: It includes all studies, activities and actions with respect to exploration, drilling, operation and conservation of petroleum resources, its transportation, storage and exportation such as research survey, mapping, geological and geophysics and geochemistry studies, drilling and technical services of wells, injection of gas, water, air (gas lift) or any activity leading to IOR/EOR from oil resources and also installation and development of related facilities

and industries, delineation of borders, and protection of their security for production and processing of petroleum in the extent of first separation, exportation, utilization or provision for downstream activities.

Instances such as management and supervision on provision of industrial goods and materials and recruiting human resources, maintenance of HSE conditions and carrying out all necessary activities in order to improve and transfer technology for supporting the abovementioned activities, are all considered as upstream activities.

5- Downstream Petroleum Activities: It covers all studies, activities and actions with respect to refining activities in refining facilities in order to produce petroleum products and utilizing them for producing petrochemical products; and transfer, storage, distribution, domestic sale, exportation and importation of petroleum and petrochemical products.

Instances such as management and supervision on provision of industrial goods and materials and recruiting human resources, maintenance of HSE conditions and carrying out all necessary activities in order to improve and transfer technology for supporting the abovementioned activities, are all considered as downstream activities.

6- Operational Units: Any unit, organization, institution or company which carries out upstream or downstream activities as primary, subsidiary, specialized, public and consultation services, according to pertinent laws and regulations.

7-Production in compliance with MER [Maximum Efficient Rate]: All activities that lead to enhanced recovery rate and maximum commerciality of production from country's oil and gas resources during their lifetime which would avoid waste of resources in the oil production lifecycle, based on the ratified policies.

8-Oil products: All products produced in oil processing and refinery facilities and can be either directly used or processed into final product in other operational and petrochemical units.

9-Petrochemical products: All products produced in petrochemical facilities from oil and oil products and can be either directly used or used in order to produce final product in operations.

10- Final Products: Products that may not produce other products and may be directly used after production.

11-Oil transfer: All activities and actions that are carried out in order to transfer exploited or extracted oil the from oil resources to processing and refinery facilities and export terminals. This definition includes oil transfer from import points to refinery and petrochemical facilities.

12- Transfer of oil products: All activities and actions carried out in order to transfer oil products from processing facilities, import points and main warehouses and, distribution points, petrochemical facilities or export terminals.

13- Pipelines: All lines through which oil resources are transferred, through pipes, to refinery and petrochemical facilities or export and import points and also lines of transferring oil and petrochemical products to main warehouses and domestic distribution points and export terminals.

14- Oil, Oil products, and Petrochemical Products Trade: shall be ascribed to marketing activities and actions, pricing and conclusion of contracts of sale, export and import, transfer (transit), and exchange of oil, oil products, and petrochemical products.

15-Oil and Oil products storage: All activities and actions, related to storage and recovery of oil, oil and petrochemical products in surface metal, concrete, subsurface containers, including but not

limited to, stone and salt caverns and abandoned reservoirs and mines, that are carried out to deliver provision of input of refinery and petrochemical units to export terminals, in order to prevent stoppage of operational units activities, enhancement of oil and oil products quality and making balance between production and consumption.

16- Oil Contract: Bilateral or multilateral agreement signed, in conformity with statutes and laws, between Ministry of Petroleum or any main affiliate companies of the ministry or any operational unit with one or several operational units or natural or juridical persons inside or outside the country, according to which carrying out all or part of upstream and downstream activities or trade of oil, oil product and petrochemical products are undertaken.

17- Sovereignty Affairs in Petroleum Industry: It means application of sovereignty right and public ownership by I.R. of Iran over oil resources and policy making, planning, control and management and supervision on activities carried out in petroleum and petrochemical industry, including upstream and downstream activities.

18- Main Affiliate Companies of Ministry of Petroleum: National Iranian oil, gas, petrochemical and refinery and distribution of oil products as affiliates of Ministry of Petroleum.

19- Subsidiary Affiliate Companies of Ministry of Petroleum: Companies with more than 50% shares belonging to Main Affiliate Companies of Ministry of Petroleum.

Article 2- Article (2) of Act is amended as follows:

Article 2- All oil resources are public property. Ministry of Petroleum is responsible on behalf of Islamic Government for application of sovereignty right and public ownership over the abovementioned resources.

