

Assessing The Fulcrum Of The Legal And Fiscal Framework In The Hydrocarbon Sector: The Prospects And Challenges In Cameroon

Bande Gulbert Mbah Tarh

Ph.D. in Law, Senior Lecturer, Faculty of Law and Political Science,
University of Maroua, Cameroon, (+237) 677318932,
bandegulbert@yahoo.com

Abstract: Hydrocarbon resources play a significant role in driving economic growth in many countries, mobilising the necessary revenues for public services and lifting people out of poverty. Nonetheless, in some developing countries the clear legislative and regulatory frameworks, and optimal fiscal regimes required for using such hydrocarbon resources to drive economic growth are lacking or deficient. As such, a clear set of rules and fiscal regimes is essential to attract investors and a prerequisite for a socially and environmentally sustainable sector. From this, the impacts of hydrocarbon discoveries have prompted the Government of Cameroon (GoC) to review its 1999 Petroleum Code by adopting a new one in 2019. The revision was made with an eye on increasing revenue collection and sustainable incentives for investment. In this regard, the paper examines the general legal fulcrum of the hydrocarbon sector on the one hand, while synchronising the legal and fiscal framework in the hydrocarbon sector in Cameroon on the other. By critically analysing the prospects and challenges to enhance sustainable hydrocarbon investments, as a stand-alone analysis of the Code reveals that issues linked to implementation and investment cost control are crucial in determining a fair share of revenues for the country. Besides, a comparative analysis of the new Code's fiscal provisions with those of other peer countries suggests that it embeds tools to ensure revenues while still catering for investor needs. The revenue simulations comparing the 1999 and the 2019 Codes reveal a high revenue potential for the latter. Despite these, to ensure that the GoC reaps the full benefits from the provisions of the new Code, the paper highly recommends that the regulatory and commercial roles of SNH be unbundled and separated. So that SNH can concentrate more as a strictly commercial company, while the other institution concentrates on the regulatory role of the hydrocarbon sector.

Keywords: Cameroon, Challenges, Fiscal Framework, Fulcrum, Hydrocarbon, Prospects

1. Introduction

Crisply, the Extractives Global Programmatic Support (EGPS) Multi-Donor Trust Fund identifies weak legislative and regulatory frameworks as a core barrier to a thriving extractive industries sector that could significantly help reduce poverty. As such, the EGPS has played an important role in helping countries develop and implement clear legislative and regulatory frameworks for the oil, gas, and mining sectors to grow, in line with the very highest standards recognised globally. Based on this, the EGPS initiative is very vital to revamp the extractive industries in Cameroon, as it is undertaking intensive hydrocarbon (gas and oil) explorations, owing to the discovery of commercially exploitable oil and gas resources. In this vein, to make the most of the revenue from the oil and gas development, the country ought to have a viable legal framework, with optimal tax and non-tax levies applied to hydrocarbon exploitation. That's why the elaboration of public levy instruments for resource mobilisation from the hydrocarbon sector is, however, delicate to the extent that they must ensure maximum public revenue for the State, without discouraging private investment. Likewise, for the hydrocarbon sector, the fiscal regime must be sensitive to the nature of the hydrocarbons, the size of the deposit, development costs, production costs, and oil and gas prices. Indeed, traditionally, the fiscal instruments for mobilising resources from petroleum exploitation include bonuses (exploration, discovery or production), royalties, corporate income taxes (CIT), super-profits taxes, production sharing, or cost deduction rules and other payments related to licensing and geographical areas exploited. Aptly, such fiscal instruments constitute the backbone of the hydrocarbon fiscal regime, which aims essentially at defining the terms under which the State and oil companies share hydrocarbon

rents. While ensuring greater revenue for the State without discouraging private investments in the hydrocarbon sector, hydrocarbon fiscal regimes should be simple to administrate, transparent as well as politically and socially acceptable.

Against this background, this paper provides the legal and fiscal analysis of the hydrocarbon sector in general, as a precursor to examine the hydrocarbon potential of Cameroon, before delving into an analysis of the fiscal elements of the new Petroleum Code, highlighting the strengths and potential weaknesses. Thus, through this analysis, the paper provides an analytical framework for the taxation of hydrocarbon exploitation in the country. Essentially, it assesses the fiscal systems for oil and gas, whether embodied in hydrocarbon codes or distinct legislation, as the basis for trade-offs in returns between the investors and governments. Since several reports of the IMF highlight how many countries have not reached the development potential of their natural resources over time and that sub-optimal or skewed taxation systems are part of the reason [1], [2]. While Leland underscored the importance of tending to tax neutrality with respect to the investee's behaviour [3], comparative analyses [4], [5], and other approaches [6], [7], provide insights as to how neutrality under the form of resource rent tax is sometimes outweighed by the use of royalties. What these authors highlight ultimately is that hydrocarbon taxation should seek to find an equilibrium between tax neutrality, resilience to price uncertainty, risk distribution between countries and industry players, as well as a fair recovery of resource rents. This is because although significant hydrocarbon revenue streams are potentially transformative, nonetheless, navigating the road from the initial discovery to a flourishing and well-managed hydrocarbon sector is challenging - as several

countries have failed to successfully realise the promises of the potential of hydrocarbons. As such, without a viable legal framework and adequate foresight and planning, the countries seeking to capitalise on their natural resource wealth instead frequently find themselves less developed and prosperous than similar countries that have not discovered such natural resources. Therefore, to alleviate this debilitating situation, several best-practice principles exist that can help countries avoid the “resource curse” phenomenon. With the linchpin of each of these principles being the adoption of a transparent and robust legal, regulatory, and fiscal framework that optimises the exploitation of hydrocarbons in light of the particular circumstances of the country. This is because the legal and regulatory framework that governs the relationship between a host-country government and investors in the hydrocarbons sector is the backbone of the long-term investor-government relationship. Since such a legal and regulatory framework often includes several pieces of domestic legislation including the constitution, gas code, petroleum code, tax law, etc.; international treaties like bilateral investment treaties, double taxation treaties, etc.; and the detailed partnership agreements between a specific investor and a country as embodied in a separate contract or license. In fact, amongst these, it is worth noting that although the latter is also part of the framework, it is not often available for public view, although, in some jurisdictions, it functions as the “law of the project”. As such, this particular piece of the framework is considered very vital, thus, has been the focus of the recent reform efforts in the hydrocarbon sector.

Correspondingly, the legal and regulatory framework including the contract also covers myriad issues of fiscal terms, community rights and benefits, health, safety, and environmental obligations, and disclosure of information, amongst many others. Despite this, where the legal and regulatory institutions are not strong enough, other strategic stakeholders play an influential role than those prescribed by the law. Since for instance, cultural and societal institutions play a hugely important, though often less formal, role in reaching “the bargain”. As such, some countries are formalising such previously “extra-legal” influences in the drafting and negotiating of contracts, through community consent laws and civil society advisory boards during contract negotiations. Moreover, in assessing the legal and regulatory framework of the hydrocarbon sector in Cameroon, it is worth exploring some of the most significant fiscal, economic and governance issues for reaching better bargains as well as the less formal institutions that are important for reaching a better bargain, both at the macro-level of institutions as well as at the micro-bargaining table itself, and the gaps between them. In this sense, the paper aims to fill this gap by delving into how the state of Cameroon can maximise revenue collection from hydrocarbon resources exploitation through optimal legal, fiscal and non-fiscal arrangements. It is presented in two parts, with the first part discussing the two fundamental legal issues for the hydrocarbon sector, that is, the legal frameworks and hydrocarbon agreements and associated fiscal regimes, while the second part examines the viability and challenges of the Cameroonian situation. This is because if the legal framework that governs a country’s hydrocarbon sector and the contractual agreements are well designed and duly implemented, then the fulcrum for attracting foreign

investment is established - since the investors will be confident to invest to maximise their profits, while the host country will also maximise the benefits it receives from the extraction of its natural resources. In this sense, it is worth proceeding with the key characteristics of a successful hydrocarbon sector’s legal and regulatory frameworks, agreements, and fiscal regimes.

2. Fulcrum of the Legal and Fiscal Framework of the Hydrocarbon Sector

As a matter of fact, all countries with hydrocarbon resources face the challenge of establishing a clear, robust, and effective legal and regulatory framework for their oil and gas sector. As such, meeting this challenge is essential to enable the particular country and its citizens to reap appropriate rewards from those resources. This is because the legal and regulatory frameworks that clearly address the key issues that arise in connection with the development of hydrocarbon resources help to reduce the potential for disagreements and conflicts, with both foreign and domestic in the country. Since foreign investors in particular require assurance that each of these key issues should be adequately addressed off-front. As a consequence, if the country’s framework lacks clarity or is substantially inconsistent with international best practices, foreign investors often require higher risk premiums on such investments in the country. Indeed, it is noted that beyond the general need for clarity in the legal and regulatory framework for hydrocarbons, some countries like Cameroon, with a regionalised system face an additional layer of complexity, such as balancing subnational rights and autonomy with the need for national development, policy coordination, and regional equity. Thus, setting aside the need for clarity to attract investment in the hydrocarbon sector, it is worth noting that this additional complexity requires careful analysis and negotiation among the national and sub-national stakeholders to ensure an agreement between them on how the hydrocarbon framework should be structured. In this sense, a clear, well-thought-out hydrocarbon sector framework supported by all the stakeholders can form the fulcrum for the equitable distribution of the benefits that can flow from the development of hydrocarbon resources.

Conversely, hydrocarbon frameworks that lack clarity or support from key stakeholders risk creating or exacerbating conflict among interested parties. In this case, the very first step is for each stakeholder to have a common understanding of how successful legal and regulatory frameworks for hydrocarbons are structured. Despite this, it is worth bearing in mind that no one right way exists to create these frameworks, although several general principles can help to ensure that the framework provides sufficient clarity, both for the domestic stakeholders - to reduce the potential for internal conflict once the hydrocarbon revenues begin to flow, and for the foreign investors - to attract investment for the revenues to begin flowing in the first place. As such, this part assesses the constitutions, hydrocarbon laws and regulations, and the model hydrocarbon agreements, as the principal components of a viable legal and regulatory framework for the hydrocarbon sector.

