

ENERGY COUNTRY REVIEW

Cambodia

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Country Review Cambodia



History

Cambodia (Kampuchea or The Kingdom of Cambodia) is in the south of the Indochina Peninsula bordering Thailand (northwest), Laos (north), Vietnam (east), and the Gulf of Thailand (southwest).

The first recorded civilisation dates from 400 BC. From 300 AD the Indianised states of Funan, and then Chenla developed. In 802 AD the Khmer Empire emerged in Angkor, the largest city in the world, and Hinduism was replaced by Buddhism. Angkor fell to the Ayutthaya Kingdom in 1432 and Cambodia became a vassal state, engaged in repeated wars with Siam (Thailand) and Vietnam until a treaty between France and Thailand in 1867. Then part of French Indochina, it finally gained independence in 1953 after occupation by Japan from 1941 to 1945.

Cambodia was neutral in the Vietnam War but was used as a sanctuary which led the USA to begin bombing in 1969. In 1970, after a US-backed coup, Vietnam invaded, and the disarray allowed the communist Khmer Rouge to grasp power. From 1975 the Khmer Rouge instigated a genocide until 1979 when it was overthrown by another Vietnamese invasion and replaced by the Peoples Republic of Kampuchea. Peace accords were signed in 1991 followed by a 2-year UN mandate. Cambodia has a growing economy based on agriculture and manufacturing with foreign investment.

Source: GlobalShift

Oil & Gas sector

At present, the Cambodian oil and gas sector remains relatively undeveloped, however, there has been interest in the country's potential reserves since the 1950s. Cambodia's first drilling operation was conducted during the 1970s by Elf and Esso, but was cut short by the onset of civil war.¹ Exploration re-commenced in the early 1990s, but as world oil prices slumped, all license holders relinquished their blocks by the end of 1998.

Country Key Facts

Official name:	Kingdom of Cambodia
Capital:	Phnom Penh
Population:	15 958 693 (2016)
Area:	181,035 square km (69,898 square miles)
Form of government:	Constitutional monarchy
Language:	Khmer, French, English
Religions:	Theravada Buddhist
Currency:	Riel
Calling code:	+855

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Government

Officially a multiparty monarchy operated as a parliamentary representative democracy, the country remains dominated by the authoritarian Prime Minister of the Cambodian People's Party.

The King of Cambodia is head of state and the prime minister is appointed by the king with the approval of the lower house of a bicameral Parliament. This comprises the lower house, a 123-seat elected National Assembly and an upper house, a 61-seat Senate part appointed and part elected by the 24 provinces.

The oil and gas industry is overseen by the Ministry of Mines and Energy (MME) through the Cambodian National Petroleum Authority (CNPA). The government is considering whether to establish an NOC.

Cambodia is a member of the Association of Southeast Asian Nations (ASEAN) which it joined in 1999.

Source: GlobalShift

Geology

Cambodia has the geological potential for petroleum accumulation. This is evidenced by: onshore natural oil seepages; presence of sedimentary rocks in several basins; geological structures that may trap and hold oil and gas in reservoirs; interpretation of regional geology; similarity of the geology of Cambodia to adjacent areas in Vietnam and Thailand, within which oil and gas has been found and is being produced.

Cambodia has eight sedimentary basins that are divided into six offshore and nineteen onshore blocks in the undisputed territory of Cambodia, and a further four areas (27,000 sq km) in the overlapping claims area with Thailand.

The Royal Government of Cambodia has sought to promote investment the country's oil and gas resources in order to enhance economic growth, provide employment opportunities and generate revenue. In 1998, the government established the Cambodian National Petroleum Authority (CNPA) in order to further develop the sector. According to the CNPA, the development of these resources "is expected to generate significant revenue and allow the country to continue to develop its infrastructure to form the basis of future economic growth."

Cambodia's oil and gas exploration blocks

Cambodian territory is divided into six Offshore Blocks (A to F) and nineteen Onshore Blocks (I to XIX). There are also a further four areas in the overlapping claims area (OCA) that are currently contested with Thailand.

Offshore Blocks

All offshore blocks are currently at various stages of exploration. Block A is the most advanced, whereas B-F are still in the early stages of exploration:

Block A: Covering 6,278 km², awarded to Chevron Overseas Petroleum (Cambodia) and Moeco Cambodia in 2002. The operator is Chevron, who announced in 2005 that oil had been found in four wells and gas in one. Commercial discoveries were announced in 2010.

Block B: Awarded in 2005 to PTT Exploration and Production, Singapore Petroleum and Resourceful Petroleum, and covering 6,551km². Findings so far have only revealed non-recoverable oil deposits.

Block C: Licensed to Polytec Petroleum Hong Kong. The company is initially acquiring seismic data.

Block D: Covering 5,506km², granted to China Petrotech Holdings. Recoverable hydrocarbon resources are yet to record, while plans are underway for an exploration well.

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Block E: Licensed to Medco Energi, Kuwait Energy and JHL Petroleum – Medco is the operator. Plans are underway for an exploration well within the 5,559km² block.

Block F: Granted to Chinese National Offshore Oil Corporation - at the stage of acquiring seismic data.

