

LAW ON PETROLEUM ON 6 JUL-93, AMENDED ON 9-JUN-2000

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LAW ON PETROLEUM

Hanoi, 6 July 1993, (as amended 9 June 2000)

In order to conserve, exploit and utilize effectively petroleum resources for the development of the national economy and the promotion of co-operation with foreign countries;

Pursuant to articles 17, 29 and 84 of the 1992 Constitution of the Socialist Republic of Vietnam;

This Law makes provisions for petroleum exploration and production activities carried out within the territory, the exclusive economic zone and the continental shelf of the Socialist Republic of Vietnam.

CHAPTER I

General Provisions

Article 1

All petroleum contained within the subsoil of the land, islands, internal waters, sea territory, exclusive economic zone and continental shelf of the Socialist Republic of Vietnam is the property of the Vietnamese people and is subject to uniform management by the State of Vietnam.

Article 2

The State of Vietnam encourages Vietnamese and foreign organizations and individuals to invest capital and technology to conduct petroleum operations on the basis of respect for the independence, sovereignty, territorial integrity and national security of Vietnam and in accordance with the laws of Vietnam.

The State of Vietnam protects ownership rights in respect of capital investment, assets and other legal rights of Vietnamese and foreign organizations and individuals conducting petroleum operations in Vietnam.

Article 2a

Petroleum operations must comply with the provisions of the Law on Petroleum and other relevant provisions of the law of Vietnam.

In any case where there is an inconsistency between the provisions of the Law on Petroleum and other provisions of the law of Vietnam in respect of the same particular matter relating to petroleum operations, the provisions of the Law on Petroleum shall apply.

In any case where the Law on Petroleum and other provisions of the law of Vietnam do not have any provision regulating a particular matter relating to petroleum operations, the parties entering into a petroleum contract may agree on the application of international laws or international practices in petroleum operations or of foreign laws on petroleum if such international laws, international practices or foreign laws are not inconsistent with the basic principles of the law of Vietnam.

Article 3

In this Law, the following terms shall have the meanings ascribed to them hereunder:

1. Petroleum means crude oil, natural gas, and hydrocarbons whether in natural liquid, gaseous, solid or semisolid state, including sulphur and other similar substances associated with hydrocarbons except coal, shale, bitumen or other minerals from which oil can be extracted.
2. Crude oil means hydrocarbons in natural liquid state, asphalt, ozocerite and liquid hydrocarbons distilled or extracted from natural gas.
3. Natural gas means hydrocarbons in gaseous state produced from wells, including wet gas, dry gas, wellhead gas and residue gas after the extraction of liquid hydrocarbons from wet gas.
4. Petroleum operations mean exploration activities, field development and production of petroleum, including services directly related to or in support of such activities.
5. Petroleum contract means a written agreement entered into by and between the Vietnam Oil and Gas Corporation and any organization or individual to conduct petroleum operations.
6. Petroleum services mean activities carried out by sub-contractors related to exploration, field development and production of petroleum.
7. Block means an area delimited by geographical co-ordinates and designated for the exploration and production of petroleum.
8. Contractor means any Vietnamese or foreign organization which, or individual who, is permitted to conduct petroleum operations pursuant to a petroleum contract.
9. Sub-contractor means any Vietnamese or foreign organization which, or individual who, enters into a contract with a contractor or petroleum joint venture enterprise to supply petroleum services.
10. Petroleum joint venture enterprise means a joint venture enterprise established under a petroleum contract or a treaty entered into by and between the Government of Vietnam and a foreign government.
11. Operator means an organization or individual representing the parties participating in a petroleum contract to conduct the petroleum operations within the scope of authorization.
12. Encouraged petroleum investment project means a project carrying out petroleum operations in a deep-sea and remote offshore area or in a region with especially difficult geographical or geological conditions in accordance with the list of blocks decided by the Prime Minister of the Government.