2.1. The Impacts of Constitutional Issues on the Hydrocarbon Sector

The constitution of a country typically establishes the fundamental, bedrock principles and other high-level considerations that are likely to stay in place once enshrined. The essence of which is to ensure an equitable and stable hydrocarbon sector by setting up a clear and robust regime for allocating the hydrocarbon revenue. Indeed, it is worth noting that this approach is particularly vital in federations or regionalised systems, which have potentially conflicting local and national interests. Since the critical issue of how to allocate the hydrocarbon revenue presents several tensions that are often difficult to resolve. These tensions – often addressed at the constitutional level - range in character from geographic (allocation between the central, regional, and local bodies) to temporal (allocation between spending in the present for development and poverty reduction and preserving funds for use by future generations) to other policy-based objectives (allocation to general budgets or a revenue management fund, such as a stabilisation, development, or sovereign wealth fund).

2.1.1. Geographic considerations:

Aptly, hydrocarbon resources are often unevenly distributed across a given area, thus, raising the question of how to determine an equitable allocation of the petroleum revenue among the subnational entities and between national and subnational interests. As such, one approach to balance national interests and the need for national development with subnational interests is to establish fixed percentages of petroleum revenue that will accrue to the various national and subnational stakeholders. As seen in Indonesia, whereby such an approach though has the virtue of clarity, is inflexible - particularly if the percentages are prescribed in the constitution and the constitution is difficult to amend. Other countries like Nigeria, call for sharing based on a formula to be determined by the legislature. Equally, with regard to allocation between subnational entities, many states, such as Sudan, allocate revenues to regional governments in part based on whether or not the region produces petroleum. Altogether while some regimes call for distribution only to producing regions to compensate them for environmental and social impacts of production; others consider additional factors like equality, the density of population, land mass, or level of economic development of the regions [8]. Besides, an issue associated with the geographical allocation is the capacity of subnational bodies to appropriately handle the extremely large cash inflows that can result from a fixed percentage or similar allocation in the event of large petroleum finds. As such, if a fixed-percentage allocation or any allocation that may result in unprecedented cash flows to subnational bodies is selected, then measures should be taken to ensure that such funds are managed properly. With such measures to include building subnational capacity to manage the sums at the scale anticipated, by identifying the appropriate uses of funds before allocation. Based on this, the capacity to manage funds should be taken into account as early as possible.

2.1.2. Temporal considerations:

With regard to temporal allocation, countries often face a choice of whether the hydrocarbon revenues should be used to address the needs of the present, or should some or all of those revenues be saved for future generations. In addition,

developing countries often face urgent needs, including needs for infrastructure development, poverty reduction, and education. In this light, such countries usually elect to invest the hydrocarbons revenues in these areas immediately to improve the lives of their citizens rather than diverting revenues into a savings fund for future use - according to the theory that improvements in these areas benefit not only the current generation but also future generations. However, unlike developing countries, developed countries might not have significant and immediate domestic needs that can be addressed by the hydrocarbon revenues. Thus, such countries may be more inclined to invest a substantial portion of their hydrocarbon revenues in a sovereign wealth fund (SWF) that can be designed to preserve revenues for the benefit of future generations.

2.1.3. Other essential policy considerations in revenue allocation:

Hydrocarbon revenues can also be allocated and managed through the use of various types of funds that aim to achieve specific policy objectives. Indeed, aside from the geographic and temporal allocation considerations described aforementioned, there are several other objectives that countries may target through the use of management funds like smoothing the effects of revenue volatility that may arise from fluctuating oil prices via the oil revenue stabilisation accounts; mitigating exchange-rate pressures to avoid the so-called Dutch disease; diversifying industry; and earmarking funds for specific objectives. Besides, in some cases, a single fund is used to address multiple objectives. For example, the SWF of Norway combines a temporal allocation - to preserve oil revenues for use by future generations, with stabilisation and exchange-rate mitigation objectives. However, it is worth noting that regardless of how they are allocated, the secure collection of hydrocarbon revenues is essential. Since hydrocarbon revenues are often collected and accounted for first at the central level before being allocated according to a given plan. As such, it is paramount to involve all key stakeholders and achieve consensus on the allocation plan appropriate to the particular circumstances of a country. Since ideally, such consensus would be achieved before the hydrocarbon revenues begin flowing.

2.1.4. Ownership of hydrocarbon resources and other issues:

Significantly, besides revenue allocation, constitutions frequently address other hydrocarbon-related issues, such as defining the ownership structure of the hydrocarbon resources and ensuring transparency. Indeed, most constitutions of countries provide that ownership of hydrocarbon resources is vested in the state, whether at the federal level, regional level, or some combination thereof. For instance, in Nigeria, the federal government holds the title to the country's natural resources, while in Canada - the provinces where the deposits are located have ownership. Despite this, several countries like the United States, grant ownership to an individual or company that holds the surface rights over the hydrocarbon deposit. Notwithstanding, the ownership question is distinct from the control of revenues - for instance, North Sudan and South Sudan agreed on a revenue allocation mechanism but not on ownership in their 2005 Comprehensive Peace Agreement. Nonetheless, it is worth noting that in federal systems, an ambiguous ownership structure - or a lack of any structure at all - can be

a source of dispute between the national and subnational governments, and of significant political risk for investors, which, in turn, could adversely affect the hydrocarbon revenues realised by the country. As such, it is important that these issues - whether enshrined in the constitution or addressed elsewhere within a legal and regulatory framework of the country for hydrocarbons - need to be clearly addressed to avoid potential confusion and conflict. Likewise, the constitutions may also include specific transparency requirements to help ensure appropriate levels of accountability in the hydrocarbon sector. For example, the constitution of Kenya requires the legislature to ratify petroleum agreements before the agreements take effect. Under this approach, the terms of petroleum agreements are made public, limiting the potential for corruption.

2.2. The Major Considerations for Hydrocarbon Legal Frameworks

In addition to the hydrocarbon-related provisions in a constitution, the legal and regulatory frameworks for hydrocarbon typically consist of several components like the hydrocarbon laws, which are broad legislation establishing the general rules for participation in the sector; the hydrocarbon regulations, which set out the detailed mechanisms for implementing the rules established in the hydrocarbon laws; and the related legislation, although not hydrocarbon specific but greatly affect hydrocarbon-related issues. As such, these other pieces of legislation frequently include overarching energy sector laws, which can outline institutional arrangements by assigning many of the sector-governing roles and responsibilities - to the extent that they are not also assigned in the hydrocarbon laws or the constitution - as well as other laws of general application like the laws that govern acquisition of and compensation for land required for petroleum development [9].

2.2.1. Institutional roles, responsibilities, and policy making:

Indeed, the governments have to ensure that their legislative frameworks clearly assign institutional responsibility to the various hydrocarbon sectors, by ensuring shift and coordinating policy making in the upstream, midstream, and downstream regulation. This is because delineating institutional roles within a government avoids inefficient overlaps of responsibility and inconsistencies in the treatment of similar issues. Since lack of clarity in this regard could result in, among other things, conflicts of interest, reduced accountability, costly delays in decision-making, and perceived higher investor risk - all of which can result in inertia, thus, putting the government in a debilitating bargaining position that can likely decrease its returns. Nevertheless, in some countries, the petroleum policy is set by an energy ministry like the Ghanaian Ministry of Energy, Indonesian Ministry of Energy and Mineral Resources, Mozambican Ministry of Mineral Resources, Norwegian Ministry of Petroleum and Energy, and Tanzanian Ministry of Energy and Minerals, etc. In spite of this, it is worth noting that in a federal system, the legal and regulatory framework needs to establish the nature and extent of subnational input into the policy-making process. For instance, in Iraq, the federal government and the relevant regional and provincial governments are constitutionally required to share responsibility for setting strategic policy for developing petroleum resources "in a way that achieves

the highest benefit to the Iraqi people" [10] - although chapter 10 provides a detailed elaboration of the issue, however, the joint policy formation envisioned in the Constitution poses its own set of challenges. In addition, with regard to the allocation of revenues, the crucial lesson from international experience is that governments should clearly assign the policy-making role so that all the parties - including domestic stakeholders and foreign investors - definitively understand what entity or entities are in charge of the hydrocarbon sector policy of the country, and whom to refer to for clarification and in case of disputes.

2.2.2. Upstream, midstream, and downstream roles:

Indeed, upstream roles include the issue of public tenders for awarding petroleum agreements, the negotiation of petroleum agreements; contract compliance and administration, including ensuring compliance with commercial, technical, health, safety, and environmental aspects of petroleum agreements and applicable laws; and state participation, whether as an operator or as a government representative in commercial ventures. As such, governments often divide these roles in some fashion between the relevant ministry (potentially a statutory authority reporting to the ministry), and the state-owned oil company. On the one hand, for example, in the Netherlands, the State Supervision of Mines, an executive agency of the Ministry of Economic Affairs, is tasked with upstream petroleum oversight responsibility, including health, safety, and environmental oversight; while the Ministry of Economic Affairs is responsible for petroleum licensing. Equally, in Mozambique, the Ministry of Mineral Resources is tasked with granting concessions, with the responsibility for ensuring that the petroleum operations are conducted according to the applicable laws and contractual commitments, being delegated to the National Petroleum Institute. On the other hand, the Petroleum Regulatory Authority of Ghana is responsible for the regulation, oversight, and monitoring of the activities in the petroleum upstream and midstream sectors, and the National Hydrocarbons Commission of Mexico is also responsible for regulating and supervising the exploration and production of hydrocarbons, as well as hydrocarbon storage, transportation, and processing activities; are independent upstream regulatory entities rather than agencies reporting to the relevant petroleum ministry. Besides, the countries with federal systems need to consider whether these roles will be filled entirely by federal entities, regional or local entities, or by some combination of the two. However, to arrive at any decision, there are several things to take into consideration, such as what level or levels of government have or can be built to have the capacity to carry out the relevant functions; what level of consistency across the country is desired with respect to the rules, regulations, contract terms; and what level or levels of government can most effectively be held accountable for their management of upstream petroleum responsibilities.

