

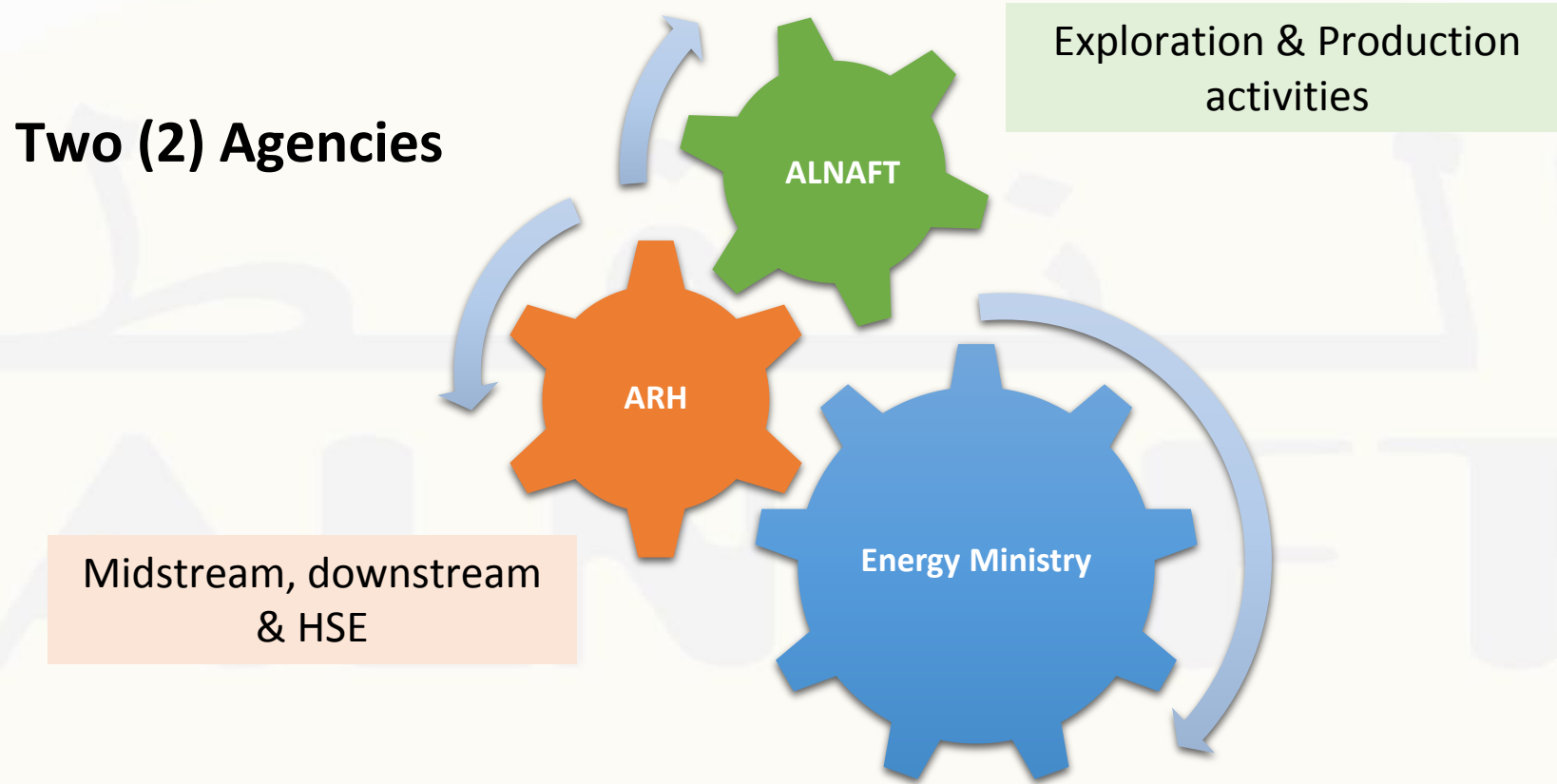


National Agency for the Valorization of Hydrocarbon Resources
ALNAFT

ALGERIA

New Hydrocarbon Law Overview

Institutional Environment



Investment Process

Prequalification

By ALNAFT

PARTICIPATION TO
BID ROUNDS

PROSPECTION
AUTHORIZATION

DIRECT
NEGOTIATION
WITH SONATRACH

Contracts are awarded by ALNAFT following competitive bidding or prospection authorization or by direct agreement .

**ALNAFT delivers an
Attribution Deed**

HYDROCARBON
CONTRACT

Attribution Deed

- Delivered by ALNAFT;
- Signed only By ALNAFT;
- Defines:
 - The perimeter of the hydrocarbons contract;
 - The contracting parties;
 - Rights and obligations of Contractors;
 - The exploration plan.

Contracts

A

Upstream Concession Sonatrach alone

Signed only by ALNAFT

B

Hydrocarbons contract Sonatrach with partners

Three types of Hydrocarbon contracts :

1

• Participation Contract

- Tax-royalty system(concession)
- Min 51% for SH

2

• Production Sharing Contract

- Cost oil – Profit oil
- Max 49% for FI

3

• Risk Services Contract

- Cost – Profit
- Max 49% for FI

Contract Duration

- 30 years including an exploration phase of 7 years max;
- Exploitation period Starts upon ALNAFT's approval of POD;
- Extension for a maximum 10 years.

