Crude Oil Royalty Rates in Selected Countries

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SUMMARY This chart lists royalty rates for crude oil production in selected countries where production occurs on lands owned or controlled in whole or part by the national government. The countries selected include leading oil-producing countries that impose royalties; countries that do not impose royalties are excluded. While there are other fiscal instruments used to raise revenue from oil production, including corporate income taxes, profit taxes, resource rent taxes, value-added taxes, production sharing, and others,[1] this chart focuses solely on royalties.

Country	*Royalty Rates*
Algeria	Contracts entered into prior to Law No. 05-07 (2005) but still in effect: 20% of gross income, which can be reduced to 16.25 or 12.5% in certain regions, and can be reduced to 10% by Ministry of Finance. For contracts under Law No. 05-07, the rate is determined under the terms of each contract, with minimum rates ranging between 5.5% and 20.0% depending on the region and the number of barrels per day of production.[2]
Argentina	Rates of 12% of wellhead value of product.[3]
Australia	A royalty rate of between 10 and 12.5% of the wellhead value of the petroleum applies to all petroleum production in the North West Shelf project area.[4] The rate is set depending on the size of the area covered by the production license.[5] Royalties are shared between the federal government and the government of Western Australia in accordance with relevant legislation.[6]
Brazil	Pursuant to Law No. 9,478 of August 6, 1997, royalties must be paid monthly from the commencement of commercial production of each field, in an amount corresponding to 10% of the production of petroleum or natural gas.[7] After assessing the geological risks, production expectations, and other pertinent factors, the National Petroleum Agency[8] may define, on the relevant bidding announcements, the reduction of this rate to at least 5% of production.[9] In 2010, Law No. 12,351 was enacted to regulate the exploitation and production of petroleum gas and other hydrocarbons in the pre-salt and other strategic areas. For these areas, monthly royalties must be paid at a rate of 15% of the production's value, from the date of the start-

	up of the commercial production of each field.[10]
Canada	In Canada, land or natural resources owned by the Crown can be administered federally or provincially. On the federal level, royalty regimes for oil exist for "frontier lands" and "reserve lands." The royalty rates for the former are prescribed by the Frontier Lands Petroleum Royalty Regulations.[11] The regulations prescribe the same royalty rates for both oil and natural gas. "[T]he royalty consists of a 1% royalty on gross revenue at start-up, increasing by 1% every 18 production months to a maximum of 5% or until payout is reached. After payout, the royalty is calculated at the greater of 30% of net profit or 5% of gross revenues."[12] At the provincial level royalty regimes vary by province; rates are usually computed based on well productivity and wellhead price, typically ranging from 10% to 45%.[13]
China	For contracts concluded prior to November 1, 2011, a petroleum royalty is calculated at a progressive rate ranging from 0% to 12.5% depending on annual output.[14] Contracts concluded after that date are not subject to royalties, but rather to China's resource tax,[15] which for crude oil ranges from 5% to 10% of the selling price.[16]
Colombia	For production from discoveries following the enactment of Law 756 of 2002, the royalty rate ranges from 8% to 25%, depending on level of production measured by monthly average of barrels per day.[17]
Ecuador	Rate ranges from 12.5% to 18.5%, depending on level of production in barrels per day.[18]
India	Onshore production, 12.5%; shallow water offshore production, 10%; deepwater offshore production, 5% for first seven years of commercial production, 10% thereafter.[19]
Kazakhstan	Mineral extraction tax (similar to royalty) escalates with volume of production, with different rates depending on whether it is exported or sold domestically (2.5% to 18%).[20]
Kuwait	15%[21]
Libya	16.67% of production[22]