Onshore Blocks

Contracts have so far been granted for three of Cambodia's nineteen Onshore Blocks:

Block XII: Located west of the Tonle Sap Lake, awarded to Medco Energi and JHL Petroleum.

Block XV: PetroVietnam has been awarded the contract for exploration in Block XV, located east of the Tonle Sap Lake in Kampong Thom province.

Block XVII: Block XVII covers 6,500km² in Preah Vihear, Siem Reap and Kampong Thom Provinces. Awarded to Japan Oil, Gas and Metals National Corporation (JOGMEC).

At present, extensive exploration has not yet been conducted in Cambodia's onshore blocks, although it was reported in November 2011 that Japan Oil, Gas and Metals National Corporation had started preliminary surveying in Block 17. Seismic studies have been conducted in other onshore blocks, and further exploration is expected.

Overlapping Claims Area (OCA)

There are also a number of blocks located in the overlapping claims area (OCA) between Cambodia and Thailand, which measures 27,000km², and has been estimated as containing up to 11 trillion cubic feet of natural gas and an underdetermined quantity of oil. A Memorandum of Understanding (MOU) was signed between the two countries in 2001, which set a joint-development regime over certain areas of the OCA, and attempted to define a maritime border between others.⁸ Negotiations were disrupted by the change in Thai leadership in 2006, and in 2009 the MOU was suspended by Thailand. However, hopes have been expressed that an agreement is closer to being reached since the re-election of the Pheu Thai Party in Thailand. Despite this uncertainty, a number of companies have expressed an interest in exploration in the OCA, and subject to resolution of the claims, Cambodia has granted conditional licences to Idemitsu and Conocco Phillips for Areas I and II, and Total for Area III.

Cambodian Law on Oil and Gas

The Cambodian Constitution states that all mineral resources are the property of the State, and that the management of such resources shall be set out by law. To date there is no law covering oil and gas in Cambodia, and the sector is currently governed by the amended Petroleum Regulations from 1991.

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Under the Petroleum Regulations of 1991, the Ministry of Industry, Mines and Energy (MIME) was the administrative authority responsible for the management of petroleum resources. However, in 1998 this authority was transferred to the Cambodian National Petroleum Authority (CNPA). The CNPA is now responsible for evaluating bids and making recommendations to the government that Petroleum Agreements be granted to specific companies. According to the authority's website:

The Cambodian National Petroleum Authority (CNPA) aims to manage the petroleum resources of Cambodia, supporting the development of a successful domestic oil and gas industry that will bring cheaper petroleum energy source for both industrial and domestic use, provide petroleum energy supply security, and contribute to sustaining economic growth.

The Petroleum Regulations set out the terms for invitations to bid and the criteria for evaluating, negotiating and approving subsequent bids. Exploration periods are granted for up to 4 years, after which they may be renewed twice for a period of two years each time. If exploration shows that resources can be commercially exploited, the company should apply for a production permit including a detailed work plan and budget for the proposed exploitation. No further development of operations should commence until a production permit is issued. According to the Regulations, the production period lasts for 30 years, after which it may be extended for a further 5 years if the field is still commercially productive.

Based on the regulations, as amended in 1998 and 1999, Cambodia uses a Petroleum Agreement (or Production Sharing Contract) for licensing companies to conduct exploration for petroleum. According to the CNPA website, the PSC include the following basic elements:

- Duration: exploration 4 + 2 + 2 years; development 3 or 4 years
- Production: up to 30 + 5 years
- Exploration obligation: conduct 2-D seismic; conduct 3-D seismic; drilling 1-2 wells
- Royalty: 12.5%
- Signature bonus: negotiable
- Production bonus: negotiable
- Cost recovery: negotiable
- Profit oil split: according to sliding scale
- Profit gas split: according to sliding scale
- Income tax: 30 per cent
- Domestic market obligation: required to meet the domestic demand of Cambodia
- State participant: Government shall have the right to participate in petroleum operation under Petroleum Agreement

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In addition, the Petroleum Regulations set out a special tax regime for companies with production permits and states that other charges, such as land surface rental, income tax, and other fees and charges should be negotiated in the Petroleum Agreement. Other standards for safety and security are set out in the Regulations, as is the requirement that the contractor to protect the local environment and the health and safety of workers. A full environmental impact assessment (EIA) is also required for all oil and gas operations, and project implementers are required to abide by all relevant legal frameworks, including the environment laws and associated regulations. Operators are also required to submit a Safety management Plan, Emergency Response Plan, and an Oil Spill Contingency Plan.

Cambodia's petroleum industry is still young, and the first agreement for commercial extraction is yet to be signed, so it remains to be seen how the sector will develop and how profitable Cambodia's deposits will prove to be. Nonetheless, the sector holds considerable promise for investors, and Cambodia, and if managed well could inject much needed revenue into the country's economy.

Source: Open Development Cambodia

Cambodian National Petroleum Authority

The Cambodian National Petroleum Authority (CNPA) was formed in 1998 by Royal Decree, as the key governmental agency to oversee upstream and downstream petroleum activities in Cambodia.

The Decree states that the CNPA has responsibility "to negotiate, agree, regulate, supervise and monitor petroleum exploration operations through petroleum agreements with petroleum contractors."

Another key task is the management and care of the data from petroleum surveys and drilling operations and its evaluation.

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