

REVISITING THE TURKEY– SOMALIA STRATEGIC HYDROCARBON PARTNERSHIP

INTER-GOVERNMENTAL AGREEMENT

From Potential to Proof: A New Era of Energy Cooperation

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FEDERAL REPUBLIC OF SOMALIA | OFFICE OF PRESIDENT

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EXECUTIVE SUMMARY



Strategic Partnership

A historic Inter-governmental Agreement (IGA) between Turkey and Somalia for offshore hydrocarbon exploration and development.



Technical Progress

Transition from regional 2D seismic to high-resolution 3D seismic (finalized 2025) to de-risk drilling prospects.



Drilling Outlook

First discovery well scheduled for 2026, targeting the identified 48% sweet spot within the 10,000 km² block area.

23.4B

BILLION BOE

Unrisked Hydrocarbon Potential

STRATEGIC PARTNERSHIP: THE IGA

The Agreement

The Inter-governmental Agreement (IGA) signed on March 7, 2024, establishes a long-term strategic partnership for hydrocarbon exploration and production.

Exclusive Rights

Turkey, through TPAO, is granted exclusive rights to explore and develop offshore blocks selected based on high-potential 2D seismic data.

Targeting the Sweet Spot

Technical assessments have identified a **48% Sweet Spot** (Net-Pay Zone) within the total exploration area, focusing drilling efforts on the most productive reservoir sections.

OPERATIONAL SCOPE

10,000 km²

TOTAL AREA (2
BLOCKS)

48%

SWEET SPOT

4,800 km²

NET-PAY ZONE

25%

TARGET COVERAGE

OPERATIONAL SCOPE: TECHNICAL ANALYSIS

TOTAL EXPLORATION AREA

10,000 KM² (2 Blocks)

NET-PAY ZONE (SWEET-SPOT)

4,800 KM² (48%)

TARGET DEVELOPMENT COVERAGE

25% (1,200 KM²)

BASIN POTENTIAL VALIDATION

23.4 Billion BOE

WORLD-CLASS ANALOG FIELDS

ANALOG FIELD	REGION	KEY CHARACTERISTICS
Tengiz	Kazakhstan	Deep Carbonate Reservoir
Camela	Angola	Pre-Salt Carbonate Play
Liza	Guyana	Deepwater Turbidite System

The 3D seismic campaign (finalized 2025) provides high-resolution imaging of the 4,800 km² net-pay zone, enabling precise targeting of the 25% primary development area.

DRILLING OUTLOOK & DEVELOPMENT STRATEGY

WELL COUNT CALCULATION

Target Development Area (25% of SS)	1,200 KM ²
Equivalent Acreage	296,526 Acres
Drainage Area Per Well	360 Acres

ESTIMATED TOTAL WELLS

824 Wells

**Based on standard offshore spacing and optimized reservoir drainage patterns.*

STRATEGIC DRILLING ROADMAP

2026

Discovery Well: Confirming Commercial Hydrocarbons

2027+

Appraisal Campaign: Reservoir Delineation & Modeling

2030+

Development Drilling: 824-Well Campaign Commencement

The 2026 Discovery Well is the critical catalyst for validating the 23.4 Billion BOE potential and unlocking the full 824-well development program.

LEGAL FRAMEWORK: SOMALI PETROLEUM LAW (2020)

Foundational Principles

- **Ownership:** All petroleum resources in the Federal Republic of Somalia are the property of the Somali people.
- **Management:** The Federal Government is responsible for the management and development of these resources for the benefit of the nation.
- **Scope:** The law applies to all petroleum operations, including exploration, development, and production, both offshore and onshore.

Institutional Framework

- Establishes the **Somalia Petroleum Authority (SPA)** as the independent regulatory body.
- Mandates the creation of the **Somali National Oil Company (SONOC)** to represent state interests in operations.

Authorization & Compliance

- **Production Sharing Agreements (PSA):** The primary legal instrument for granting rights to international oil companies.
- **Environmental Protection:** Strict requirements for environmental impact assessments and restoration funds.
- **Local Content:** Mandatory commitments to hiring Somali nationals and utilizing local goods and services.

Fiscal Stability

- Provides a stable legal environment with clear mechanisms for dispute resolution through international arbitration.
- Ensures transparency through regular publication of material petroleum-related payments and revenues.

REGULATORY OVERSIGHT: SOMALIA PETROLEUM AUTHORITY (SPA)

Governance

- Established as the competent authority to regulate petroleum operations.
- Operates under the jurisdiction of the Ministry of Petroleum.
- Ensures transparency and accountability in resource management.