Malaysia	Under the Petroleum Development Act 1974, and following the consent of each state, Malaysia's national oil corporation, Petronas, was granted exclusive ownership and rights with respect to obtaining petroleum in all onshore and offshore areas of Malaysia.[23] In accordance with the Act,[24] royalty ("cash payment") rates to be paid on petroleum production are set in agreements between Petronas and the federal government and each of the thirteen state governments. These currently provide for 5% of the value of the petroleum obtained to be paid to the state in which the oil is found, and 5% to be paid to the federal government.[25] According to territorial boundaries set under the Malaysian Constitution, only offshore areas up to a three-nautical-mile limit are governed by the adjacent state;[26] however, this limit was not referred to in the Act or in the agreements signed by Petronas and the states, which has been an issue in disputes regarding royalties.[27]
Mexico	When the price of oil is lower than US$48 per barrel, a royalty rate of 7.5% is applicable; when the price of oil is equal to or higher than US$48 per barrel, the royalty rate is determined according to this formula: [(0.125 x Oil Contract Price) + 1.5]%.[28]
Nigeria	For onshore and shallow offshore production-sharing contracts: onshore production, 20%; offshore production up to 100 meters water depth, 18.5%; offshore production beyond 100 to 200 meters water depth, 16.67%.[29] For deep offshore production-sharing contracts: inland basin, 10%; 201 to 500 meters water depth, 12%; 501 to 800 meters water depth, 8%; 801 to 1,000 meters water depth, 4%; beyond 1,000 meters water depth, 0%.[30]
Qatar	The royalty rate is set by each development and fiscal agreement or joint venture agreement between the government and the company.[31]
Romania	A royalty on oil extraction is imposed at rates ranging from 3.5% to 13.5%.[32]
Russia	Mineral extraction tax in 2015 is Rubles 766 (approximately US$11) per ton, multiplied by coefficients that vary by depletion of reserves and other factors.[33]
Saudi Arabia	A royalty rate is stipulated in each petroleum concession agreement.[34]

Venezuela	Rate is 30% of value of crude oil extracted; amount may be reduced to 20% if oil field is not otherwise economically exploitable; additional royalty in bylaws of joint ventures of 3.33% of value of crude oil extracted.[35]
United Arab Emirates	Royalty rates established in concession agreements on case-by-case basis.[36]
Uzbekistan	A subsurface use tax (similar to a royalty) of 20% is imposed on petroleum extraction.[37]

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[1] See Lindsay Hogan & Brenton Goldsworthy, *International Mineral Taxation: Experience and Issues*, *in* THE TAXATION OF PETROLEUM AND MINERALS: PRINCIPLES, PROBLEMS AND PRACTICE 122, 131–32 (Philip Daniel, Michael Keen & Charles McPherson eds., 2010), *bibliographic information available at* http://lccn.loc.gov/2009047902. For country-by-country overviews of petroleum fiscal regimes, *see* EY, GLOBAL OIL AND TAX GUIDE 2014, http://www.ey.com/Publication/vwLUAssets/EY-Global-oil-and-gas-tax-guide-2014/$FILE/EY-Global-oil-and-gas-tax-guide-2014.pdf; IRENA AGALLIU, COMPARATIVE ASSESSMENT OF THE FEDERAL OIL AND GAS FISCAL SYSTEM: FINAL REPORT 178–242 (2011), http://www.energy.senate.gov/public/index.cfm/files/serve?File_id=d174971c-4682-4d96-b194-a85fa2b86774 (study prepared under contract with US Dep't of Interior showing petroleum fiscal systems in various state and national jurisdictions).

[2] EY, GLOBAL OIL AND TAX GUIDE 2014, *supra* note 1, at 2–4.

[3] Ley 17319 de Hidrocarburos [Law 17319 on Hydrocarbons] art. 59, BOLETIN OFICIAL, June 30, 1967, http://www.infoleg.gob.ar/infolegInternet/anexos/15000-19999/16078/texact.htm.

[4] Offshore Petroleum (Royalty) Act 2006 (Cth), s 6, http://www.comlaw.gov.au/Details/C2012C00850. *See also Petroleum Royalties*, WESTERN AUSTRALIA DEPARTMENT OF MINES AND PETROLEUM, http://www.dmp.wa.gov.au/1943.aspx (last modified Mar. 11, 2008).

[5] *Australian Government Royalty*, DEPARTMENT OF INDUSTRY AND SCIENCE, http://www.industry.gov.au/resource/Enhancing/ResourcesTaxation/Pages/AustralianGovernmentRoyalty.aspx (last visited Jan. 28, 2015).

[6] Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth), s 75, http://www.comlaw.gov.au/Details/C2015C00029.

[7] Lei No. 9.478 de 6 de Agosto de 1997, art. 47, http://www.planalto.gov.br/ccivil_03/LEIS/L9478.htm.

[8] In 1997, Law No. 9,478 opened the activities of the Brazilian oil industry to private initiative and created the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis, a federal agency subordinated to the Ministry of Mines and Energy responsible for regulating, making contracts with, and inspecting the economic activities of the petroleum industry in Brazil. *Id*. arts. 7, 8.

[9] *Id.* art. 47(§1).