Dispute settlement

- Exploration & Production contracts are governed exclusively by Algerian law.
- Disputes between SONATRACH and foreign investors shall be settled by:
 - Amicable settlement;
 - International arbitration.
- Disputes between The Parties and ALNAFT in the frame of the Attribution deed is settled by:
 - Amicable settlement;
 - Local jurisdiction.

ALNAFT's main roles

1

Prequalifies investors.

2

Attributes perimeters.

3

Regulates exploration and production activities.

4

Approves the development plan.

5

Approves assignments and transfers.

Tax Regime

Surface tax

- Paid by Sonatrach:
 - Upstream concession
 - PSC
 - RSC
- Paid by the Parties :
 - Participation contract

Hydrocarbons Royalty

10%

- Paid by Sonatrach:
 - Upstream concession
 - PSC
 - RSC
- Paid by the Parties :
 - Participation contract

Hydrocarbon Revenue tax

(10 – 50% with R factor)

- Paid by Sonatrach:
 - Upstream concession
 - PSC
 - RSC
- Paid by the Parties :
 - Participation contract

Remuneration Tax

- Paid by FI:
- PSC
 - RSC

Income Tax

- 30%

Other Taxes

- Water use tax
- Tax on flaring gas

Tax Regime

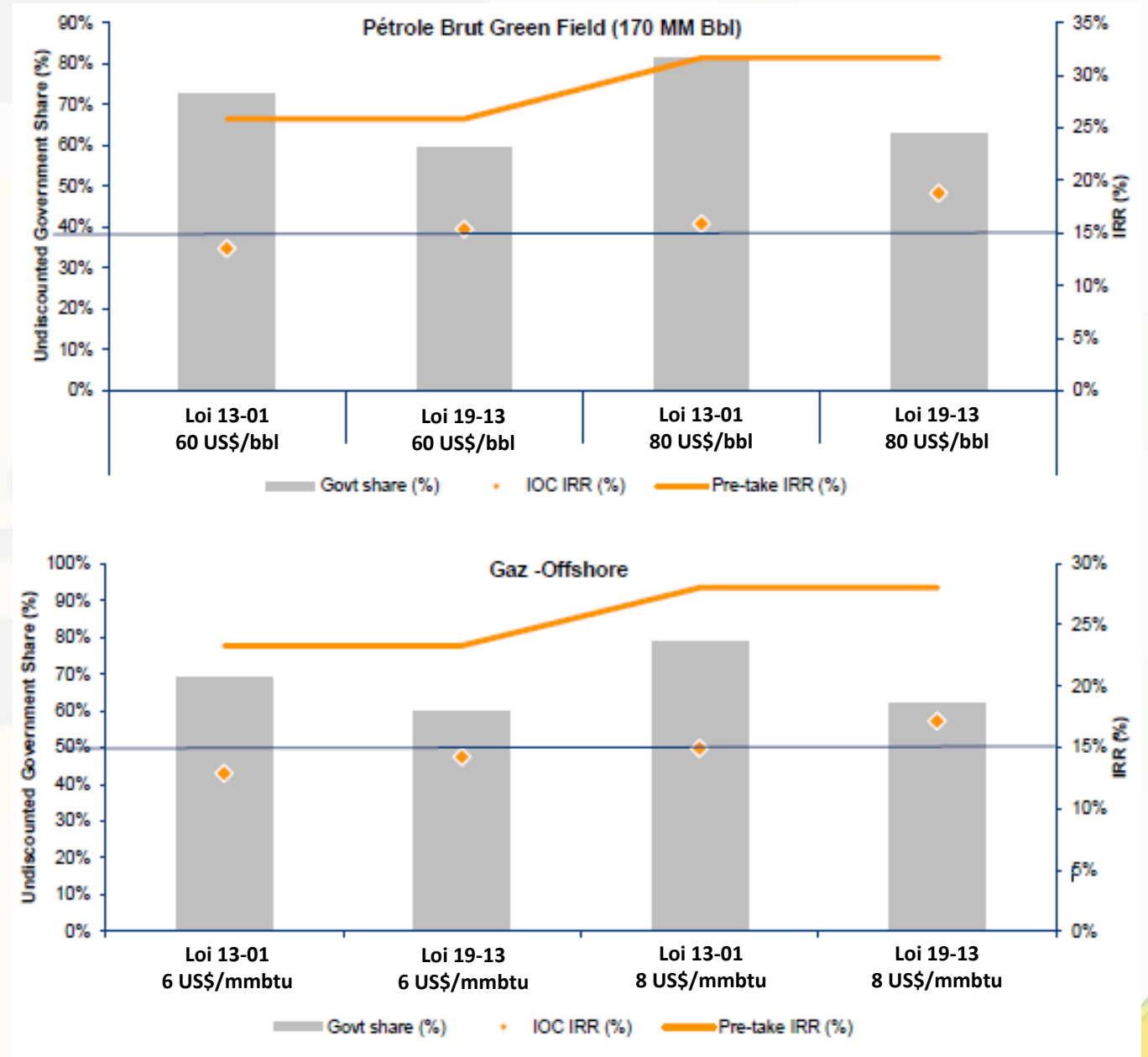
Evolution of the tax framework



Reduction of Government Take @ acceptable level



Improvement of the investor's profitability between 15% and 20%



Thank you !

Questions ?