

Regulation of Midstream Oil & Gas

Type	Gulf Legal Advisor
Document type	Practice Note
Date	9 mars 2020
Jurisdiction	United Arab Emirates
Copyright	LexisNexis

Document link: https://www.lexismiddleeast.com/pn/UnitedArabEmirates/Regulation_of_Midstream_Oil__Gas



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Overview

- The UAE is among the world's ten largest oil producers and is a member of the Organization of the Petroleum Exporting Countries, the Organization of Arab Petroleum Exporting Countries and the Gas Exporting Countries Forum.
- This Practice Note provides an overview of the legal framework for the UAE's midstream oil and gas sector, for the purposes of this note, limited to the storage and transportation of crude oil and natural gas.
- Given the maturity of the UAE's oil and gas industry and ever-growing domestic energy needs, it has a well-developed storage and transportation structure serving both import and export markets.

Definitions

- *ADGAS*: Abu Dhabi Gas Liquefaction Co.
- *ADNOC*: Abu Dhabi National Oil Company
- *DUSUP*: Dubai Supply Authority
- *FSRU*: Floating Storage Regasification Unit
- *MOE*: Ministry of Energy
- *MOEW*: Ministry of Environment and Water

Practical Guidance

Storage

The development of petroleum storage infrastructure is under each Emirate's control and there are a number of health, safety and environmental regulations, which impose standards that affect storage processes. The regulations vary between the Emirates, and govern, amongst other things, temperature, and pressure requirements.

Abu Dhabi's Regulation and Supervision Bureau (the Bureau) for instance has the power to issue regulations for various purposes under Abu Dhabi Law No. 2/1998 on the Regulation of the Water and Electricity Sector in the Emirate of Abu Dhabi. The Bureau has issued The Fuel Storage Tank Regulations 2009, which provide requirements for prevention, and early detection of any fuel releases from fuel storage tanks in order to minimise the effects on the environment and to public health. All licensed operators and other relevant sector parties must comply with all relevant regulations issued by the Bureau. Additionally, Abu Dhabi Law No. 8/1978 on the Preservation of Oil Resources in Abu Dhabi requires that entities involved in the oil and gas industry, including those involved in the transportation and storage of oil, must (among other requirements) maintain up to date equipment and take precautions to prevent environmental damage and loss of oil resources. Abu Dhabi also has a comprehensive list of rules governing access to the oil port within the Emirate of Abu Dhabi, the specifics of which can be found within Abu Dhabi Law No. 12/1973 on Petroleum Ports in Abu Dhabi.

In addition to the approval from the relevant emirate, further federal approval may be required pursuant to Federal Law No. 24 /1999 on the Protection and Development of the Environment, which provides for the protection of waters and the discharge of waste and pollutants in accordance with UAE obligations under ratified international treaties including: the Basel Convention on Hazardous Waste; the Convention on Marine Pollution by Dumping Wastes and Other Matter; the Convention on Biological Diversity; the Convention to Combat Desertification; the Kyoto Protocol on Climate Change; the Montreal Protocol on Substances that Deplete the Ozone Layer; and the Paris Agreement under the United Nations Framework Convention on Climate Change.

As Fujairah develops into a regional and global oil storage hub, the UAE Government is developing a codified National Oil Spill Contingency Plan. This is being implemented by the MOEW and will provide clear guidance on who is responsible for what in the event of an oil spill. The Port of Fujairah Ordinance 1982, which establishes laws governing the port, also applies to the handling and storage of bulk oil cargos.

Transportation

While the MOE and the MOEW are responsible for regulation at a federal level, each Emirate also controls its own infrastructure for the transportation of oil and natural gas.

Pipelines

Oil

Pipeline infrastructure has been developed to export the UAE's crude oil reserves. Abu Dhabi's main export pipeline transports crude to an export terminal in Fujairah and pipelines also serve several other export terminals in the UAE.

Gas

There are no pipeline exports of domestic gas production but the Dolphin Gas Project (the first leg of which runs from Qatar to Abu Dhabi) was the Gulf Cooperation Council's first cross-border refined gas transmission project. The project was developed and operated by Dolphin Energy which is 51% owned by Mubadala Development Company, on behalf of the Abu Dhabi

Government, and 24.5% each owned by Total S.A. and Occidental Petroleum. From Abu Dhabi, the majority of the gas is supplied to other parts of the UAE and Oman, using the Eastern Gas Distribution System.

Various gas pipeline projects are currently being developed to transport natural gas, condensates and natural gas liquids from gas fields in the UAE to processing and distribution facilities for domestic use. For example, in February of 2020, the UAE announced a new gas find with 80 trillion standard cubic feet of shallow gas resources and Abu Dhabi's ADNOC and Dubai's DUSUP have signed an agreement to explore and develop this field together in a project named "Jebel Ali".

Legal context

Pursuant to article 23 of the UAE Constitution, natural resources in each Emirate are the public property of that Emirate. Further, as the Ruler of each Emirate ultimately owns the land in that Emirate, the construction of oil or natural gas transportation pipelines or associated infrastructure requires a grant of rights from the relevant Ruler. The respective Rulers also possess powers of compulsory acquisition to facilitate land access.

Permits, including environment impact assessments are issued by the MOEW.