[10] Lei No. 12.351, de 22 de Dezembro de 2010, arts. 42(§1), 42-A, https://www.planalto.gov.br/ccivil_03/_ato2007-2010/2010/lei/l12351.htm. *See* article 2(IV) of Law No. 12,351 for a definition of "pre-salt area."

[11] Frontier Lands Petroleum Royalty Regulations (SOR/92-26), § 3(1), http://laws-lois.justice.gc.ca/eng/regulations/SOR-92-26/page-2.html#h-2.

[12] CANADA'S NEW WEST PARTNERSHIP, OIL AND GAS FISCAL REGIMES OF THE WESTERN CANADIAN PROVINCES AND TERRITORIES 53–54 (2011), http://www.energy.alberta.ca/Tenure/pdfs/FISREG.pdf.

[13] EY, GLOBAL OIL AND TAX GUIDE 2014, *supra* note 1, at 94.

[14] 中外合作开采陆上石油资源缴纳矿区使用费暂行规定 [Interim Provisions Concerning the Payment of Royalties for Chinese-Foreign Cooperative Exploitation of Onshore Petroleum Resources] (Ministry of Finance (MOF) Decree [1990] No. 3, effective Jan. 1, 1990), FAGUI HUIBIAN 265-268 (1990). 开采海洋石油资源缴纳矿区使用费的规定 [Provisions Concerning the Payment of Royalties for the Exploitation of Offshore Petroleum Resources] (MOF Decree [1989] No. 1, effective Jan. 1, 1989), 1 XIN FAGUI HUIBIAN 23-26(1989).

[15] 国务院关于修改《中华人民共和国对外合作开采陆上石油资源条例》的决定 [Decision of the State Council on Revising the Regulations of the People's Republic of China on Sino-Foreign Cooperative Exploitation of Onshore Petroleum Resources] (State Council Decree [2011] No. 606, effective Nov. 1, 2011), FAGUI HUIBIAN 1082 (2011). 国务院关于修改《中华人民共和国对外合作开采海洋石油资源条例》的决定 [Decision of the State Council on Revising the Regulations of the People's Republic of China on Sino-Foreign Cooperative Exploitation of Offshore Petroleum Resources] (State Council Decree [2011] No. 607, effective Nov. 1, 2011), FAGUI HUIBIAN 1089 (2011).

[16]中华人民共和国资源税暂行条例 [Interim Regulations of the People's Republic of China on Resources Tax] (State Council Decree [2011] No. 605, effective Nov. 1, 2011), FAGUI HUIBIAN 734-736 (2011).

[17] Ley 756 of 2002, Por la cual se modifica la Ley 141 de 1994, se establecen criterios de distribución y se dictan otras disposiciones [Law 756 of 2002 by which Law 141 of 1994 is Amended, Establishing Distribution Criteria and Other Provisions] art. 16, DIARIO OFICIAL, July 25, 2002, http://www.alcaldiabogota.gov.co/sisjur/normas/Norma1.jsp?i=9154.

[18] Decreto Supremo 2967 Ley de Hidrocarburos [Law on Hydrocarbons] art. 49, REGISTRO OFICIAL, Nov. 15, 1978 (as last amended Nov. 24, 2011), available on the website of the Secretary of Hydrocarbons, Ministry of Nonrenewable Natural Resources, *at* http://www.hidrocarburos.gob.ec/wp-content/uploads/downloads/2013/08/NORMATIVA_HIDROCARBURIFERA.pdf.

[19] Press Release, Ministry of Petroleum & Natural Gas, Government of India, Royalty on Gas and Oil (Dec. 6, 2007), http://www.pib.nic.in/newsite/erelease.aspx?relid=33848.

[20] Code of the Republic of Kazakhstan on Taxes and Other Obligatory Payments to the Budget, No. 99-IV of Dec. 10, 2008, VEDOMOSTI PARLAMENTA RESPUBLIKI KAZAKHSTAN [GAZETTE OF THE PARLIAMENT OF THE REPUBLIC OF KAZAKHSTAN] 2008, No. 22-II, item 112, art. 336, http://online.zakon.kz/Document/?doc_id=30366217 (in Russian; official publication). As with the other countries discussed here, Kazakhstan imposes other taxes on oil-producing firms, including a corporate income tax rate of 20%, *id.* art. 147; a rent tax on exports ranging from 0 to 32%, *id.* art. 303; a signature bonus and a commercial discovery bonus, *id.* art. 303; and an excess profit tax, *id.* ch. 43.