Operations

- Grants Reconnaissance and Surface Access Authorizations.
- Negotiates and monitors Production Sharing Agreements (PSAs).
- Approves Field Development Plans and unitization contracts.

Compliance

- Monitors technical and financial capabilities of authorized persons.
- Enforces environmental protection and safety standards.
- Assesses penalties for breaches of authorizations or regulations.

Article 19 of the Petroleum Law: The SPA is mandated to ensure that all petroleum operations are conducted in accordance with "Good Oil Field Practice" and international standards, protecting the interests of the Somali people.

FISCAL REGIME: ROYALTIES AND COST RECOVERY

Royalty Structure

5.0%

OFFSHORE ROYALTY RATE

Applied to the gross volume of petroleum produced and saved from the contract area, before any deductions.

According to the **Law on the Fiscal Regime for Extractive Industries**, royalties are payable in cash or in kind at the election of the Government.

Cost Recovery Mechanism

Up to 90%

COST RECOVERY LIMIT

Contractors can recover exploration, development, and operating costs from up to 90% of production after royalty.

Cost Category	Recovery Principle
Exploration Costs	100% Recoverable
Development Costs	Recoverable over time
Operating Costs	Fully Recoverable

Unrecovered costs are carried forward to subsequent years until fully recovered.

TAXATION FRAMEWORK & FISCAL STABILITY

Income Tax Regime

30%

CORPORATE INCOME TAX

Standard rate for petroleum operations as per the Law on the Fiscal Regime for Extractive Industries.

- **Taxable Income:** Calculated after deductions for royalties, cost recovery, and allowable operating expenses.
- **Ring-Fencing:** Costs and revenues are ring-fenced to the specific contract area to ensure accurate tax assessment.
- **Withholding Tax:** Competitive rates on dividends and interest to encourage reinvestment.

Fiscal Stability & Protection

Stability Clauses

The IGA and PSAs include stability provisions that protect the contractor from adverse changes in the fiscal regime during the project lifecycle.

- **Economic Balance:** Mechanisms to restore the economic equilibrium if new laws significantly impact project profitability.
- **International Arbitration:** Disputes are subject to neutral, international arbitration (e.g., UNCITRAL or ICSID) as specified in the IGA.
- **Transparency:** Commitment to EITI standards for reporting all government revenues and company payments.

PRODUCTION SHARING PRINCIPLES: PROFIT OIL & GAS

Defining Profit Petroleum



Profit Petroleum is the total volume of production remaining after the deduction of Royalties and Cost Recovery Petroleum.

$$\text{Total Prod} - \text{Royalty} - \text{Cost Recovery} = \text{Profit}$$

Sharing Mechanism

Profit Petroleum is shared between the Government and the Contractor according to a sliding scale based on daily production rates.

Production Tier (BOPD)	Govt Share (%)	Contractor Share (%)
0 - 25,000	50%	50%
25,001 - 50,000	60%	40%
50,001 - 75,000	70%	30%
Above 75,000	80%	20%

-  *Natural Gas sharing terms are specifically negotiated to ensure project viability and encourage domestic energy supply.*
-  *The sliding scale ensures that the Government's take increases as the field reaches higher levels of profitability.*

LOCAL CONTENT AND COMMUNITY DEVELOPMENT

Workforce & Skills



Training & Education

Mandatory annual investment in training programs for Somali nationals in technical and managerial roles.



Employment Preference

Priority hiring for qualified Somali citizens at all levels of the hydrocarbon value chain.



Knowledge Transfer

Structured technology and skill transfer initiatives to SONOC and local academic institutions.



Social Investment



Local Procurement

Preference for Somali-sourced goods and services to stimulate the domestic economy.





Community Development Fund

Annual financial contributions to social projects, including healthcare, education, and infrastructure.


"The Contractor shall give preference to the acquisition of goods and services from Persons based in Somalia, provided they are competitive in terms of quality, price, and availability." — Somali Petroleum Law, Article 26

ENVIRONMENTAL AND SECURITY STANDARDS

Environmental Stewardship


-  **Impact Assessments**
Mandatory Environmental Impact Assessments (EIA) before any exploration or drilling activity.
-  **Waste Management**
Strict adherence to international standards for waste disposal and spill prevention protocols.
-  **Restoration Fund**
Establishment of a dedicated fund for decommissioning and environmental restoration at the end of production.

Operational Security

-  **Offshore Safety**
Implementation of high-level safety zones around drilling rigs and seismic vessels.

Supplementary Security Measures

As outlined in the IGA, both nations will cooperate to provide a secure environment for offshore operations, utilizing advanced monitoring and protection protocols to safeguard personnel and assets.