CHAPTER II

Petroleum Operations

Article 4

Any organizations and individuals conducting petroleum operations shall utilize advanced technology and comply with the laws of Vietnam relating to the protection of natural resources and the environment and to the safety of persons and property.

Article 5

Any organizations and individuals conducting petroleum operations shall have a plan for environmental protection, take all measures to prevent pollution, eliminate causes of pollution, and be responsible for remedying all effects of pollution.

Article 6

Any organizations and individuals conducting petroleum operations shall establish a safety zone surrounding all installations servicing the petroleum operations in compliance with the regulations of the Government of Vietnam.

Article 7

Any organizations and individuals conducting petroleum operations shall obtain and maintain insurance in respect of all facilities and installations servicing petroleum operations, environmental insurance and other forms of insurance in accordance with the laws of Vietnam and in accordance with the international practice of the petroleum industry.

Article 8

The exploration acreage covered by a petroleum contract shall be determined on the basis of the blocks delimited by the Government of Vietnam.

Article 9

Petroleum operations shall not be conducted in any areas which are declared by the State of Vietnam to be restricted or temporarily restricted for reasons of national defence, national security or public interest.

In the event that any petroleum operations which have previously been permitted are prohibited or temporarily prohibited, the Government of Vietnam shall make reasonable compensation for any damages to organizations or individuals resulting from such prohibition or temporary prohibition.

Article 10

The Government of Vietnam permits organizations and individuals to conduct scientific research and exploration for and production of minerals and natural resources other than petroleum in the area covered by a petroleum contract in accordance with Vietnamese laws. Such operations shall not hinder or detrimentally affect petroleum operations.

Article 11

All samples, data and information collected during the conduct of petroleum operations are the property of the State of Vietnam. The handling and utilization of such samples, data and information shall comply with the laws of Vietnam.

Article 12

Any organizations and individuals conducting petroleum operations shall be permitted to install, operate and maintain fixed installations and equipment servicing petroleum operations; to construct and use transport routes, pipelines and warehouses for the purpose of transporting and storing petroleum in accordance with the laws of Vietnam.

The ownership rights of the above installations and equipment shall belong to the State of Vietnam from the date agreed upon by the parties to a petroleum contract.

Article 13

Upon the termination of petroleum operations, the organizations and individuals shall clear the area used and remove any fixed installations and equipment at the request of the competent State management authorities.

Article 14

The Vietnam Oil and Gas Corporation (known in its international dealings as PETROVIETNAM) is a State owned enterprise established by the Government of Vietnam to conduct petroleum operations and enter into petroleum contracts with organizations and individuals for the conduct of petroleum operations in accordance with this Law.

CHAPTER III

Petroleum Contract

Article 15

A petroleum contract may be entered into in the form of a production sharing contract, a joint venture contract or in other forms.

A petroleum contract shall be in accordance with the model contract issued by the Government of Vietnam and shall contain the following main items:

1. Legal status of the organization or individual entering into the contract;
2. Subject of the contract;
3. Area delimitation and schedule for relinquishment of the contract area;
4. Duration of the contract;
5. Conditions for early termination or extension of the contract;
6. Commitments on work schedule and financial investment;
7. Rights and obligations of the parties entering into the contract;
8. Recovery of capital investment, determination and sharing of profit; rights of the host country to fixed assets after the recovery of capital investment and after termination of the contract;
9. Conditions for assignment of rights and obligations of the parties to the contract; rights of the Vietnam Oil and Gas Corporation to participate in the capital investment;
10. Commitments on training and preferential employment of Vietnamese personnel and use of Vietnamese services;
11. Responsibilities to protect the environment and to ensure safety during the conduct of petroleum operations;

12. Methods for resolution of disputes arising from the contract and the applicable law.

In addition to the provisions in the model contract, the parties entering into a petroleum contract may agree on other clauses which are not contrary to the provisions of this Law or to other relevant provisions of the law of Vietnam.