[21] EY, GLOBAL OIL AND TAX GUIDE 2014, *supra* note 1, at 294.

[22] *Id*. at 315.

[23] Petroleum Development Act 1974 (Act 144), § 2, http://www.agc.gov.my/Akta/Vol.%203/Act%20144%20-%20Petroleum%20Development%20Act%201974.pdf.

[24] *Id.* § 4.

[25] *See* Anas Alam Faizli, *Malaysia's Oil Royalty Rumble*, MALAYSIA TODAY (Apr. 9, 2013), http://www.malaysia-today.net/malaysias-oil-royalty-rumble/. The relevant agreements were not located.

[26] Territorial Sea Act 2012 (Act 750), § 3(3), http://www.federalgazette.agc.gov.my/outputaktap/20120622_750_BI_Act%20750%20BI.pdf; FEDERAL CONSTITUTION OF MALAYSIA art. 2(b), http://www.agc.gov.my/images/Personalisation/Buss/pdf/Federal%20Consti%20%28BI%20text%29.pdf.

[27] *See* Rozanna Latiff, *'Petronas Need Not Pay Oil Royalty'*, NEW STRAITS TIMES ONLINE (Sept. 25, 2014), http://www.nst.com.my/node/37069; JAMES SIVALINGAM, *Kelantan Losing Out from Ambiguities in Petroleum Act*, FREE MALAYSIA TODAY (Sept. 27, 2014), http://www.freemalaysiatoday.com/category/nation/2014/09/27/kelantan-losing-out-from-ambiguities-in-petroleum-act/; Fatin Nadia Assari, *Increasing Oil Royalty Payment Is No Longer a Viable Option for Petronas*, THE ESTABLISHMENT POST (Dec. 29, 2014), http://www.establishmentpost.com/increasing-oil-royalty-payment-no-longer-viable-option-petronas/.

[28] Ley de Ingresos sobre Hidrocarburos [Law on Revenues from Hydrocarbons] art. 24(I), DIARIO OFICIAL DE LA FEDERACIÓN, Aug. 11, 2014, http://www.dof.gob.mx/nota_detalle.php?codigo=5355983&fecha=11/08/2014.

[29] Petroleum (Drilling and Production) Regulations of 1969, § 62, 13 LAWS OF THE FEDERATION OF NIGERIA, Cap. P10 (rev. ed. 2006), available on the Food and Agriculture Organization of the United Nations (FAO) portal, FAOLEX, *at* http://faolex.fao.org/docs /pdf/nig120683.pdf.

[30] Deep Offshore and Inland Basin Production Sharing Contracts Act of 1993, § 5, 5 LAWS OF THE FEDERATION OF NIGERIA, Cap. D3 (rev. ed. 2006), http://www.placng.org/ new/laws_of_nigeria3.php?sn=114.

[31] EY, GLOBAL OIL AND TAX GUIDE 2014, *supra* note 1, at 459–60.

[32] Law on Petroleum, No. 238 of June 7, 2004, MONITORUL OFICIAL [OFFICIAL GAZETTE] 2004, Part I, No. 535, art. 49 (in Romanian).

[33] Tax Code of the Russian Federation, Federal Law No. 117 of Aug. 5, 2000, SOBRANIE ZAKONODATELSTVA ROSSIISKI FEDERATSII [RUSSIAN FEDERATION OFFICIAL GAZETTE], 2000, No. 32, Item 3340, art. 342, http://base.garant.ru/10900200/ (in Russian).

[34] EY, GLOBAL OIL AND TAX GUIDE 2014, *supra* note 1, at 497.

[35] Ley Orgánica de Hidrocarburos de Venezuela [Organic Law on Hydrocarbons] art. 44, GACETA OFICIAL, May 24, 2006, available on the website of the Minister of Petroleum, *at* http://www.mpetromin.gob.ve/repositorio/imagenes/file/normativas/leyes/LEY_ORGANICA_DE_HIDROCARBUROS_CORREGIDA.pdf.

[36] EY, GLOBAL OIL AND TAX GUIDE 2014, *supra* note 1, at 592.

[37] Decree of the President of Uzbekistan No. PP-2270 of Dec. 4, 2014, ¶ 3, SOBRANIE ZAKONODATELSTVA RESPUBLIKI UZBEKISTAN (official gazette), 2014, No. 50, http://online.zakon.kz/Document/?doc_id=31644770 (in Russian).