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## Oman Energy Policy



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### Information on Oman

According to “Oman 2014–15” published by the Ministry of Information, the inhabitants of Oman have long prospered and flourished because of the country’s connection to the Indian Ocean trade. Since 1970, Oman has been under the rule of His Majesty Sultan Qaboos bin Said Al-Said.

It is evident from its moderate, independent foreign policy that the Sultanate of Oman has sought to maintain good relations with all Middle Eastern countries. His Majesty Sultan Qaboos pledged in 2011 to implement economic and political reforms (such as the granting of legislative and regulatory powers to Majlis al-Shura) and to introduce unemployment benefits. As a result of such a pledge, Oman’s Constitutional Law has been amended in a way that expands the powers of Majlis Oman (which consists of Majlis Al-Dawlah and Majlis Al-Shura).

According to the National Centre for Statistics and Information, Oman has a population of nearly 4.5 million, with expatriates making up 43.10% of

the total population. In line with Article 2 of Oman’s Constitutional Law of 1996, Islam is the dominant religion in the Sultanate, and the Shari’a is the foundation of the laws. For secular matters, Civil law which originated from the Napoleonic era in France, through Egypt, is the main legal system. The Common Law concepts are used significantly in commercial matters. So in many ways, Oman has a mixed legal system with Islamic law, Civil Law, and Common Law operating together. Much of the country’s wealth is attributed to crude fuel.

### Need for Energy

The first economic oil find was made in 1962, and the first oil consignment was exported in 1967.

According to a report on Renewable Energy Resources published by the Authority for Electricity Regulation in 2008, crude oil is still the major source of Oman’s economy. Its share along with natural gas stands at around 78.4% of the country’s gross revenue. However, its share GDP rose from 41.9% in 1991 to 42.6% in 2001. In 2017, the Oil & Gas contribution is 72.9% to total government revenues and 58.3% to merchandise exports. This shows that the hydrocarbon sector persisted as the main driver of Omani economy, despite diversification program fostering greater nonhydrocarbon activities.

Similar to many countries in the Middle East, Oman is highly dependent on its oil and gas

sector. According to a speech made by the Minister of Oil and Gas, Oman's petroleum and other liquids production exceeded one million barrels per day in June 2015 for the first time since December 2000. However, daily average production of crude oil and condensate averaged 972 barrels per day in 2017, down from just over one 68 million in 2016 and 2015. It is worth noting that the decline was in line with Oman's commitment to a joint Opec-non Opec Pact reached in December 2016 to curb global production. It should be noted that Oman's complex geology makes exploration and production an expensive challenge. However, with the recent improvements in technology, recovery will be enhanced.

Oman has 4.7 billion barrels of estimated proved oil reserves as of 2018 and 24.96 trillion cubic feet of proven natural gas reserve as of end 2017, boosted by additional volumes uncovered primarily in the Khazzan and Ghazeer fields of Block 61 in central Oman and this figure does not include the announced big discovery at Mabrouk North-East in its Block 6 concession. These figures place Oman as the 7th largest proved oil reserve holder in the Middle East and the 22nd largest in the world.

According to a report published in January 2016 by the U.S. Energy Information Administration, the estimated mean of undiscovered energy resources in the South Oman Salt Basin – located in the southern part of the country – totaled more than 370 million barrels of oil, 315 billion cubic feet (Bcf) of natural gas, and more than 40 million barrels of natural gas liquids (NGL).

## Energy Policy

According to the Ministry of National Economy, Oman's economy will be able to shift from one that currently relies on government initiatives and spending, oil resources and expatriate labor, to one that focuses on private initiatives, national labor and renewable resources. The latter would lead to sustainable development and an improvement in the standard of living of Omani citizens.

In June 2013, the Omani government reached an agreement with the British company BP on the

overall commercial framework of the Khazzan project, a pioneering Greenfield tight gas initiative. This paved the way for a 30-year partnership. BP will have to hydraulically fracture the formations to release the gas. Therefore, BP plans to drill about 300 wells at the field over a 15-year drilling campaign. BP has requested companies interested in fabricating and constructing gas production well site facilities. The well site facilities include all equipment and utilities needed to deliver well fluids from the well head to the gas-gathering system. This project has already started production (Sep 2017) and is now producing around 1 billion cubic feet of gas a day and around 35,000 barrels a day of condensate.

## Regulatory Framework

The regulation of the sector is mainly embodied in the Oil and Gas Law that is promulgated by Royal Decree No. (8/2011). This law is the core legislative framework for the oil and gas industry. According to Article 2, the law shall apply to all Petroleum Substances, which are located on the territory of the Sultanate of Oman, or in the internal waters or territorial sea or exclusive economic zone or continental shelf.

The Ministry of Oil and Gas is the ministry supervising the infrastructure of the oil and gas projects related to the Omani hydrocarbon sectors. Final approval on policy and investment rests with the Sultan of Oman. According to Article 4 of the Oil and Gas Law of 2011, any natural or juristic person is prohibited from importing, exporting, or transporting petroleum substances, storing, distributing, manufacturing, marketing, or carrying any other operations without a license from the Ministry of Oil and Gas in accordance with the terms and conditions and upon payment of fees prescribed by a decision of the Minister after coordination with the Council of Financial Affairs and Energy Resources. Also, according to Article 7, it is illegal for any person, natural, or juristic to carry out any survey or exploration, discovery, development, or exploitation of petroleum substances without the Concession Agreement.

Petroleum Development Oman (PDO) holds the bulk of Oman's oil reserves and is responsible for more than 70% of its crude oil production. In addition to the government's 60% ownership stake in PDO, Shell (34%), Total (4%), and Portugal's Partex (2%) also own stakes in PDO. The Oman Oil Company (S.A.O.C) is a commercial company wholly owned by the Government. The company was established in 1996 to pursue investment opportunities in the energy sector both inside and outside Oman. One important role played by the company is to diversify the economy, and promote Omani and foreign private sector investment.

The Oman Oil Refineries and Petroleum Industries Company (ORPIC) controls the country's refining sector and owns both of Oman's operating refineries. ORPIC's refineries in Sohar and Muscat, as well as the aromatics and polypropylene production plants in Sohar, provide fuel, chemicals, plastics, and other petroleum products to Oman and the rest of the world. ORPIC is jointly owned by the Government and S.A.O.C.

## International Aspects

Oman's petroleum and other liquids (total oil) production rank 7th in the Middle East and the country is among the top 25 oil producers in the world. Oman is the largest oil producer in the Middle East that is not a member of the Organization of the Petroleum Exporting Countries (OPEC).

The average daily production of crude oil and condensates reached 972 barrels and the average daily production of natural gas was 97.8 million m<sup>3</sup>. Enhanced Oil Recovery (EOR) techniques helped drive this production turnaround, although the country also experienced some additional production gains as a result of new discoveries. The government aims to keep production near its current level for at least the next 5 years by continuing to apply EOR techniques and the cost

management associated with it. Oman is an important crude oil exporter, particularly to Asian markets. In 2017, Oman's total export of crude oil and condensates reached 292 million barrels. China topped the list of importers, with 72%. The exports of liquid gas were 8.6 million metric ton.

## Concluding Statement

The energy sector (particularly oil and gas) is at the heart of the country's economic growth. It stands at around 72.9% of the Government's gross revenue. The risk of oil dependency is nevertheless recognized by the Omani government. One of the fundamental objectives of its 2020 Economic Vision is therefore to diversify the economy. Key to this is the promotion of private initiatives, national labor, and renewable resources, which Oman hopes would lead to the achievement of sustainable development and a higher standard of living for its citizens.

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