-  Compliance with "**Good Oil Field Practice**" as defined in Article 36 of the Somali Petroleum Law.

ECONOMIC IMPACT AND NATIONAL TRANSFORMATION

Revenue Generation

Direct fiscal benefits through royalties, profit sharing, and corporate taxes, providing the capital needed for national infrastructure and social programs.

Energy Security

Domestic production of oil and gas will reduce reliance on expensive energy imports, lowering costs for businesses and households across Somalia.

Industrial Growth

Stimulating downstream industries, including power generation, petrochemicals, and logistics, creating thousands of high-quality jobs.

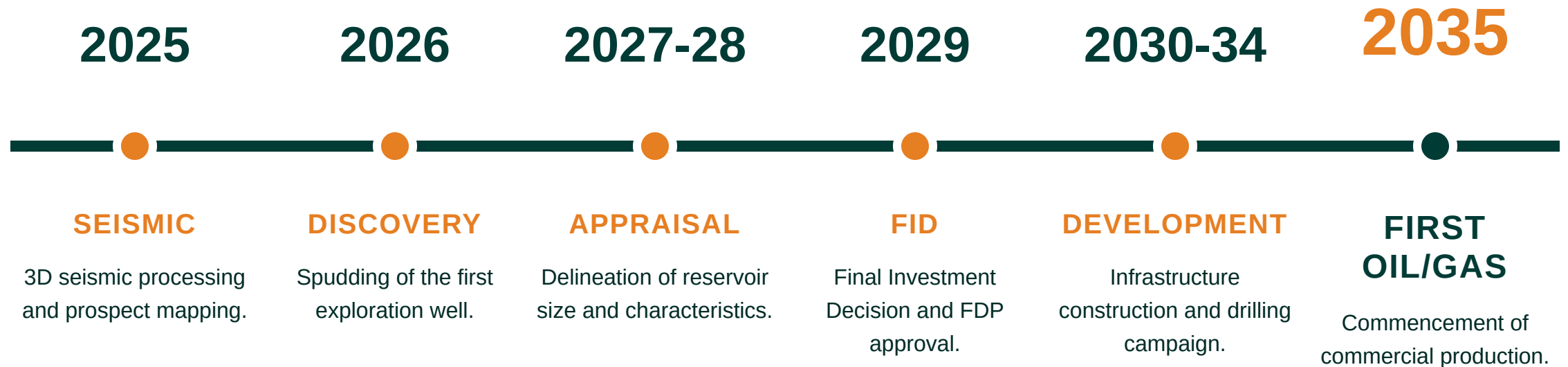
Projected Economic Drivers



A Transformed Somalia

"The successful development of our hydrocarbon resources is not just about energy; it is the engine for our national transformation and a prosperous future for all Somalis."

FUTURE ROADMAP: STRATEGIC TIMELINE



AUTHOR BIOGRAPHY

Ahmed Ali Yusuf, Ph.D.

SENIOR ADVISOR TO THE PRESIDENT OF SOMALIA

PROFESSIONAL PROFILE

Dr. Ahmed Ali Yusuf serves as a Senior Advisor to the President of Somalia, specializing in Oil & Gas exploration and development with over twenty years of comprehensive industry experience. His background spans major operators, oil field service companies, and academia. He is a specialist in conventional and unconventional reservoir development, reservoir modeling, production forecasting, and optimization.

TECHNICAL EXPERTISE

Dr. Yusuf's interests lie in reservoir development, production optimization, discrete fracture network mechanics, hydrocarbon production simulation, and finite element/difference analysis, particularly focusing on optimizing production from hydraulic fracture networks in low permeability.

ACADEMIC BACKGROUND



Ph.D. in Petroleum and Natural Gas Engineering
West Virginia University, USA

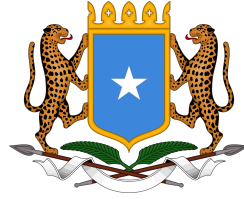
M.S. in Petroleum and Natural Gas Engineering
West Virginia University, USA

M.S. in Oil & Gas Technology (Offshore)
Aalborg University, Denmark

B.S. Engineering
Mikkeli University of Applied Sciences, Finland

PROFESSIONAL CREDENTIALS

-  **Licensed Engineer (State of Texas & USA)**
-  **Member of the Society of Petroleum Engineering (SPE)**



THANK YOU FOR YOUR ATTENTION.



Dr. Ahmed A Yusuf

SOMALIA FEDERAL GOVERNMENT, OFFICE OF PRESIDENT