The parties entering into a petroleum contract may agree to elect one of the parties to the petroleum contract to act as operator or may hire an operator or may establish a general operator company in accordance with the regulations of the Government of Vietnam.

Where agreed by the Prime Minister of the Government, the parties entering into a petroleum contract may agree not to apply the model contract but the signed contract must include the main items stipulated in this article.

Article 16

Any organization or individual wishing to enter into a petroleum contract must do so through a tendering process in accordance with the particular regulations on tendering for a project for exploration and production of petroleum issued by the Government of Vietnam.

In special cases, the Prime Minister of the Government may appoint a contractor in order to select a party to enter into a petroleum contract.

Article 17

The duration of a petroleum contract shall not exceed twenty five (25) years, during which the exploration period shall not exceed five (5) years.

In the case of encouraged petroleum investment projects and projects for exploration and production of natural gas, the duration of a petroleum contract shall not exceed thirty (30) years, during which the exploration period shall not exceed seven (7) years.

The duration of a petroleum contract may be extended, but not for more than five (5) years, and the exploration period may be extended, but not for more than two (2) years.

If gas of a commercial potential is discovered but there is not yet a market for sale and conditions in terms of appropriate pipelines or processing facilities are not yet available, the contractor may retain the area where gas has been discovered. The period for retention of an area where gas has been discovered shall not exceed five (5) years and, in special cases, may be extended for two (2) subsequent years. Pending a market for sale and conditions in terms of appropriate pipelines or processing facilities, the contractor must carry out the work committed to in the petroleum contract.

In the case of an event of force majeure or in special cases, the parties to a petroleum contract may agree on methods of temporary cessation of performance of a number of rights and obligations in the petroleum contract. The period for temporary cessation due to an event of force majeure shall subsist until the end of the event of force majeure. The period for temporary cessation in other special cases shall be regulated by the Government of Vietnam, but shall not exceed three (3) years.

The extension of the exploration period, the period for retention of an area where gas of a commercial potential has been discovered, and the period for temporary cessation of performance of a number of rights and obligations in the petroleum contract in the case of an event of force majeure or in other special cases shall not

be included in the period of the petroleum contract.

A petroleum contract may terminate prior to the expiry of its duration provided that the contractor fulfils its committed obligations and the contracting parties agree.

Article 18

An exploration area pursuant to a petroleum contract shall not extend over more than two (2) blocks.

In special cases, the Government of Vietnam may allow an exploration area pursuant to a petroleum contract to extend over more than two (2) blocks.

Article 19

The contractor must relinquish an exploration area in accordance with the stipulations of the Government of Vietnam.

An area in respect of which an agreed temporary cessation is being implemented in accordance with the provisions of article 17 of this Law shall not be required to be relinquished during the period of cessation.

Article 20

The contractor and the Vietnam Oil and Gas Corporation shall agree in the petroleum contract upon a work programme and commitments on minimum financial investment during the exploration period.

Article 21

Upon discovering petroleum, the contractor and the Vietnam Oil and Gas Corporation shall submit a report and provide all the required information about the discovery to the competent State management authority.

In the event that a commercial discovery is made, the contractor shall proceed immediately with an appraisal programme and prepare a reserves evaluation report and a field development and production scheme to submit to the competent State management authority for approval.

Article 22

A petroleum contract signed with foreign organizations and individuals and the documents attached thereto shall be in the Vietnamese language and a commonly used foreign language as may be agreed upon by the Vietnam Oil and Gas Corporation and the organizations and individuals. Both the Vietnamese version and the foreign language version shall be of equal validity.

Article 23

A petroleum contract shall take effect as of the date of approval by the Government of Vietnam.

Article 24

Any total or partial assignment of a petroleum contract by the parties to the contract shall only take effect after it is approved by the Government of Vietnam.