Notwithstanding, it is worth noting that no matter whatever approach a country adopts, the framework again needs to be clear. Since investors will be much more likely to invest on reasonable terms when they have certainty as to which entity has the authority to conduct tenders and enter into petroleum agreements. Similarly, countries that typically assign key midstream and downstream roles in hydrocarbon

frameworks, including the regulation of tariffs for midstream assets like pipelines and liquefied natural gas (LNG) facilities always ensure the efficient use of midstream transportation and downstream distribution capacity; pipeline and LNG safety; environmental oversight; and state participation in midstream and downstream infrastructure. In this light, the regulatory and operator functions of public entities should be clearly separated, according to global best practices. As such, where the regulation of prices is involved, as seen in the context of the midstream and downstream, the independence of the entity regulating those prices is essential to prevent undue political influence on the market mechanisms. For example, the independent Energy and Water Utilities Regulatory Authority in Tanzania, regulates rates and charges, while its oversight of the petroleum sector is limited to transportation and distribution. Equally, the regulator in Indonesia is responsible for the mid - and downstream aspects of the hydrocarbon sector, and for setting transportation tariffs and prices of natural gas for households and small customers. Moreover, with regard to the issue of state participation in pipelines, the Companhia Moçambicana de Gasoduto (CMG) of Mozambique, an 80% subsidiary of Empresa Nacional de Hidrocarbonetos (ENH) – is a state-owned enterprise and national hydrocarbon company of Mozambique, with the other 20% owned by the state itself, and participates in natural gas pipelines. Likewise, the Petroleum Development Corporation of Tanzania is involved in various pipeline projects, while such projects are also frequently developed as public-private partnerships throughout the world.

2.2.3. Licensing and contract awards, and transparency requirements:

In addition to assigning institutional roles and responsibilities within the hydrocarbon sector, the hydrocarbon laws and regulations also establish key structural aspects of the sector, ranging from licensing and contract awards to environmental matters, local content and transparency requirements. As such, this paragraph assesses the contours of licensing and contract awards, with some input on the transparent requirement in the hydrocarbon sector. Indeed, in countries without any previous hydrocarbon discoveries, their hydrocarbon legal frameworks often provide for the award of licenses or contracts in the sector without using competitive bidding processes. Therefore, given that comparatively, fewer contractors are interested in exploring in a country without prior discoveries, there is unlikely to be sufficient competition for exploration licenses to warrant the institution of such a process.

Conversely, it is worth noting that as more hydrocarbon discoveries take place in a country, more contractors become interested in exploring in that country. As such, this higher interest in exploration yields a more competitive environment, which implies that the government can likely secure more favourable terms by introducing a competitive contract award process; with such a process typically involving awarding contracts on the basis of public tenders, except under specific circumstances. For instance, Angola and Mozambique conduct public tenders for awarding contracts but permit other methods in particular circumstances, such as direct or simultaneous negotiations following a public tender that failed because of a lack of

bids. Since public tenders for petroleum licenses or contracts are often conducted using a variety of parameters, as there is no one “best” solution. Thus, the common approaches involve bidding profit-sharing rates, exploration work programmes, and signature bonuses. For example, the January 2013 Suriname round of bidding was based on phase 1 exploration work programme obligations and fixed minimum R-factor sharing percentages, for which the contractors bid an additional percentage for each such minimum rate, to ensure transparency.

Correspondingly, the international consensus is growing on the importance of transparency in promoting good governance in all the activities of the hydrocarbon sector. As such, improving transparency and accountability requires multiple measures that entailed, on the one hand, voluntary and multi-stakeholder efforts like the implementation of the Extractive Industries Transparency Initiative (EITI) [11], which requires the extractive industry companies to publish their payments to governments and governments to publish the amounts they receive through up-to-date government and corporate reporting systems, and on the other hand, the mandatory and regulatory measures spelt out in the hydrocarbon legal and regulatory frameworks. Therefore, as part of the need of ensuring transparency and accountability across the hydrocarbon value chain, the legal and regulatory frameworks for hydrocarbons can impose transparent and competitive procedures for issuing licenses, and exploration and production rights for petroleum; establish competent and non-corrupt institutions with clear and non-overlapping mandates in the regulation and monitoring of the operations; require publicly reported, equitable, and progressive fiscal regimes that avoid unpublished special deals and minimise tax avoidance and evasion; and prescribe transparent revenue management mechanisms. This is because a lack of transparency at any one point in the hydrocarbon value chain may result in a spread of misinformation and growing mistrust. As such, it is significant that countries adopt appropriate legal frameworks and establish sustainable institutions to monitor and ensure that this does not occur. Since when countries increase transparency in the hydrocarbon sector, particularly by making progress toward the EITI Standard, they signal to investors that they have a sound and viable business climate.

2.2.4. Environmental and local content issues:

Explicitly, most hydrocarbon legislation provides the minimum requirement to be fulfilled by the contractors in carrying out their obligations according to the industry-accepted notions of environmental responsibility, often referred to as the “good oil field practices”. Despite this, how such practices are defined varies considerably according to jurisdiction. Likewise, it is fairly common for hydrocarbon legislation to require contractors to comply with generally applicable domestic environmental laws and regulations. With more comprehensive regimes also requiring the contractors to submit environmental and social impact assessments; environmental management plans for avoiding environmental damage; and remediation plans for addressing any environmental incidents that occur, which sometimes require pre-funding an environmental remediation fund. As such, many regimes specifically assign responsibility for the payment for environmental damage arising from the hydrocarbon operations to the contractor or require the

contractor to carry insurance to cover such damage. Likewise, it is worth noting that modern hydrocarbon legal frameworks readily require the contractor to restore an area to its original state once the hydrocarbon operations there cease. Although it is observed that doing so can be a costly process, as such, there is a risk that the contractors will avoid carrying out appropriate decommissioning at the end of their license term. Thus, to address such risk, some jurisdictions have called for the establishment of reserve funds. Notwithstanding, natural gas flaring also poses significant environmental concerns often accounted for in petroleum legislative frameworks.

In this regard, the international best practice has banned and fined gas flaring, except in specific circumstances like facility or well testing or for safety reasons, and to carefully regulate and monitor such flaring; with such an approach having been adopted in Angola, Ghana, Mozambique, Nigeria, Tanzania, and Uganda. In addition, the World Bank leads the Global Gas Flaring Reduction Partnership (GGFR), which aims to reduce the flaring of associated natural gas worldwide [12]. Indeed, the GGFR recommends clear, comprehensive, and unambiguous legislative treatment of the flaring issue, including regulation, monitoring, and fiscal terms to provide incentives to use associated gas, to impose penalties for gas flaring, or both. Equally, the GGFR also recommends, among other things that access to gas infrastructure - pipelines and processing facilities - be open and non-discriminatory to enable associated gas usage [12]. Furthermore, the best way to enhance sustainability in the hydrocarbon sector is to also ensure that the local content requirements imposed on the contractors are balanced, taking into account all the relevant factors, and capable of evolving as the institutional capacity increases. This can only be achieved if the hydrocarbon legal framework is less prescriptive, at least initially, but more collaborative to provide for oversight by the stakeholders of local content progress. As appreciated in the case of Nigeria, which has established a separate board to monitor and implement its local content provision; although given the long history of Nigeria's petroleum sector, it also has rather prescriptive local content legislation. But its recent legislation has included a clear definition of local content, which is widely accepted in the industry, as it defines local content as "the quantum of composite value added to or created in the Nigerian economy by a systematic development of capacity and capabilities through the deliberate utilization of Nigerian human, material resources and services in the Nigerian oil and gas industry" [13]. Therefore, the successful implementation of local content, which creates opportunities for entrepreneurship, uses, and expands on the existing capacity and capabilities; as both adds value and creates an environment for sustained value additions. As such, the key concept in any legislation on this topic is flexibility and sustainability, since the contractors often agree to contribute to the specialised training funds in the amounts specified in their various extraction agreements.

2.3. The Precepts and Principles of Fiscal Regimes in the Hydrocarbon Sector

Aptly, it is worth noting that countries with hydrocarbon resources, particularly those without a long history of hydrocarbon development, typically seek to engage foreign companies to develop those resources. Despite this tendency,

it is observed that these countries face an inherent tension between the desire to establish a fiscal regime that will provide the maximum revenue to the country and its citizens, and adopting a fiscal regime that will attract investors to develop such resources. As such, resolving the tension requires striking a balance between attracting investment and maximising revenue - since fiscal terms that are nominally very favourable to the governments can have a chilling effect on investment. Besides, in the most extreme case, fiscal terms that provide for 100% of hydrocarbon revenues flowing to the government may sound favourable, but no contractors would invest on such terms. This is because fiscal terms that are overly generous to the contractors would likely yield vast investment, while limiting the benefits to flow into the host country. As a consequence, it is noted that both extremes are unsustainable in the end, as they do not benefit either of the parties involved. In this light, it is very crucial to always strike an appropriate balance between the two extremes, by enabling the governments to adhere to a few basic principles in designing the fiscal regimes and using the appropriate modalities in choosing the relevant type of hydrocarbon agreement to implement such fiscal regimes.

