



Photo source: Phnom Penh Post

LEGAL UPDATE: The New Petroleum Law of Cambodia

On 15 July 2019, the National Assembly has adopted the long-anticipated Law on Management of Petroleum and Petroleum Products (“**Petroleum Law**”). This law has been enacted in order to regulate and monitor the country’s petroleum activities, as well as to boost the investors’ confidence.

According to H.E Suy Sem, Minister of Mines and Energy (“**MME**”), the initial preparations on planning of implementing a law governing petroleum related activities started in 1996. The newly enacted Petroleum Law has the aim at managing and developing petroleum resources sustainably and effectively in order to contribute to socio-economic development for the future generations.

The Petroleum Law is not the first legislation that has been enacted to regulate upstream petroleum related activities. The first introduced legislation dated back to 1991 with the Petroleum Regulation (“**Petroleum Regulation**”). The Petroleum Regulation has played a major role in monitoring petroleum activities and facilitate investors since its effective date. However, the Petroleum Regulation has missed out on regulating the downstream activities of the country’s petroleum sector.

This gap has been finally filled with the enactment of the Petroleum Law. As Cambodia consumes around 2.5 million tons of petroleum per year which most of the finished products are being imported from Thailand, Vietnam and Singapore, the need to establish a necessary regulation to monitor the petroleum downstream activities is a must. The Petroleum Law will also function as “gap-filler” of Cambodian regulations on oil & gas.

The Petroleum Law is the outcome of carefully considered efforts of the Cambodian government prior the anticipated first-time oil production in Cambodian history. This production will take place in the Apsara Field, Block A, Offshore Cambodia located in the Gulf of Thailand. The production is expected to start in the year 2020. Therefore, the Petroleum Law comes exactly at the right time, not only for this Block A project, but also for potential investors considering to invest in the oil and gas sector in Cambodia.

Therefore, the Petroleum Law could indirectly help to diversify the investment portfolio, currently led by the garment, agriculture and tourism sectors, which will be beneficial for the development and stability of the Cambodian economy.

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