The Vietnam Oil and Gas Corporation shall have the right of priority to acquire the petroleum contract or a portion

thereof subject to assignment.

Article 25

The Vietnam Oil and Gas Corporation shall have the right to participate in capital investment pursuant to a petroleum contract. Its contribution to capital investment and terms of participation, the reimbursement of expenses incurred by the contractor, and the operating agreement shall be provided for in the petroleum contract in accordance with the international practices of the petroleum industry.

Article 25a

The petroleum contracting parties may agree on the level of recovery of expenses for petroleum exploration, field development and petroleum production up to seventy (70) per cent of the annual production of petroleum in the case of encouraged petroleum investment projects and up to fifty (50) per cent in the case of other projects, until recovery is completed.

Article 26

The contractor shall be entitled to enter into petroleum service contracts with preference being given to Vietnamese organizations and individuals.

Vietnam will undertake flight services or enter into a joint venture contract with a foreign company to provide flight services in support of petroleum operations.

Article 27

Any disputes arising from a petroleum contract shall first be resolved by negotiation and conciliation.

Failing negotiation and conciliation, where the parties in dispute are Vietnamese organizations or individuals, the dispute shall be resolved by a Vietnamese court or arbitration in accordance with the law of Vietnam. Where one of the parties in dispute is a foreign organization or individual, the dispute shall be settled in accordance with the method stipulated in the petroleum contract. If the parties agree to dispute resolution by international arbitration, by arbitration in a third party country or by arbitration selected by agreement of the parties, the dispute shall be conducted in accordance with the procedures of such arbitration.

CHAPTER IV

Rights and Obligations of Contractors

Article 28

1. A contractor shall have the following rights:

- (a) To enjoy privileges and assurances in accordance with the law of Vietnam;
- (b) To use samples, data and information collected for the conduct of petroleum operations;
- (c) To recruit personnel for the performance of the work pursuant to the petroleum contract on the basis of preferential employment of Vietnamese personnel;
- (d) To hire sub-contractors in accordance with the provisions of this Law and with international practices of the

petroleum industry;

(dd) To be entitled to exemption from import duty and export duty in accordance with the provisions of article 34 of this Law;

(e) To be entitled to ownership of its share of petroleum after fulfilment of financial obligations to the State of Vietnam;

(g) To export its share of petroleum in accordance with the agreement in the petroleum contract without applying for an export licence;

(h) To recover its invested capital pursuant to the terms of the petroleum contract.

2. A contractor being a foreign organization or individual may open accounts in Vietnam and overseas; and may remit abroad the income derived from the sale of cost recovery oil, profits, and other lawful income earned during petroleum operations.

3. A contractor being a foreign organization or individual shall be permitted to purchase foreign currency from commercial banks to meet the demands of current transactions and other transactions as permitted by the provisions of the law on foreign exchange control; and foreign currency balancing shall be assured in the case of important projects.

Article 29

A sub-contractor shall be entitled to the rights stated in sub-clauses (a) and (c) of clause 1 of article 28 and in article 34 of this Law.

A sub-contractor being a foreign organization or individual shall be entitled to remit abroad its share of cost recovery and profits earned during petroleum service operations.

Article 30

A contractor shall have the following obligations:

1. To comply with the laws of Vietnam;
2. To fulfil the commitments stipulated in the petroleum contract;
3. To pay all types of taxes and charges in accordance with the laws of Vietnam;
4. To transfer technology; to train and to employ Vietnamese staff and workers and to ensure the interests of employees;
5. To implement measures for environmental protection and to ensure safety in petroleum operations;
6. To report on its petroleum operations to the competent State management body and to the Vietnam Oil and Gas Corporation;
7. To provide necessary documents to inspection teams;
8. To remove installations, equipment and facilities upon termination of petroleum operations at the request of the

competent State management body;

9. To sell in the Vietnamese market a portion of its share of crude oil at an internationally competitive price at the request of the Government of Vietnam and to sell natural gas on the basis of agreements in projects for the development and production of gas.

