

ENERGY COUNTRY REVIEW

Cameroon

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Country Review



The Republic of Cameroon is a unitary republic of central and western Africa. It is bordered by Nigeria, Chad, the Central African Republic, the Republic of Congo, Equatorial Guinea, and Gabon. Its coast lies on part of the Gulf of Guinea and the Atlantic Ocean. The country is divided into 10 semi-autonomous regions. “Cameroon” derives from Rio dos Camarões (“River of Prawns”), name given to the area by Portuguese explorers who reached the coast in the 1500s. The country is known for its geological and cultural diversity.

The geographical conditions on the coast encourage extensive commercial cultivation of bananas, cocoa, palm oil, rubber and tea.

Oil & Gas

The west African state of Cameroon has an established oil industry with a history of oil production from the Rio Del Rey Basin. It also borders prolific hydrocarbon producing countries including Nigeria, Equatorial Guinea, Gabon and Congo-Brazzaville.

History

Cameroon’s first oil and gas exploration was carried out in 1947 by the French Office of Oil Research. This led to the issue of the first exploration permit by the Government of Cameroon in 1952. The first commercial discovery was in 1972 at the Betika Oil Field and commercial production began in 1977 in the Kolé Oil Field in the Basin of the Rio del Rey. New oil fields were subsequently discovered in Douala/KribiCampo (Ebomè) basin and the commercial exploitation of these finds started in 1997.

Country Key Facts

Official name:	Republic of Cameroon
Capital:	Yaoundé
Largest city:	Douala
Population:	24.51 million (2017)
Total area:	181,040 sq km
Form of government:	Republic
Language:	French and English
Religion:	Indigenous beliefs, Christian, Muslim
Currency:	Central African CFA franc
Calling code:	+237

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In 2006, Cameroon embarked on the development of its gas resources with the signing of the first contract for the development and operation of natural gas between the Government of Cameroon and Perenco Cameroon. In 2007, a Memorandum of Agreement for the exportation of natural gas from Cameroon to Equatorial Guinea was also signed between the National Gas Company of Equatorial Guinea (SONAGAS) and the Société Nationale des Hydrocarbures (the SNH), Cameroon's national hydrocarbons company.

Fiscal regime

The tax regime applicable to the holders of licences and Petroleum Contracts is provided for in Section 89 and onwards of the Petroleum Code. Under this regime, the main taxes for which oil companies are liable are:

- a signature bonus on entering into a Petroleum Contract and, where relevant, a production bonus, as provided by Section 97 of the Petroleum Code. Amounts of bonuses are negotiated with the state;
- corporation tax, at a rate that is negotiated with the state but is within the range set out in the General Tax Code of 38.5 per cent to 50 per cent;
- special income tax at a rate of 15 per cent is applicable to amounts paid abroad, as remuneration for various services provided or used in Cameroon. This percentage is calculated on the gross income amount. This tax is payable, for example, on fees paid to hire foreign drilling companies to undertake drilling operations in Cameroon; and
- an annual surface rental fee, the amount and methods of payment of which are specified in the Cameroonian annual finance law as in force on the effective date of the contract. The fee is calculated annually by applying the amount set out in the finance law (depending on the relevant phase of petroleum operations) to each square kilometre of relevant surface.

In addition to the above:

- holders of concession agreements are subject to a monthly proportional royalty based on production volumes, and may also be subject to an additional petroleum levy based on profits derived from petroleum operations. Their basis of calculation and rates are determined in the concession agreement.

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- under PSAs, hydrocarbons are shared between the state and the holder in accordance with the terms of the PSA. Specifically, a share of the total hydrocarbon production (the “cost oil”) is first allocated towards reimbursing the company for petroleum costs incurred under the PSA. The level of this cost oil is determined in the PSA. The remaining part of the hydrocarbons (the “profit oil”) is then shared between the state and the company in accordance with the terms set forth in the PSA.

Local content requirements

According to Section 76 of the Petroleum Code, the Petroleum Contract holder and its sub-contractors must give preference to Cameroonian companies when awarding contracts for construction and the supply of goods and services, provided that the terms offered by such companies are competitive with regard to quality, price, quantities, delivery and conditions for payment and after-sale services.

Furthermore, Section 77 of the Petroleum Code requires the Petroleum Contract holder and its sub-contractors to give priority to qualified Cameroonian personnel in terms of employment and such holders are therefore required to finance and set up training programmes for Cameroonian personnel in respect of all qualifications set out in the terms of the Petroleum Contract.

The Petroleum Contract determines the conditions and terms of the local content obligations.

Transfers of interests

Under the Petroleum Regulations, any direct or indirect transfer of a Petroleum Contract or any rights arising from such contract is subject to the approval of the Minister of Mines.