2.3.1. Precepts of the hydrocarbon fiscal regimes:

The three most important precepts of a successful hydrocarbon fiscal regime are the sanctity of its contracts; its attractiveness to both the investors and government; and the manageability of contracts, backed by robust enforcement mechanisms. In this regard, it is worth highlighting that respecting the sanctity of a contract is paramount in attracting foreign investment. Since developing hydrocarbon resources is by nature a long-term business because significant revenues might not begin flowing until 5–10 years after an agreement is signed, and only sometime after that will the cost of the investor be recovered. As such, contractors are far more likely to invest in a country with a stable contractual and fiscal regime. Accordingly, contract terms should not be altered without an agreement by all the parties to the contract. Since committing to such a principle implies that the host countries need to exercise diligence and care in designing and executing the hydrocarbon agreements that will remain acceptable over the long run. Notwithstanding, contract compliance is of utmost importance in ensuring that the governments receive the benefits to which they are entitled and that the hydrocarbon operations are conducted properly, in line with the hydrocarbon agreement and the broader legal and regulatory framework for the sector. This factor includes compliance with the entire commercial, technical, health, safety, and environmental aspects of the hydrocarbon agreements and applicable laws. Therefore, since hydrocarbon agreements are often high-value contracts that create strong incentives on both sides, as the contractors will be seeking to maximise the value of the contract for their shareholders, while the governments have a responsibility to their citizens to ensure that the rights of the governments under the contract are being upheld. Besides, some types of hydrocarbon agreements are easier to administer than others. As such, it is worth noting that the countries with developing hydrocarbon sectors often have scarce resources to oversee contract compliance, with limited tools to consistently enforce it. Thus, the easier a fiscal regime is to administer and audit, the easier it is to ensure that the contractors are operating within the rules of the agreement.

2.3.2. Principles of the hydrocarbon fiscal regimes:

In line with the precepts discussed above, the key principles of a hydrocarbon fiscal regime include: neutrality, revenue-raising capacity, government risk, investor risk, adaptability, and progressivity [14]. Thus, a neutral regulatory framework is one that does not generate, or at least minimises, distortions in economic decisions that operators would make in the absence of regulation. This is essential since in a hydrocarbon-rich country, a large share of the government revenues comes from the taxation of the hydrocarbon sector. As such, one of the key goals of hydrocarbon regulation is to contribute toward maximising government revenue on a sustainable basis. Similarly, the ability and willingness of the government to take on fiscal risk in the context of a hydrocarbon project typically is a function of the income level of the country, the ability of the government to access capital markets, the size and the diversity of the portfolio of current and future oil projects, and the relative size of individual projects. This is because the perception of risk by the hydrocarbon operators is typically a function of the political risk associated with the host country and of the neutrality and revenue-raising capacity of the regulatory framework. Consequently, a framework that has fiscal stability clauses is more attractive to investors and also ensures more sustainable government revenues, except otherwise. In addition, it is worth noting that a fiscal regime is adaptable if it is able to respond to changes in industry standards and the economics of individual projects, such as production levels, cost structure, prices, and internal rate of return. Notwithstanding, although it is better to incorporate the backbone of the regulatory framework in the legislation, typically an oil code, some elements may be left to negotiation to increase competition within the industry and to allow the government to maximise its share of economic rents. Moreover, biddable fiscal elements could include bonuses, tiers in the case of production-sharing contracts, or profit tax rates in the case of concession agreements. As such, a fiscal regime is progressive if the government captures a higher portion of profits when projects become more profitable, including when the sale price of oil increases or extraction costs decrease.

2.4. The Tenets and Structure of the Petroleum Model Agreements

In addition to the principle of sanctity of contract, which provides comfort that a contract will not be disturbed without the agreement of all the parties involved, each party must be satisfied that the hydrocarbon contract they have entered into is fundamentally fair in the first place. This feature implies that a hydrocarbon fiscal regime needs to simultaneously be attractive to investors and clearly beneficial to the host government. Thus, from the perspective of the investor, progressive fiscal regimes are generally more attractive than other approaches. Since if a fiscal regime is “progressive” the government’s share of revenue increases in proportion to the profits, that is, the greater a contractor’s profits, the larger the government share of the hydrocarbons revenues derived under that contractor’s hydrocarbon agreement. This characteristic ensures that the fiscal regime is responsive to windfall situations in which either the volumes of oil or gas or the realised oil or gas prices are greater than expected. Notwithstanding, fiscal regimes need to be competitive with alternative investment decisions. This is because each country with hydrocarbon reserves often presents investors

with a risk–reward calculation, essentially, weighing the prospects of the country, or the relevant block within the country, against the contractor’s proposed share of the hydrocarbon revenues. As such, investors do not view a country’s fiscal regime in isolation but always compare it with the risk–reward propositions of other countries. Indeed, this practice enables governments to critically analyse the risks of investing in comparable countries and the rewards offered by those countries, to structure their fiscal regimes accordingly. Correspondingly, from the perspective of the government, the fiscal regime needs to be structured so that the government receives a fair share of the revenues derived from the hydrocarbons contracts. For instance, a petroleum fiscal regime can be structured in a way that is highly attractive to investors, precisely because it does not provide a fair return to the host government. Such one-sidedness is ultimately detrimental to all the parties involved, once it becomes evident within the host country that the government is not reaping rewards commensurate with the resources being extracted, the government becomes incentivised to alter the terms of the contract. Indeed, such a change would put the government in a difficult position if the investor does not agree to a contract amendment, in which case the government would need to choose between proceeding with a contract that is one-sided in favour of the investor or unilaterally changing the contract, contravening the principle of sanctity of contract. Altogether, it is worth stressing that an ideal fiscal regime provides a platform for sustainability and stability, by offering terms attractive enough to the investors to encourage investment, while also attractive enough to the government to minimise potential incentives to modify the terms of the hydrocarbon contracts later on.

2.4.1. Common types of hydrocarbon agreements:

Indeed, the hydrocarbon agreements determine how the hydrocarbon resources of a country will be developed, including how the revenues from the development of those resources will be shared between the investor and government, and when the revenues will start flowing. In this sense, the three most common types of hydrocarbon agreements are: tax and royalty, service contracts, and production sharing. Nonetheless, it is worth noting that tax and royalty, and production-sharing agreements are by far the most common types. This paragraph proceeds to provide a brief overview of the benefits and drawbacks of tax and royalty, while the next focus on the others. Explicitly, under the tax and royalty approach, contractors pay royalties to the government in the form of a payment per unit of production or, more commonly, a percentage of gross revenues, and taxes on their remaining income. Thus, the primary advantages of the tax and royalty approach are that it applies universally, eliminating the need to negotiate profit splits on a case-by-case basis; ensuring early and dependable revenues to the government, and it is a relatively easy regime to administer. Although several jurisdictions apply the tax and royalty scheme in the petroleum sector (for example, Brazil, Norway, and the United Kingdom), this structure is more commonly used in the mining sector, primarily because of its significant drawbacks in the hydrocarbon context. Firstly, royalties on gross revenues constitute an addition to the contractor’s costs and may cause the contractor to not develop certain fields that might otherwise be viable or to prematurely abandon production at a field if costs rise and profits fall in that field. Secondly, royalties do not factor in

costs and are thus regressive. As such, this factor may cause a politically problematic situation in relation to highly profitable fields, in which the contractor may be viewed as obtaining windfall profits from the development. Such situations frequently require the implementation of “additional profits taxes” to attempt to capture the windfall profits, which makes the overall regimes more complex (for example, Brazil, Norway, and the United Kingdom, pair their tax and royalty systems with some form of additional profits or windfall profits tax). Moreover, significant royalties deter contractors, since they cannot be used as foreign tax credits in many jurisdictions. For instance, although the U.S. Internal Revenue Code allows U.S. entities to claim a credit for income taxes paid to foreign governments on income earned outside the United States, it, however, does not permit such a credit for royalty payments.

Conversely, it is important to note that service contracts involve the payments to the contractors by the government of an agreed-upon fee for the service of extracting hydrocarbons. Indeed, such contracts are generally used in countries where a state oil company fully controls petroleum rights and production, or in countries where nationalisation of the petroleum sector is a priority. The fee may be a fixed amount, that is, a pure service contract, in which the contractor does not assume exploration risk or a fixed return on investment, that is, a risk service contract, in which the contractor assumes some measure of exploration risk. For instance, countries that use service contracts to some extent include Mexico, Peru, the Philippines, Senegal, and Thailand. Indeed, in certain circumstances, particularly in countries with the extremely low technical risk, service contracts may result in high returns to the government. Besides, the project risk under such contracts falls primarily on the government, especially in the case of pure service contracts. Likewise, service contracts may offer insufficient performance incentives to adequately promote efficient resource extraction. Equally, service contracts, especially, pure service contracts also severely limit the potential return to investors and thus are not attractive in cases where the size of available reserves is particularly uncertain or the geological risk is substantial. Notwithstanding, production-sharing mechanisms are widely used in the petroleum sector. For instance, countries, such as Algeria, Azerbaijan, Brazil, Cameroon, Chad, Colombia, the Democratic Republic of Congo, the Kurdistan region of Iraq, Kazakhstan, Libya, Malaysia, Mozambique, Nigeria, Qatar, Tanzania, and Trinidad and Tobago, etc., use the production-sharing-contracts (PSCs). Thus, under the production-sharing approach, the contractors rather than the government, as in a service contract, bear the risk of exploration. As such, once production begins, the contractor retains a certain percentage of the revenues until its capital expenditures are recovered, before sharing the remaining profits with the government. Indeed, the production-sharing mechanisms take several forms, while most are progressive, that is, the government’s share of profits increases as profitability increases, as such, are generally more attractive to investors than the tax and royalty or service contract approach. Moreover, it is worth noting that provided that the “cost oil” allotment is less than 100%, the production-sharing approach offers an advantage shared by the royalty approach, with early cash flows to the government upon the commencement of production. Indeed, such a cost oil limit effectively functions as a royalty flowing

to the government. Equally, some PSC mechanisms are fairly easy to administer, although others are difficult, depending on the legal frameworks of the jurisdiction.