LNG

The UAE is both an exporter and an importer of LNG which is regulated by the respective emirates.

There is no regulatory regime specific to LNG, rather LNG falls within the various energy, environmental and health and safety laws and regulations applied in each Emirate.

Import

DUSUP (a member of the Dubai Supreme Council for Energy) is responsible for the supply, management and distribution of natural gas for power generation in Dubai. As well as buying natural gas from ADNOC and Dolphin Energy, DUSUP operates an FSRU which converts LNG into gas. It then pipes the gas through a sub-sea pipeline into the Dubai natural gas pipeline network to industrial customers.

Export

ADGAS (recently rebranded as ADNOC LNG and owned by ADNOC on behalf of the Abu Dhabi Government) operates an LNG plant which has been operating since 1977.

The majority of sales represent ex-ship deliveries made to Japan under a 25-year contract between ADGAS and Tokyo Electric Power Company which expires in 2019. In recent years, LNG contracts have generally adopted shorter terms with greater price and destination flexibility.

Legal context

Approvals are required from the relevant Emirate to construct an LNG facility and, at a federal level, from the MOEW in accordance with the Protection and Development of the Environment Law.

There is no specific regulation of price in the LNG sector.

Gas transmission and distribution

There is no integrated framework in the UAE for the ownership, organisation or regulation of natural gas transmission and distribution infrastructure. Each Emirate is responsible for the ownership, organisation and regulation of such infrastructure within its territory.

Government authorisations to operate a distribution network are required at an Emirate level and at a federal level from the MOEW.

There are no specific rules governing the acquisition or transfer of an interest in a gas utility or distribution network and fees charged for accessing the distribution network can be agreed contractually between the parties.

Third party access

Land on which infrastructure is built is ultimately held by the Emirate and access to the land and infrastructure by third parties may be granted as a matter of contract by the owner or operator of that infrastructure.

Third party access to oil and gas infrastructure in the UAE (including access to the natural gas distribution network) is not specifically regulated, and there are no standard rights for a new customer to require the operator/owner to grant capacity or expand its facilities in the UAE.

Comparison with Other Systems

- As a result of the high level of state participation, there is no effective competition in the oil and natural gas sector and generally limited regulation of areas such as pricing and third party access.
- This is common across the Middle East, which has high levels of state participation in general, but contrasts with regions such as the European Union, which have developed more open and competitive frameworks and sophisticated regulatory regimes in relation to price and third party access.

Related Content

Legislation

UAE

- Federal Law No. 24/1999 on the Protection and Development of the Environment
- UAE Constitution

Abu Dhabi

- Abu Dhabi Law No. 2/1998 on the Regulation of the Water and Electricity Sector in the Emirate of Abu Dhabi
- Abu Dhabi Law No. 8/1978 on the Preservation of Oil Resources in Abu Dhabi
- Abu Dhabi Law No. 12/1973 on Petroleum Ports in Abu Dhabi

Authors



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Areas of expertise

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Education

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Memberships

- Solicitor of the Senior Courts of England and Wales

Biography

- Tony focuses on business recovery and turnaround issues. His experience extends to construction, financial services, insurance and asset leasing industry sectors.
- Tony advises on contentious and non-contentious matters, including the restructuring and refinancing of companies and groups of companies involving debt-equity swaps, bank supported workouts and structured settlements of unsecured liabilities. In addition, he has advised on credit rating issues for banks and substantial companies, as well as on counter-guarantees in relation to substantial project finance initiatives.
- He advises lenders and insolvency professionals in relation to factoring arrangements. He also acts for insolvency professionals and purchasers on business and asset sales. Tony is best known for his work in the financial services insolvency sector, where he regularly advises insolvency practitioners, regulatory bodies, banks and counter-parties.



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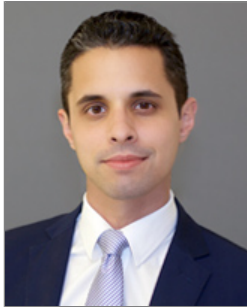
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Memberships

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Biography

- Nazanin Aleyaseen is a senior member of the International Arbitration team. She regularly advises and represents international and UAE-based companies in DIAC, DIFC-LCIA, ADCACC and ICC administered arbitration proceedings as well as ad hoc proceedings. She has full advocacy rights, and advises and represents clients, in disputes before the Dubai International Financial Centre Courts.
 - Ms. Aleyaseen is also a partner in the Dubai office's Labour, Employment and Workplace Safety practice which is recognized and ranked by Chambers Global in 2014 and 2015. She acts as exclusive employment counsel to multinational corporations with operations in the MENA and GCC region.
 - Before settling in Dubai in 2008, she practised in Toronto, Canada and has published several articles relating to litigation and arbitration as well as employment and labour law.
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Biography

- Armando Arballo is an associate in the firm's Los Angeles office. Mr. Arballo's practice centers on complex dispute resolution, with a focus on construction litigation and restructuring and insolvency matters.
- He has experience in matters involving construction, oil & gas, employment and complex commercial litigation. Mr. Arballo has participated in many components of civil litigation and commercial arbitration, including authoring pleadings and motions, drafting and reviewing discovery requests, and facilitating settlement negotiations.