Article 3- Article (3) of Act is amended as follows

Article 3- “Supreme Board of Supervision on Petroleum Resources” is responsible for supervision over application of sovereignty right and public ownership on petroleum resources. This Board is founded by virtue of this Law and has the following members:

1. Petroleum Minister as secretary general of the board
2. Planning and strategic supervision vice-president
3. Minister of commercial and treasury affairs
4. General Head of I.R. of Iran Central Bank
5. Head of Energy Commission in Islamic Consultative Assembly
6. Head of Planning and Budget and Accounting Commission in Islamic Consultative Assembly
7. Attorney General
8. Two vice-presidents of Ministry of Petroleum

Note 1- All members of the board, have the right to vote.

Note 2- Board meetings can conduct business with a quorum of 7 members and attendance of Attorney General and one of the abovementioned commissions is necessary.

Note 3- Decisions of this board is final with votes of absolute majority of attendees.

Article 4- Article (7) of Act is amended as follows:

Article 7- Responsibilities of Supreme Board of Supervision are as follows:

1. Supervision over application of General Policies under Article 44 of Constitution, the General Policies ratified on 1/28/2011 and its next amendments in oil and gas industry
2. Examination and Assessment of application of strategic policies and programs ratified by Ministry of Petroleum during the process of preserving oil and gas resources in order to achieve enhanced recovery and maximum commercial added value from these resources
3. Examination and assessment of text, financial volume, obligations, production amount and implementation time of important oil and gas contracts to preserve the produced revenue from public property in oil and gas industry, as well as, feasibility of contract implementation
4. Preparing annual report and providing it to the Supreme Leader and Islamic Consultative Assembly

Note- Procedures of formation and moderation of meetings of “Supreme Board of Supervision over oil resources” is subject to a guideline that would be approved and ratified by Board of Ministers upon proposal from Ministry of Petroleum at most 3 months after notification of this Law.

Article 5- The following article is added to Law as article (12):

Article 12- In order to implement and effectuate investment projects and financing current expenses of Petroleum Industry, a percent of produced crude oil, natural gas and gas condensates value, which is stipulated in annual budget laws of country, would be allocated to Ministry of Petroleum through related Main Affiliate Companies, in order to pay the expenses according to laws and statutes.

Article 6- The following article is added to Law as article (13):

Article 13- A percent of revenues obtained through exporting crude oil, gas condensates and natural gas, is allocated to provide financial resources for infrastructures of country after deducting value of the imported gas. The percentage and method of utilizing these revenues is determined according to annual planning and budget laws of the country.

Article 7- The following article is added to Law as article (14):

Article 14- All revenues resulting from sale of crude oil, natural gas and gas condensates, would be paid within the budget law framework, directly to the Country’s Treasury at Central Bank after deduction of buyback payments, and the percentages stipulated in articles 5 and 6 of this law, would be taken and paid according to related laws and regulations.

Note 1- Upon announcement of Country’s Treasury, revenues resulting from produced gas condensates would be totally handed over to Ministry of Petroleum through Main Affiliate Companies on the account of its share of revenue, stipulated in article (5), after money transfer to central bank account and deduction of related legal taxes.

Note 2- Revenues resulting from sale of crude oil and gas condensates above prices stipulated in annual budget laws of country would be paid to the foreign currency account of central bank after

deduction of related taxes, according to the planning [and budget] law, in order to be allocated according to laws and regulations.

Article 8- The following article is added to Law as article (15):

Article 15- Ministry of Petroleum and affiliate companies shall confidentially provide Islamic Consultative Assembly with one copy of signed contracts with respect to natural gas and LNG exportation and exploration and development of oilfield contracts which include obligations for a duration exceeding 5 years.

Article 9- Article (12) of Law is modified as article (16) as follows:

Article 16- from the ratification date of this law, Petroleum Act ratified in 7/30/1974 is revoked.

The above Law comprising 9 Articles and 2 Notes was ratified by the Islamic Consultative Assembly in its public meeting on Saturday, June 12th, 2011 and endorsed by the Guardians Council on June 22nd, 2011.

Ali Larijani - Head of Islamic Consultative Assembly

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