

VIETNAM OIL AND GAS LEGAL UPDATE

The Government of Vietnam finalises and promulgates a new Decree on the Model Production Sharing Contract

Further to our previous Oil and Gas Legal Update (December 2012), the Government of Vietnam has promulgated Decree No. 33/2013/ND-CP (**Decree 33**) dated 22 April 2013 providing guidelines in relation to a new model form of the petroleum production sharing contract (**PSC**) to be used in the upstream oil and gas sector in Vietnam.

Please refer to the following significant changes to the previous draft of the new model PSC (which we had previously discussed in greater detail in our Oil and Gas Legal Update in December 2012):

- A savings provision is inserted to confirm that Decree 33 will not apply to the existing PSCs which were executed prior to its effective date;
- Exports rights: Contractor's exports rights have been reinstated to the new model PSC;
- Relinquishment: The proposed onerous obligation in the previous draft (being that Contractor must relinquish the Development Area without any compensation if it does not develop or commence field production within a required 12-month period) has been removed;
- Taxation: Contractor is not required to pay water surface fees;
- Training: It will now be a bid item that Contractor pays a certain percentage of its annual Petroleum Operations Costs to the Petroleum Scientific Research and Technology Development Fund;
- Termination: The new model PSC introduces additional instances for termination by Vietnam Oil and Gas Group (**PVN**) where Contractor (i) fails to commence the Development Operations in accordance with the approved Development Plan within 12 months from the date that such Plan was approved, or (ii) if the time to commence production of the field is later than 12 months as compared to the approved schedule; and

- PVN's pre-emptive rights: PVN is expressly required to notify Contractor in writing as to whether it shall exercise its statutory pre-emptive rights within 120 days from the date it receives a notice of transfer from the Contractor on the proposed transfer to a third party.

There has been no major change to the provisions relating to applicable tender procedures, foreign exchange controls, local content, bonuses and data fees, domestic market obligation, scope of economic stabilisation (only royalties, corporate income taxes and export duties are specifically covered), change of control and abandonment (as compared to the previous draft PSC which we reviewed for the purposes of our December 2012 Oil and Gas Legal Update).

The new Decree 33 shall come into effect on 8 June 2013, replacing the existing Decree 139/2005/ND-CP.

Please contact either Mark Fraser (Managing Partner) or Pham Ba Linh (Head of Oil and Gas Practice Group), if you would like any further information on Decree 33 or the new model PSC.

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