



LEGAL ALERT

NEW READJUSTMENT MODEL FOR THE ORGANISATION OF THE OIL SECTOR

On May 26th Presidential Decrees no. 109/16 – which approved the New Readjustment Model for the Organisation of the Oil Sector (“**Readjustment Model**”) – and no. 110/16 – which amended Sonangol, E.P.’s Bylaws – were enacted.

I. READJUSTMENT MODEL

The new framework is aimed at increasing the efficiency and sustained management of oil resources, implementing higher standards of specialisation and political coordination and allocation of responsibilities. It is also intended to eliminate conflicts, increase transparency and efficiency, as well as create favourable conditions for private and foreign investment in this sector.

Among the main novelties of the Presidential Decree, special reference is made to (i) the reorganisation of regulatory entities (including the creation of a new regulatory agency and a new high council), (ii) the reallocation of Sonangol, E.P.’s current responsibilities and (iii) focus on Sonangol, E.P.’s role as National Concessionaire, and the transfer of its ownership stakes to other state-owned entities. In these terms, the oil sector will be coordinated by the following entities:

1. **SONANGOL, E.P.**, which remains as National Concessionaire, shall maintain its role of management and monitoring oil contracts, ceasing other activities (including research, production and operation of oil blocks);
2. **Oil Sector Agency** (Agência para o Sector Petrolífero), a public entity with the role of coordination regulation and evaluation of performance of the sector, preparation and negotiation of oil blocks concessions and resolution, by administrative (non-judicial) procedure, of conflicts which may arise between Ministries and the different players in the oil and gas industry;
3. **Higher Council of Oil Sector Monitoring** (Conselho Superior de Acompanhamento do Sector Petrolífero) (“**COSASP**”): a collegiate public entity, under the direction of the President of the Republic, which has its main undertaking the representation of the Government as shareholder in holding companies responsible for the management of the shareholdings Sonangol, E.P. currently holds. Furthermore, COSASP has the responsibility to approve investments of significant amount and strategic importance, as well as issuing opinions and monitoring the performance of the investment plan.



4. **Ministry of Petroleum** and other **Regulatory Ministries**: The Ministry of Petroleum and the other regulatory ministries (such as the Ministries of Finances, Environment and Public Administration, Labour and Social Security) will maintain their current responsibilities, in articulation and coordination with the new Oil Sector Agency.

Based on the principles of stability (according to which the commitments assumed by the Government or Sonangol, E.P. with foreign or national entities and in place at the date of enactment, shall not be affected by the new framework), minimum intervention, transparency and sustainable management of resources, the Readjustment Model shall be implemented along the following stages:

1. Legal structure: creation of the sector's key-entities and design of its macrostructures;
2. Reorganisation: reallocation of shareholding currently held by Group Sonangol, E.P., transfer of resources and financial autonomisation;
3. Operation: optimisation of the affected companies; and
4. Operational transformations: operational transformations and optimisation of each company in the sector aiming at best practices.

This Presidential Decree regulating the restructuring of the Oil Sector entered into force on its publication date, although the current management model of the sector shall continue in force until the entry into force of the necessary legislation to implement the new Readjustment Model.

II. AMENDMENT TO THE SONANGOL, E.P.'S BYLAWS

Among the amendments to Sonangol, E.P.'s Bylaws, as now approved, we highlight the introduction of a new management body, an Executive Committee, whose members are elected by the Board of Directors – among themselves – which will conduct the current management of Sonangol, E.P. in its various ranges, such as financial, investment, technical or management.