2.4.2. Structure and use of model petroleum agreements:

As an important component of hydrocarbon investments, the petroleum agreements, for instance, are very vital for the government to maximise its benefits from its natural resources. As such, the government plays a significant role in regulating petroleum production, by frequently seeking to standardise certain terms for the contractors investing in the hydrocarbon sector through the use of model petroleum agreements. An approach that can be used under various fiscal regimes, such as, the model service contracts under a service contract regime or the model concession agreements under a tax and royalty approach. In this sense, the PSCs are the most common forms of petroleum agreements. Thus, this section focuses on the model PSCs, since the general principles of PSCs apply to the other forms of model agreements used under other fiscal regimes as well. Notwithstanding, it is worth noting that the key to successfully using the model PSCs, is in ensuring that the host country has the requisite resources to enforce the legal and contractual obligations of contractors - since contract compliance is always important especially, under certain petroleum-sharing mechanisms. As such, the usage of model PSCs that standardise most contractual obligations can boost the achievement of the overview hydrocarbons investment agenda, thus, enhancing sustainability. This is because model PSCs work hand in hand with the mechanism for awarding contracts. On the one hand, the PSC sets out all the common terms applicable to petroleum contractors, such as: the general standards of conduct; contract area relinquishment obligations; ring-fencing (the extent to which contractors are permitted to offset costs from one exploration or contract area against revenues from another); production-sharing mechanisms; environmental obligations; stabilisation clauses (the extent to which contractors will be protected against changes in the law or taxes during the term of the contract); and the dispute resolution and arbitration provisions. While on the other hand, the model agreement typically leaves placeholders for the bid parameters specified in the contract award procedures established under the petroleum law and regulations. As a result, the petroleum contract of the winning bidder always reflects the common terms from the model PSC, and the bid parameters from the contractor’s bid, together with any other negotiable items, which are typically limited in scope.

Correspondingly, it is worth noting that within the most common type of petroleum agreements, such as the PSC, are several mechanisms for determining how the revenues from petroleum production are shared between the government and contractors. These mechanisms include the daily rate of production (DROP), cumulative production, rate of return (ROR), and the R-factor. Thus, under the DROP approach, the government’s share of profit on petroleum increases as the daily rate of production from a contract area increases. Nevertheless, this approach does not directly take into account either the price of petroleum or the costs of production from a given contract area, by acting to curb progressivity. As such, some countries use a variation of this approach to determine the respective contractor and government shares based on the rate of production of profit

oil rather than total volume. Indeed, this subgenre is used in the Arab Republic of Egypt and Kenya, whereby it is somewhat more progressive than the standard DROP mechanism based on total volume. Besides, some other form of the DROP mechanism is also used in Equatorial Guinea, Ethiopia, Tanzania, and Uganda, which exceeds the contractor's costs plus a minimum return. As the approach calculates the contractor's ROR using discounted cash flows, and the government's share increases as the contractor's ROR increases. Equally, Angola, the Russian Federation, Tanzania (for its additional profits tax), and Uzbekistan are among the countries that use the ROR method. Similarly, the so-called R-factor approach to production sharing determines the production share of the government according to the ratio of the contractor's cumulative revenues to cumulative expenditures. From this, it is worth noting that both the ROR and R-factor approaches are highly progressive, provided that appropriate parameters are selected. Since in addition to inherent progressivity, these regimes eliminate the need to establish different DROP tables applicable to oil and gas. As such, because these regimes are determined based on positive and negative cash flows (in the case of ROR) or of revenues and costs (in the case of the R-factor), the same regime can be applied to both oil and gas. Moreover, it should be noted that either of these approaches would eliminate the need for an additional profits tax to address potential windfalls. Despite this, the ROR approach has the advantage of taking into account the time value of money, which means the ROR calculation is more sensitive to the timing and size of the initial investments relative to first production. Whereas the R-factor approach is conceptually simpler and less sensitive to the timing of cash flows or issues such as the "gold-plating" of costs, since the timing of preproduction expenditure has no impact on the calculation of the R-factor production shares [12]. However, in either case, strong contract compliance is important. Especially as the R-factor does not require a rate of return to be explicitly factored into the contract's terms, which reduces the risk of setting parameters that are unacceptable to investors or that could complicate licensing negotiations.

3. Discussion of the Breadth of the Legal and Fiscal Framework of the Hydrocarbon Sector in Cameroon

Explicitly, the hydrocarbons sector in Cameroon benefits from decades of emerging development, and recently, with the resurgence in interest from investors. Aptly, there is a great need to adopt a viable legal framework, with a clearly defined tax regime to act as a panacea in boosting the economic development and sustainability of the country. As such, since the introduction of the first legal instrument for oil and gas operations in Cameroon in 1964 [15], the government has taken some great steps in developing a comprehensive legal framework and tax regime for hydrocarbon operations. By sporadically making alterations and promulgating complementary legal instruments in a bid to broaden the tax base and maximise the state's ability to gain revenue. This trend reached its apex in 1999, when the government of Cameroon (GoC) adopted Law No. 99/013 of 22 December 1999 instituting the Petroleum Code. Consequently, this law simultaneously unified and abrogated some past legislation on petroleum operations, and to a considerable extent, instituted a new regime for the taxation

of petroleum operations for contracts entered into prior to the enforcement of the law. Notwithstanding, it is worth noting also that although oil exploration began in Cameroon in 1947, the first exploration permit for Hydrocarbons was awarded on 16 April 1952 in the Douala basin. Likewise, it effectively became an oil producer in 1977 following the start of production of the Kolé field from 1980 to 1986. Indeed, it experienced its most active period in terms of petroleum exploration with a production level of 186,000 barrels/day in 1985. Despite this, it is noted that the production of crude oil in 2017 reached 27.687 million barrels registering a decrease of 17.76% compared to 2016 [17]. With this drop explained by the economic slowdown in oil activity that led to the postponement or even the cancellation of some projects planned in 2017. The State and National Hydrocarbons Company (SNH) share of oil production was 16,091,884 barrels in 2017, representing 58.12% of total production [16]. Correspondingly, gas exploration began at the same time as petroleum exploration; although the sector has remained with sluggish growth for a long time due to a lack of profitability and trade opportunities. However, unlike liquid Hydrocarbon, which can be stored in a terminal for removal to international markets, the implementation of a gas project is subject to the prior identification of a downstream project to be used for its recovery. Indeed, as of 31 December 2017, natural gas resources are estimated at 6.05 TCF [161 billion cubic meters) [16].

As such, faced with the increasingly growing demand for electrical energy, the GoC has set up the Emergency Thermal Plan (PTU) through the Electricity Sector Development Plan (PDSE), led by the Ministry of Water and Energy (MINEE), to which the Ministry of Mines, Industry and Technological Development (MINMIDT) and SNH contributed by confirming in particular, the availability of gas resources for the extension of the Kribi power plant from 216 to 330MW, for the conversion to natural gas of heavy oil thermal power stations in Limbé (85MW) and Dibamba (86MW) and the construction of a 340 MW gas thermal power station in Limbé. Moreover, a National Gas Resources Development Plan is being implemented, which includes major gas projects like the construction of a gas-fired thermal power plant in Kribi; the construction of a factory manufacturing chemical fertilizers from natural gas in Limbé; the supplying of natural gas to industries in Douala; the building of natural gas liquefaction plant in Kribi (Cameroon LNG and PERENCO FLNG projects); and the Compressed Natural Gas for Vehicles (GNCV) project. In fact, such plans provide for the production of electricity from various sources, including the gas sector, production of which started in 2013 in Logbaba, a town near the city of Douala to address this energy deficit, around thirty companies launched the production of electric energy from natural gas. Equally, the conversion of the LNG carrier Hilli into a floating liquefaction plant was completed on 01 October 2017 (the plant was named "Hilli Episeyo", with Episeyo meaning 'Hope' in Batanga). Likewise, work to extend the Natural Gas Treatment Centre (CTG) in Bipaga, operated by the company Perenco Cameroon, was completed at the end of September 2017, increasing its capacity from 60 to 320 million cubic feet per day. Likewise, work to extend the Natural Gas Treatment Centre (CTG) in Bipaga, operated by the company Perenco Cameroon, was completed at the end

of September 2017, increasing its capacity from 60 to 320 million cubic feet per day. In addition, the Ministry of the Environment, Nature Protection and Sustainable Development (MINENPSD) has issued the Environmental Compliance Certificates to the Golar Cameroon Company, for the operation of the Hilli Episeyo at offshore from Kribi, and to Perenco Cameroon, for the operation of the new CTG facilities in Bipaga. Also, the Minister of Water and Energy has awarded Golar Cameroon a permit to liquefy natural gas - while an LNG export permit has been awarded to SNH and Perenco Cameroon, in joint ownership. From these, it is realised that the hydrocarbon sector in Cameroon is growing rapidly and needs a viable legal framework and tax regime that aims to create an attractive environment for foreign investors, while permitting the GoC to reap the benefits of its natural resource wealth.

3.1. The Key Legal and Institutional Frameworks of the Hydrocarbon Sector

3.1.1. Legal and regulatory instruments:

Currently in Cameroon, petroleum activities are governed by Law No. 99/013 of 22 December 1999, instituting the Petroleum Code and its associated decree of application No. 2000/465 of 30 June 2000. Indeed, due to some lapses of the Petroleum Code, specific provisions governing the exploration and production of petroleum activities are included in the petroleum contract, which takes the form of a Concession Contract (CC) or a Production Sharing Contract (PSC) [17]. Likewise, companies carrying out petroleum activities are also subject to the uniform laws adopted by the Organisation for the Harmonisation of Business Law in Africa (OHADA), of which Cameroon is a member, as well as to the customs and exchange regulations, applicable in the Economic and Monetary Community of Central Africa (CEMAC) [18]. As such, according to the Petroleum Code, any entity carrying out petroleum activities in Cameroon is required to sign an oil contract. Moreover, contractors can operate through a local subsidiary for the duration of the oil contract or through a branch. Besides, the Petroleum Code as corroborated by the OHADA Uniform Act on Commercial Companies and Economic Interest Groups, emphasize that any foreign company having a registered branch must transform such branch into a local company after a maximum period of four (4) years, that is, an initial period of two years, which is renewable once. Nevertheless, the Petroleum Code in line with the Investment Charter [19], places no restrictions on foreign investment, which is treated in the same way as local investment. In addition to the Petroleum Code and OHADA Uniform Acts, the GoC adopted the legal framework governing the gas sector [20]. Equally, other substantial instruments enhancing the sustainable regulation of the hydrocarbon sector, include the General Tax Code (CGI) [21]; Ordinance No. 94/004 of 16 February 1994 on the taxation of petroleum products [22]; Law No. 96/12 of 5 August 1996 on environmental management, Decree No. 2013/0171 of 14 February 2013, setting the procedures for carrying out environmental and social impact studies; and Order No. 0069 of 8 March 2005, setting the different categories of operations, the completion of which is subject to an environmental impact study [23]. These legal and regulatory instruments are implemented by special institutions put in place.