Article 31

A sub-contractor shall have the obligations stated in items 1, 2, 3, 4, 5 and 7 of article 30 of this Law.

CHAPTER V

Royalties, Taxes and Fees

Article 32

Organizations or individuals producing petroleum must pay royalties.

Royalties shall be calculated on the actual production in the taxable period for each petroleum contract.

The royalty rate for crude oil shall range from four (4) per cent to twenty five (25) per cent.

The royalty rate for natural gas shall range from zero (0) per cent to ten (10) per cent.

The Government of Vietnam shall stipulate specific rates within the framework of rates stipulated in this article depending on the geographical, economic and technical field conditions and the level of production of crude oil or natural gas.

Article 33

Organizations or individuals conducting exploration and production of petroleum must pay corporate income tax at the rate of fifty (50) per cent.

Organizations or individuals conducting exploration and production of petroleum in encouraged petroleum investment projects shall pay corporate income tax at the rate of thirty two (32) per cent.

Organizations or individuals conducting exploration and production of petroleum may be entitled to an exemption from corporate income tax for a maximum period of two (2) years and a reduction of fifty (50) per cent of corporate income tax for a subsequent period of no more than two (2) years. The Government of Vietnam shall provide for exemptions from and reductions of corporate income tax.

Re-invested profits shall not be subject to refund of corporate income tax.

Article 34

Organizations or individuals conducting petroleum operations must pay export duty and import duty in accordance with the provisions of the Law on Export and Import Duties.

Equipment, machinery, replacement accessories and specialized means of transportation required for petroleum operations shall be exempt from import duty.

Materials which are required for petroleum operations and which are not yet able to be produced domestically shall be exempt from import duty.

Goods temporarily imported for re-export to support petroleum operations shall be exempt from import duty and from export duty.

Any share of oil and gas subject to royalties levied on resources of the State shall not be subject to export duty.

Article 35

In addition to the taxes stipulated in articles 32, 33 and 34 of this Law, organizations or individuals conducting petroleum operations must pay other taxes, rent for land use and charges in accordance with the law of Vietnam. Where there is any change in the law of Vietnam which damages the interests of any organization or individual conducting petroleum operations, the State shall take fair measures for the benefit of such organization or individual in accordance with the Law on Foreign Investment in Vietnam.

Equipment, machinery, replacement accessories, specialized means of transportation and materials required to be imported for petroleum exploration, field development and production which are not yet able to be produced domestically shall not be subject to value added tax.

Foreign organizations and individuals conducting petroleum operations shall pay withholding tax in accordance with the provisions of the Law on Foreign Investment in Vietnam.

Article 36

Employees of Vietnamese and of foreign nationality who are working for contractors, petroleum joint venture enterprises, or sub-contractors shall pay personal income tax as stipulated in the laws of Vietnam.

Article 37

Royalties and all other taxes payable by a contractor or petroleum joint venture enterprise may be included in the share of production of the Vietnam Oil and Gas Corporation provided that the Vietnam Oil and Gas Corporation undertakes to pay such royalties and taxes on behalf of the contractor or petroleum joint venture enterprise and the agreement is in the petroleum contract.

CHAPTER VI

State Management of Petroleum Operations

Article 38

The State management of petroleum operations shall include:

1. Making decisions on strategies, plans and policies for the development of the petroleum industry;
2. Issuing regulations with respect to the management of petroleum operations;
3. Monitoring, inspecting and supervising petroleum operations;

4. Designating and delimiting blocks or area for petroleum exploration and production;
5. Making decisions on policies and forms of co-operation with foreign entities;
6. Approving petroleum contracts;
7. Establishing policies to promote or to restrict petroleum export in order to protect the interests of the State while taking into account the interests of contractors;
8. Monitoring, giving instruction and guidance to relevant authorities and localities in carrying out activities related to petroleum operations;
9. Resolving issues related to the right to conduct petroleum operations and dealing with breaches of this Law.

