

# Liberia's Petroleum Law Reform: Institutional Roles & Accountability

Amir Shafaie, Revenue Watch Institute

# Key Issues

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- 1. Transition of regulatory and policy-making duties away from NOC**
- 2. State-NOC financial relations**
- 3. Additional accountability mechanisms for NOCs and other public agencies**

# 1.a Transition of regulatory and policy-making duties:

## Policy-Making role

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### Petroleum Policy:

“The Ministry of Lands, Mines and Energy, any Ministry, or agency given jurisdiction over petroleum matters, will exercise policy oversight of the sector and ensure that the implementation of this policy is scrupulously undertaken. The authority of the Ministry has to be clearly enunciated to provide policy oversight and guidance of the petroleum sector, by setting strategy and developing laws and regulations, in consultation with other relevant ministries and agencies.”

# 1.b Transition of regulatory and policy-making duties: Regulatory role

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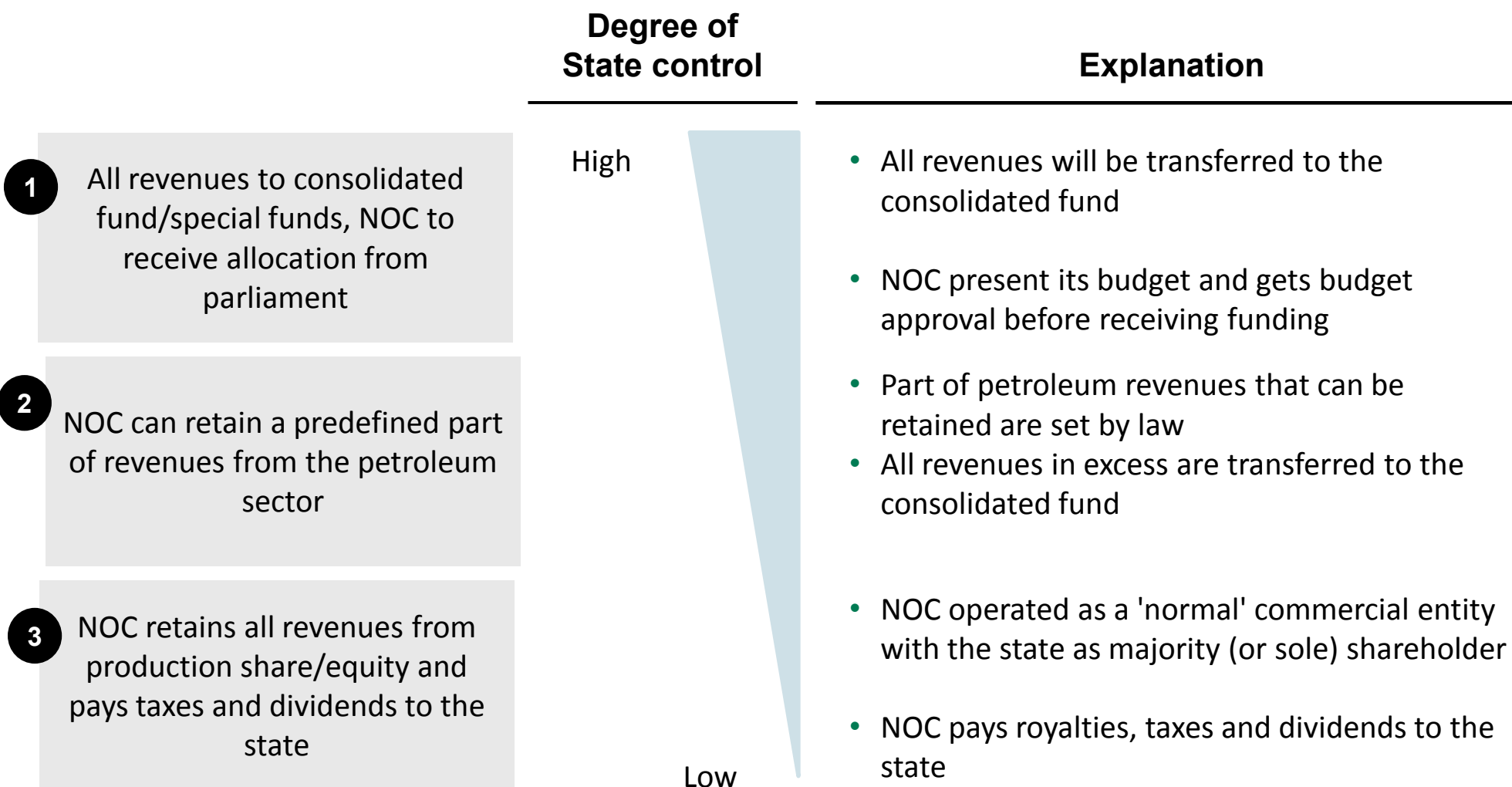
## Petroleum Policy:

“...there is a need for the establishment of an independent regulatory body that is separate from the National Oil Company (which will be responsible for the State’s commercial interests).”

“This independent regulatory body shall be established as soon as practicable and no later than the commencement of commercial production.”

“... until the establishment of the independent regulator, as provided for above, NOCAL shall carry out its regulatory mandate in a neutral, independent and technical manner and shall be bound by the rule of law.”

## 2. State-NOC financial relations: Archetypes of NOC-state financial flows



## 2. State-NOC financial relations

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### Petroleum Policy:

- “A designated portion of any revenues shall be transferred to a petroleum fund or funds to be established in accordance with the petroleum revenue management act.”
- “In order to ensure that NOCAL has predictable funds sufficient to ensure that it can reasonably finance its operations and investments, the Government shall develop mechanisms for enabling NOCAL to engage in multi-year budgeting based on procedures established in the organic instrument creating NOCAL.”

## 2. State-NOC financial relations

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Liberia Revenue Code (per CTA 740(f)):

“All payments, pursuant to the Petroleum Law, including, royalty; transfer and withdrawal fees; surface rental; production fees, as specified in production sharing agreements, taxes on National Oil Company share of profit oil; and social/community development fund and all special funds, shall be paid into the consolidated account.”

“Additionally, the National Oil Company of Liberia, after deducting operation cost, shall be subject to taxes on its share of profit oil in accordance with the Tax Law of General Application in keeping with the Revenue Code of Liberia.”



### 3. Additional accountability mechanisms for NOCs and other public agencies

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Petroleum Policy: “The potential to generate large revenues for the petroleum sector inherently creates the need for a higher degree of accountability and transparency. The Government of Liberia’s duty to verify that no official of Government or civil servant partakes in mismanagement, conflict of interest, or corrupt practices, is thus heightened.”

Some specifics cited in policy:

- No personal interests of public officials in companies
- NOCAL and regulator to publish annual reports



## 3. Additional accountability mechanisms for NOCs and other public agencies

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1. Regular, systematic conduct of audits, done to professional standards:

- Independent auditors
- Hired by competitive tender
- Publication of audits

2. Officials of NOC and regulatory body subject to reporting to and answering questions of parliament.

3. Transparent reporting of data (e.g. regarding oil sales volumes and price, earnings and expenditures, E&P activities, production & reserves, etc.)