3.1.2. Institutional framework:

The Hydrocarbons sector is regulated and supervised by several government agencies including the Ministry of Mines, Industry and Technological Development (MINMIDT), and the National Hydrocarbons Company (SNH). In addition, payments of specific taxes by hydrocarbon companies are made to the government agencies placed under the supervision of the Ministry of Finance (MINFI). As such, the main governmental entities involved in the extractive sector are: (i) The MINMIDT, which designs and coordinates the implementation of the national Hydrocarbons policy. It also has a right of oversight over all petroleum activities on the national territory including determining the areas for petroleum operations, approving contract templates, authorising transfers of rights and obligations linked to petroleum contracts, approving changes of control in companies holding petroleum contracts, authorising prospecting, and approving protocols, agreements or contracts signed between partners in a petroleum contract [23]; (ii) the Directorate of Mines (DM), placed under the supervision of MINMIDT, with the mandate to implement the national policy on mines and hydrocarbons, monitor the management and control of activities in the national mining sector, monitor the transportation of Hydrocarbons by pipeline and their removal at storage terminals, participate in control activities of oil and gas operations, and monitoring of State participation in the exploitation of minerals [24]; (iii) the Directorate of Hydrocarbons, also placed under the supervision of MINMIDT, has as its mandate to prepare the acts of authorisation, exploration and exploitation of hydrocarbons, develop and monitor petroleum contracts, gas contracts and related specifications, as well as acts related to the storage of hydrocarbons, technically evaluate the offers in petroleum contracts, in conjunction with the concerned administrations, administratively and technically supervise the exploration, exploitation, storage, pipeline transport, import, export and processing of hydrocarbons; monitor the management of the national mining sector inherent to hydrocarbons; and collect statistical data relating to the exploration, exploitation and production of Hydrocarbons [25]; (iv) the National Hydrocarbons Company (SNH), placed under the supervision of the Presidency of the Republic, has as its mission to ensure the research and exploration of hydrocarbons, manage the interests of the government under the mandate of the State of Cameroon in the context of oil production and exploitation operations, and ensure the commercial operations relating to the sale and purchase of crude oil on the international markets on behalf of the State [26]; (v) the National Refining Company (SONARA): It is a public company which has the mission of refining crude oil and ensuring the supply of refined petroleum products (butane, super gasoline, jet, kerosene, diesel, distillate, fuel oil) [27]; and (vi) the Ministry of Finance (MINFI), which ensures, through its three directorates and agencies, such as the Directorate General of Taxes (DGI), Directorate General of Customs (DGD) and the Directorate General of the Treasury and of Financial and Monetary Cooperation (DGTCFM) - Treasury, to collect taxes from the extractive industries on behalf of the State and various municipalities [28]. From these, it is worth assessing the taxation regime in the hydrocarbons sector, which is very significant for the proper functioning of the state in enhancing sustainable development.

3.2. The Purview of the Taxation Regimes in the Hydrocarbon Sector

Aptly, there are two principal regimes of taxation for hydrocarbon operations in Cameroon. The first applies to petroleum agreements that were concluded before the promulgation of the Petroleum Code but are still in force. As such, taxation of hydrocarbons under this regime is governed by Law No. 64 – LF-4 determining the tax basis, rates and means of recovery of flat taxes, royalties and mining taxes as supplemented and amended by Law No. 68 – LF-13 of 18 November 1968, and Law No. 78/24 of 29 December 1978. While the second regime regulates contracts concluded after the signing of the Petroleum Code. Accordingly, under the regime, Sections 89 to 103 of the Petroleum Code lay down the scope for the taxation of petroleum products, while Sections 104 to 109 dictate some of the rules for customs duties. As such, the holders of Concession Contracts and Production Sharing Contracts (PSCs), for all exploration and exploitation activities carried out in Cameroonian territory, are subject to duties, taxes, and surface rentals, as defined by the Petroleum Code, General Tax Code, and the provisions of the petroleum contracts. Correspondingly, the Prime Ministerial Decree No. 2002/032/PM of 3 January 2002, clearly outlines the modalities for calculating the basis of taxation, collection of fees, and royalties applicable to hydrocarbon activities. Equally, the 2002 Decree sets out the basis and collection provisions in respect of the fees and royalties applicable to hydrocarbons, by stating that any assignment or transfer of interests in an exploitation authorisation is subject to a flat fee of XAF 250 million (approximately \$500,000). However, it is worth noting that the 2002 Decree refers to transfer fees only in respect of an exploitation authorisation. Since no reference is made to transfers of interest in respect of an exploration authorisation no fees are payable in that case.

3.2.1. Fiscal regime:

The tax regime applicable to the holders of licences and petroleum contracts is provided for in Section 89 et seq. of the Petroleum Code. As such, Section 100 provides that the holders and their partner companies under the protocols or agreements referred to in Sections 8 and 19 of the code, shall be liable to pay taxes, duties, and royalties accordingly, especially those contained in the General Tax Code, subject to the provisions of the Petroleum Code applicable to the petroleum operations. Indeed, 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, with the amounts of bonuses being 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% to 50%; special income tax at a rate of 15% applies to amounts paid abroad, as remuneration for various services provided or used in Cameroon. This percentage is calculated on the gross income amount. Thus, 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 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 the petroleum operations - to each

square kilometre of the relevant surface. In addition, the holders of concession agreements are subject to a monthly proportional royalty based on the production volumes, and may also be subject to an additional petroleum levy based on the profits derived from the petroleum operations. Equally, their basis of calculation and rates are determined in the concession agreement. While under the PSCs, hydrocarbon profits are shared between the state and the holder per the terms of the PSC. That is, a share of the total petroleum production (“cost oil”) is first allocated towards reimbursing the company for petroleum costs incurred under the PSA - since the level of this cost oil is determined in the PSC. While the remaining part (“profit-oil”) is then shared between the state and the company under the terms outlined in the PSC, based on the “R-Ratio” corresponding to the cumulative net income/cumulative investments.

3.2.2. Applicable Taxes:

The holders of Concession Contracts and Production Sharing Contracts (PSCs) are subject to levies and taxes as follows. (i) Flat fee, provided in Section 90 of the Petroleum Code, which states that it should be imposed on all applications for grants, renewal, assignment, transfer or surrender of petroleum contracts. As such, for issuance and renewal of a prospection or exploration authorisation, the amount is fixed at XAF 6,000,000 (approximately \$10,000), for authorisation for research, the amount is set at XAF 15,000/km² upon grant and XAF 10,000/km² upon renewal and in both cases a minimum amount is set at XAF 6,000,000, while a fixed rate of XAF 250,000,000 (approximately \$423,000) applies for delivery, renewal and surrender or transfer; (ii) Annual surface rental fee: It is payable by companies involved in research and those with an authorisation to explore. Thus, concerning a research authorisation, the amount is set at XAF 1,750/m² in year one and increases yearly to XAF 5,500/m² in the fifth year and beyond. Companies that have an authorisation pay an annual surface tax of XAF 100,000/km² with the minimum set at XAF 6,000,000; (iii) Company tax: which is calculated on the net profits that the contractor earns from all of its petroleum operations in the contract area at a rate freely negotiated between the company and the state on signing the contract. The rate is fixed in the contract and varies between the rate of the ordinary law (33%) and 50% of the profits from petroleum operations; (iv) Royalties: the holders of Concession Contracts pay royalties against the monthly production realised in the defined area, with the rates and modalities for payment being freely negotiated between the holder and the state. As such, royalties can be paid in kind. (v) Signature and production bonuses: which are paid by holders of petroleum contracts based on the indicators freely negotiated in the contracts; (vi) Additional petroleum tax: which may be imposed on the holders of a Concession Contract as per Section 109 of the Petroleum Code; and (vii) Training cost: that is payable in cash and disbursed by petroleum companies for professional training in the petroleum field of Cameroonian nationals, as enshrined in Section 12 of the Petroleum Code and provisions of the petroleum contract.