Article 39

The Government of Vietnam shall uniformly exercise the State management of petroleum operations.

The State petroleum management body shall be established in accordance with the Law on the Organization of the Government to assume the State management of petroleum operations.

Ministries and other State bodies shall carry out the State management of petroleum operations in accordance with their respective functions, powers and responsibilities.

CHAPTER VII

Inspection of Petroleum Operations

Article 40

Inspections of petroleum operations shall be specialized inspections for the purpose of ensuring compliance with the provisions of this Law and the regulations, technical procedures, specifications and rules, conservation of petroleum resources, protection of the environment, enforcement of safety regulations and the performance of obligations to the State of Vietnam by organizations and individuals conducting petroleum operations.

Article 41

The State petroleum management body shall establish and organize the implementation of the petroleum operations inspection function.

In conducting the inspection of petroleum operations, the inspection team shall have the right:

1. To request relevant organizations and individuals to provide documents and clarify issues relevant to the inspection;
2. To take measures for on-site technical verification;
3. To suspend temporarily or make recommendations to the competent State body to suspend petroleum operations which are likely to cause accidents or serious damage to life, property or petroleum resources, and environmental pollution;

4. To deal with any breach of this Law within its jurisdiction or make recommendations regarding the dealing with breaches to the competent State body.

Article 42

Organizations and individuals conducting petroleum operations shall create favourable conditions for the performance by the inspection team of its duties and shall strictly observe all decisions made by the inspection team.

Organizations and individuals shall have the right to appeal against the decisions of the inspection team in accordance with the laws of Vietnam.

CHAPTER VIII

Dealing with Breaches

Article 43

Any organization which, or individual who, commits breaches of any provision of this Law shall be subject to warning, fine, confiscation of its facilities or other administrative sanctions depending on the seriousness of the breach.

Any breach by an individual shall also constitute a criminal offence and shall be prosecuted in accordance with the laws of Vietnam.

Article 44

Organizations and individuals conducting petroleum operations which cause damage to petroleum resources, other natural resources, the environment or the property of the State shall be liable to pay compensation for such damage in accordance with the laws of Vietnam.

Article 45

Organizations and individuals illegally destructing petroleum operations shall be prosecuted in accordance with the laws of Vietnam.

Article 46

Organizations and individuals shall have the right to appeal against any decisions dealing with breaches in accordance with the laws of Vietnam.

CHAPTER IX

Implementation Provisions

Article 47

This Law and the provisions of the laws of Vietnam shall also apply to:

1. All installations, structures, facilities and equipment used for the purpose of petroleum operations in the exclusive economic zone and on the continental shelf of the Socialist Republic of Vietnam;
2. Installations, structures, facilities and equipment owned by Vietnamese organizations and individuals and used for the purpose of petroleum operations on the basis of co-operation with foreign countries in areas outside the jurisdiction of the Socialist Republic of Vietnam.

Article 48

The Government of Vietnam shall protect the economic interests of the parties to treaties and petroleum contracts approved by the Government of Vietnam prior to the date of this Law coming into effect.

Article 49

In cases where international treaties to which the Socialist Republic of Vietnam is a signatory or a participant contain provisions which are inconsistent with the provisions of this Law, the provisions of such international treaties shall apply.

Article 50

All previous provisions which are inconsistent with this Law are hereby repealed.

The Government of Vietnam shall make regulations for the implementation of this Law.

Article 51

This Law shall be of full force and effect as of 1 September 1993.

Chairman of the National Assembly

NONG DUC MANH

Law 19-2000-QH10 on Amendment of and Addition to a Number of Articles of the Law on Petroleum was passed by Legislature X of the National Assembly of the Socialist Republic of Vietnam at its 7th Session, on 9 June 2000, and was effective as of 1 July 2000.