Source: Freshfields Bruckhaus Deringer

Geology

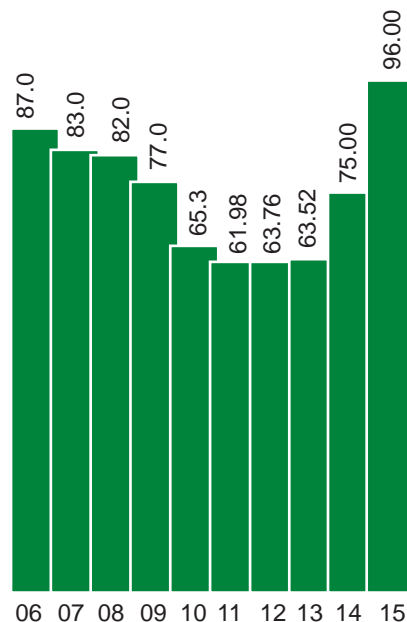
Cameroon is endowed with a great geological diversity. Three sedimentary basins are particularly conducive to the formation of hydrocarbons:

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- The Douala / Kribi / Campo basin covers an area of 19000 km² including 7,000 km² onshore.
- The Rio del Rey basin, extending southeast of the Niger Delta covers a surface area of about 7000 km².
- The basin of northern Cameroon composed mainly of that of Logone-Birni which is the largest and the most important with a surface area of 27000 km², and the less explored 7800 km² Garoua basins.

Gas reserves in Cameroon are substantial, but have not been exploited previously due to a limited gas market. Wood Mackenzie estimates that there are over 3.5 tcf of technical gas reserves available in Cameroon. The government is keen to monetise its gas reserves and in 2009, the government and GdF Suez began a study in the feasibility of an LNG Plant for Cameroon wide gas aggregation. Other options currently being investigated for the monetisation of Cameroon's gas reserves include; Fertiliser (based at Limbe, adjacent to Bowleven's Etinde Permit), Methanol, Gas to Power, Small Scale LNG, Gas Reinjection, and the supply of gas direct to industrial users.

Cameroon Oil Production (Thousand barrels daily)



Source: Energy Information Administration

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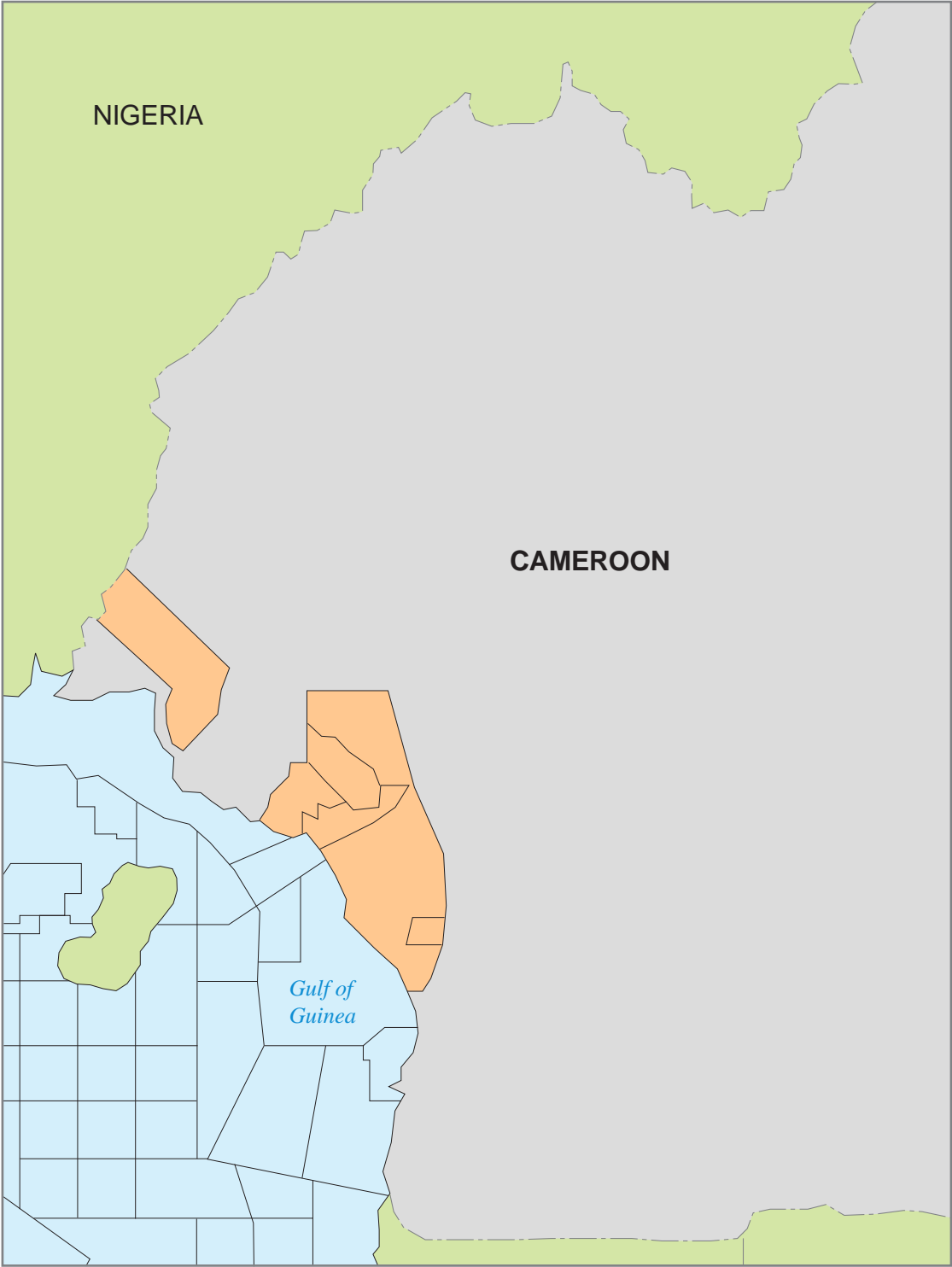


Image: KeyFacts Energy