3.2.3. Exonerations, tax payment, and compliance procedures:

The holders of petroleum contracts and their sub-contractors benefit from a wide scope of exonerations and incentives under the Petroleum Code. As such, the holders of petroleum

contracts are exempted from registration fees on contracts directly linked to petroleum operations, from withholding tax on dividends, and from interest on loans granted by non-resident financiers funding development operations. Likewise, for the exploration and research phases, the full exemption applies to equipment and accessories listed and deemed to be re-exported after operations, as provided in Section 115(2) of the Petroleum Code, and the Annex of Act 2/98-UDEAC-1508-CD-6I of 21 July 1998. Since the Petroleum Code provides that materials directly used for petroleum operations also benefit from a preferential customs regime set at 5% during the five years following the granting of an exploitation license. Besides, there is also a preferential regime in place for spare parts. Moreover, the holders of petroleum contracts are free to export their share of the hydrocarbon proceeds to which they are entitled free of all export duties. As well, there are exemptions for import and export duties and taxes for the equipment and materials necessary for petroleum exploration and research operations. But they can be taxed at a reduced rate of 5% for other imports linked to production during the first five years of production, with the subcontractors also entitled to the special customs regimes. Altogether, the supply of goods and services directly related to the performance of the petroleum operations is exempted from value-added tax (VAT) at the rate of 19.25%. With sub-contractors equally exonerated from VAT under specific conditions. Nonetheless, the extent and conditions of any such exemptions are specifically set out in a PSC, the Petroleum Code and the complementary regulatory instruments. Notwithstanding these, it is worth noting that the 2002 Decree sets out the regulations for collecting fees and royalties on hydrocarbon operations in Cameroon. As such, ordinarily, the fiscal period is 12 months from January to December. Therefore, the payment of company tax for a given fiscal period can be done in four instalments for petroleum operations. Indeed, the payment due for each instalment is determined by applying the company tax rate on the estimated portion of taxable income for that quarter. With quarterly returns due no later than the 15th of the month following that quarter, together with the supporting document of the amount of taxes payable. Equally, taxes withheld at source during a given month (taxes associated with payroll, payments of invoices received from local vendors and remunerations of services) are paid no later than the 15th of the following month; since late submissions of the return shall entail a penalty. Thus, at the end of the year, the taxpayer has to present an annual return comprising a summary of all the transactions carried out by the taxpayer during the fiscal year. Such a return must include the financial statements, its appendices, and the assessment of the final income tax and VAT. More importantly, to enhance good governance and accountability, the hydrocarbon contract can provide deadlines for submitting such annual tax returns to the appropriate institution. Despite these, some debilities within the legal framework and fiscal regimes still exist, thus, needing viable reforms to enhance the sense of good governance and sustainability for both the GoC and investors.

3.3. The Scope of Revenue Collection and Hydrocarbon Contracts Disclosure

The modalities of revenue collection and disclosure of the content of the hydrocarbon contracts are interwoven. This ensures transparency, accountability, and sustainability for

all the activities in the sector, as all the stakeholders can appreciate at any given point, what the prospects and drawbacks are. As such, on the part of GoC has adopted the legal framework, taxation regimes, and other sustainable legislation that ensures the proper revenue collection and disclosures in the extractive industries as follows.

3.3.1. Extractive revenue collection:

Indeed, Law No. 2007/006 of 26 December 2007 on the financial regime establishes the principle of the single cash account of the Treasury. As such, the latter is the unique collector of the State revenues including those relating to decentralised local authorities (payments to the benefit of municipalities) and legal persons under public law. This makes the Treasury to be a one-stop shop for the GoC cash-in and cash-out operations. Initially, payments from extractive companies are made in cash with the following three main government agencies: (1) the Directorate General of the Treasury and of Financial and Monetary Cooperation (DGTCFM) for dividends from State participations, transfers from SNH-Mandate as income from the sale of government share (received in kind) in the production of hydrocarbons as well as under other payments it receives from oil companies under petroleum contracts; (2) the Directorate General of taxes (DGI) and Department of Large Companies (DGE) for taxes governed by the General Tax Code and mining taxation; and (3) Directorate General of Customs (DGD) for customs duties, transit duties and customs fines. Thus, it is worth noting that commencing from 01 January 2015, the collection and control of taxes, fees and charges from the mining sector are the responsibility of the DGI, as per Section 239 of the Finance Law of 2015. Despite this, it is important to note that there are three exceptions to the principle of the single cash accounts of the Treasury, which are: (i) Income in kind corresponding to the government share in the production sharing contracts, the sales of which is sold by SNH on behalf of the State. Since sales revenues as well as royalties and bonuses paid by oil companies are collected first by SNH (Mandate) and then transferred to the Treasury after deduction of operational costs shared with private oil companies; (2) SNH may incur certain expenses on behalf of the state from oil revenues collected as per previous point. These 'direct operations' by the SNH are deducted from the amounts due by SNH in respect of the revenue to be transferred to the State; and (3) for semi-mechanised artisanal mining, the collection of the revenues is done in kind by CAPAM, which thereby transfers the collected in-kind revenues to MINFI before it allocates to the beneficiaries provided for by the regulations.

3.3.2. Disclosure of Hydrocarbon Contracts:

Crisply, the regulatory framework governing the sector provides for the conclusion of several types of contracts between the GoC and hydrocarbon companies. However, the main types of contracts are: The production sharing contract (PSC) and the concession contract (CC), as per Sections 12-15 of Law No. 99/013 of 22 December 1999 of the Petroleum Code, and the gas agreement (downstream sector) according to Section 10 of Law No. 2012/06 of the Gas Code. Notwithstanding, it is worth noting that the legal framework governing the hydrocarbons sector does not provide for measures to disclose contracts concluded with holders of petroleum permits. Although the content of the petroleum contracts is specified by the regulations, the

templates used are not formalised by legal texts. Despite this, the GoC has undertaken actions to improve the transparency of contracts with the publication by SNH of a template contract in the petroleum sector [29]. Equally, the GoC has also adopted Law No. 2018/011, establishing the Code of Transparency and Good Governance in the management of public finances, which provides, in particular, the obligation to make public contracts between the administration and public and private companies, especially companies that exploit natural resources; and the submission of petroleum contracts to the regular control of the Audit Bench and the relevant Parliamentary Committees. Although it is not clear whether such measures will have a retroactive effect, however, the initiatives can be interpreted as a commitment by the GoC to make all contracts publicly available. Even though it is observed that the framework governing the sector did not change concerning the disclosure of contracts after the implementation of the 2016 Mining Code. Nevertheless, the only confidentiality provision identified is, Section 105 of Decree No. 2000/465 of 30 June 2000, setting out the implementation modalities of the 1999 Petroleum Code.

Although the provision is only referring to data collected by the authorities from the contract holder and relating to documents, reports, statements, plans, data, samples and other information relating to the oil field and does not deal with the petroleum contract itself. Besides, it is important to note that in practice, petroleum contracts are not often published. This has been so despite the provision of Section 6 of Law No. 2018/011 of 7 November 2018, regarding the disclosure of contracts, although pending the release of the implementation regulation setting out the terms of implementation in particular with regard to contracts in force before the promulgation of the 2018 Law.

3.4. The Impacts of Reforms in the Hydrocarbon Sector

Ardently, in order to ameliorate some of the issues raised above, the hydrocarbon sector has experienced three recent reforms, which have impacted the sector. On the one hand, the promulgation by the GoC of the Transparency and Good Governance Code (Law No. 2018/011 of 11 July 2018 on the Code of Transparency and Good Governance in the Management of public finances in Cameroon), provides in particular, the obligation to make contracts publicly accessible between the administration and public or private companies, especially companies operating natural resources, the submission of petroleum contracts to the regular control of the jurisdiction of the accounts and the relevant parliamentary committees, the relationship between the public administration and public companies - which must be governed by clear provisions that are accessible to the public, and revenues from all sources (including those related to natural resource development activities) must be shown in a detailed and justified manner in the presentation of the annual budgets. Indeed, it is worth noting that despite these resounding efforts, the implementation of such provisions is still to commence, pending the publication of the decree detailing the implementation modalities. On the other hand, a new Petroleum Code (Law No. 2019/008 of 25 April 2019 relating to the Petroleum Code) was adopted, which is more viable although the implementation of its provisions is still to take effect pending the publication of its associated decree of application, which has to provide

detailed implementation modalities. Despite this, it is observed that the new Code readily complements and enhances the provisions of Law No. 99/013 of 22 December 1999 on the Petroleum Code, by providing more incentives, which has made it more attractive and adaptive to the international petroleum context that is constantly changing. With the objective to improve all the issues linked to the exploration and exploitation of hydrocarbons in Cameroon.

In addition, some of the major innovations brought by the new Code include: the possibility given to the State to conclude, with petroleum contracts holders, agreements to create companies intended to conduct specific petroleum operations of general interest for the upstream petroleum sector, such as storage and management of export terminals; the possibility of risk service agreement within the framework of petroleum contracts, clearly separating the concession contract from the PSC; the principle of State prior approval in the context of any transfer of rights and obligations, with the absence of such approval resulting in the withdrawal of the authorisation and forfeiture of the contractor; the consideration of the concepts of “control” and “change of control”, because any change of control is also subject to the State prior approval, pending the withdrawal of the authorisation and forfeiture of the contractor. Moreover, in case of transfer of interests, there is an obligation of the right of first refusal for the benefit of the State first, and then in favour of the other joint owners. This is a major step forward since no transfer of rights and obligations can take place in Cameroon without the State having a say in the matter. Similarly, there is the introduction of a bank guarantee or a group holding guarantee to cover the minimum work programme. As such, the State is entitled to decide the withdrawal of the authorisation or the forfeiture when the license holder has not complied with the minimum work programme. Besides, no communication can be made about a discovery by the license holder, without the prior approval of the State. Equally, the possibility for the license holder of an oil contract, acting as operator, to delegate to another license holder also acting as operator, for less than twelve (12) months, part of its petroleum operations, is subject to the prior approval of the Minister of MINMIDT. As there is the application of “unitisation” when a hydrocarbon deposit extends over contractual boundaries located in different and neighbouring states (cross-border deposits).

Furthermore, there is the introduction of the concept of “Local Content” in the Petroleum Code, which is a very important concept since petroleum projects must have actual and measurable effects on the economic, social, industrial and technological development of Cameroon. Thus, as per the new Code, any petroleum project must include a component on the development of human resources and a component relating to the use of local companies providing services and goods; a vocational and technical training programme for Cameroonian nationals to increase their qualifications in the petroleum know-how; the employment, as a priority and with equal qualification, of qualified Cameroonian nationals in all socio-professional categories and in all roles and; the precedence is given to companies under Cameroonian law having their main registered office in Cameroon working under internationally recognised standards in the specific field, work contracts, services,

insurance, supplies, equipment and products directly or indirectly linked to petroleum operations. As such, the new Code sets out obligations in terms of training, employment and the use of local subcontracting in Cameroon that must be detailed in the petroleum contracts, apply to both the contractors and their subcontractors. With Section 76 of the new Code stressing that 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. Moreover, Section 77 of the new 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. Indeed, the petroleum contract determines the conditions and terms of the local content obligations. Nonetheless, it is worth noting that the new Code does not expressly include social spending obligations as defined in Requirement 6.1 of the EITI Standard. Despite this, it is noted that certain contracts have included obligations for companies to finance certain social actions, such as the contract signed with Dana Petroleum, as per the data reported by the company in the 2013 EITI Report. Notwithstanding, some companies are still voluntarily contributing to the funding of social programmes or infrastructure works for the benefit of local communities, in accordance with their corporate social responsibility (CSR) policies.

Compendiously, the new Code provides that the implementation and monitoring of the measures relating to Local Content be done under the auspices of the Minister responsible for Hydrocarbons and/or any government agency duly mandated for this purpose ensure. Although it is more appropriate to adopt a viable local content framework that establishes a national local content agency, to handle such issues. Likewise, the new Code provides that the data generated during the petroleum operations are and remain the property of the State as well as a provision dealing with the confidentiality of the data. Moreover, it foresees a single rate of 35% for the corporate income tax for income related to research and exploitation of hydrocarbons. However, the new Code has adopted a quasi-judicial tone by introducing for the first time that administrative fines and penalties should be pronounced directly by the Minister responsible for Hydrocarbons, without any prior involvement by the judicial authority. While most importantly, there is the limitation of the direct operations by SNH. As such, in the context of increasing transparency in budgetary management, the Prime Minister has signed a Memorandum [30] with the International Monetary Fund, in which Cameroon commits to limit the direct operations carried out by SNH. Besides, the Memorandum mentioned the inclusion of all oil revenues as well as the amount of SNH direct operations in the State Financial Operations Table (TOFE), in addition to the amount of the royalty. Equally, it also provides for a sufficient budget entry to cover all SNH direct operations starting in 2018.

Most importantly, the SNH has a double mandate, serving as both an industry regulator on behalf of the state and as the national oil company (NOC). Although the motivations for this double role are understandable, however, international experience suggests that too often, NOCs fail to meet expectations. For instance, in the case of Nigeria, the concern of the government to exercise direct political control resulted in the NOC having no governing board of any kind for ten years. Another example of the state's failure to keep a transparent and efficient NOC is Venezuela, whereby the government replaced a highly professional board and management team at the NOC of Venezuela with a handpicked political team [31]. Meanwhile, until recently, a similar situation prevailed in Mexico, where the government used taxes to capture a very high proportion of the net income of NOC. This often leads to continuous budget negotiations with the Ministry of Finance under non-transparent circumstances. Despite this, some successes have been observed in some countries owing to the introduction of reform initiatives in their NOCs, for instance, Nigeria, China, Algeria, Indonesia, Brazil etc. [31]. As such, it is highly commended that the GoC should ensure that the regulatory and commercial roles of SNH are unbundled and separated, by creating another institution with clear and separate institutional responsibilities assigned. With the SNH becoming a strictly commercial company, while the other created one concentrated on the regulatory role of the hydrocarbon sector. In addition, it is commended that all government fiscal revenues, except for payments to the SNH for its participation in joint ventures, should be transferred directly to the budget. This is because according to the model PSC, when the SNH participates in a joint oil venture, it is proportionally liable for CIT payments. Despite this, it is observed that the reporting of the income tax payments of SNH does not break down these by project and it is not possible to distinguish CIT stemming from oil operations from other type of CIT owed by the SNH to the state. Besides, the projects are ring-fenced, which implies separate accounting and financial reporting for tax purposes. Indeed, it is worth noting that the improvement of the reporting of CIT payments by the SNH is a good candidate for improving fiscal transparency in the hydrocarbons sector in Cameroon.

4. Conclusion and Recommendations

Succinctly, over the fifty years since Cameroon instituted its first legislation to regulate the taxation of natural resources, its policy for oil and gas taxation has been consistent. Even though significant changes have been noted across the entire legal framework following the institution of the Petroleum Code and its associated decree of application, these changes have only helped to make the regime more straightforward. In all, the regime for upstream oil and gas operations in Cameroon establishes a climate of confidence, predictability and stability for investors in the petroleum sector vis à vis their tax concerns. Thus, as highlighted in the discussion above, the governments of resource-rich countries have come to realise that great considerations must be made to properly structure the legislative frameworks that govern their hydrocarbon sectors and agreements, and the fiscal regime that will establish the parameters for particular investments. This is to attract foreign investments in the hydrocarbon sector, thus, ensuring that the host country maximises returns from its natural resources activities. As such, well-structured legal and regulatory frameworks for hydrocarbon, especially

petroleum, feature several key components. First among them is the constitution that addresses fundamental principles such as revenue allocation and ownership of hydrocarbon resources. Indeed, reaching an agreement on these bedrock principles and enshrining them in a constitution helps to establish a common understanding among the stakeholders and reduces any potential for disagreements and conflicts, both with foreign investors and domestic investors. Secondly, the hydrocarbon laws and regulations work together – since the laws broadly sketch the rules of participation in the sector, while the regulations serve as flexible tools for filling in the details, many of which will need to evolve as the sector matures. Thirdly, model petroleum agreements set out standardised terms applicable to all contractors. This feature eases the administrative burdens on the government entity or the entities responsible for contract compliance, which in turn helps to ensure that a country and its citizens receive the contractual benefits to which they are entitled from their petroleum resources. Notwithstanding, it should be noted that an effective legal and regulatory framework for the hydrocarbon sector can be characterised by a few fundamental constitutional principles; broad, flexible hydrocarbon laws with enabling regulations; and a model hydrocarbon agreement establishing standardised terms for the contractors of the hydrocarbon sector. Since these principles often provide clarity to potential investors on all of the important issues relevant to participation in the sector. In addition, with regard to engaging the contractors to develop the hydrocarbon resources, the establishment by the government of an appropriate fiscal regime is essential to striking the proper balance between attracting investments and getting the best deal for the host country. For instance, selecting the type of petroleum agreement appropriate to the particular circumstances of the country is a crucial aspect of implementing the fiscal regime. As such, it is worth noting that PSCs are the most common form of petroleum agreement, especially in countries with developing petroleum sectors, as they allow for progressive revenue sharing and are relatively simple to administer. Since such contracts can implement any number of sharing mechanisms, with ROR and R-factor sharing and offering the most progressivity.

In this connection, the discoveries of hydrocarbon resources in Cameroon constitute a potential source of public revenues to finance the development of the country. This is particularly important as the country through the development of a new Petroleum Code, has revised its tax arsenal applied to the hydrocarbon sector to capture a significant share of the oil rent in order to maximise the development impact of the hydrocarbon' exploitation; which is part of a broader package of legislative tools dealing with revenues. On the spending side, there is the need to adopt other laws to cater for the distribution, control and management of revenue from hydrocarbons exploitation, and the terms and conditions for the contribution of gas resources to reducing energy costs and enhancing the competitiveness of the economy. As such, both the stand-alone analysis and the comparative examination of the code presented in the paper show that both tax and non-tax aspects of the new Petroleum Code are comparatively more transparent and beneficial to the Cameroonian through greater resources mobilisation for the State, while still providing enough

incentives for investment; although it is, however, contingent upon Cameroon catering for some potential shortcomings. Indeed, the first issue relates to controlling hydrocarbon costs, which is particularly crucial for ensuring the effectiveness of hydrocarbon taxation through its links to the R-Factor as well as practices of gold plating. Thus, the country could consider enhancing the mechanisms to monitor and determine costs to meet the imperatives of preserving hydrocarbon profit in the context of the rent-sharing between the oil companies and the State. Likewise, GoC could optimise its intervention in the hydrocarbon sector by reinforcing the body regulating the activities of the upstream oil sector, to promote the development of the sector. Equally, since public revenues are earned from the operation of hydrocarbon by mainly collecting royalties and other taxes levied by the State on the operations of multinationals, in addition to the dividends received by the national company, which holds a stake in all the blocs; it is appropriate for the institutions involved in revenue collection to acquire the necessary tools and skills for the effective and efficient administration of upstream oil taxation. On this basis, such include skills in the systematic use of financial models as a tool for forecasting tax revenues, and controlling the development costs of the hydrocarbon projects to critically discriminate between deductible costs and non-deductible to better define the tax base.

Moreover, the second issue relates to the capacity for negotiations and a strategy to keep as closely as possible to the Code to maximise revenues. Indeed, it is suggested that the revenue mobilisation potential of the new petroleum code is superior to that of the previous one, and that close adherence to its principles with little or no exemptions would be highly beneficial to the country. The oil rent-sharing assessments highlighted above tend to reinforce the idea that the new Code abounds a strong revenue-generating potential for the benefit of the State. As such, the GoC would benefit in negotiations with oil companies from articulating their position around maintaining most of the tax provisions of the new Code in order to optimise mobilisation of public revenue through the exploitation of hydrocarbons. In this regard, it is noted that the state's share of oil profit remains broadly unchanged, even by neglecting signature and production bonuses and superfiary rents. In terms of policy implications, this result does not suggest the abolition of these bonuses and superfiary rents, but rather suggests that they should not be a major obstacle to the signature of hydrocarbon contracts. In this regard, it is recommended that the GoC should ensure that the regulatory and commercial roles of SNH be unbundled and separated, by creating another institution with clear and separate institutional responsibilities assigned. This shall enable the SNH to concentrate and become a strictly commercial company, while the other created institution can concentrate on the regulatory role of the hydrocarbon sector. Equally, all government fiscal revenues, except for payments to the SNH for its participation in joint ventures, should be transferred directly to the budget. In addition, there should be a robust Monitoring of the implementation of the provisions of Law No. 2018/011 of 11 July 2018, the reforms of the legal framework for the hydrocarbon sector, the enormous need to computerise the government revenue collection chain, and making it compulsory to provide data on the municipalities receiving sub-national transfers.

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