

The Ministry of Energy ("MOE") in the Kingdom of Saudi Arabia ("KSA") has presented a new Draft Law on Petrol and Petrochemical Materials ("Draft") for public consultation. The Draft intends to replace the current Law on Trading Petroleum Products enacted by royal decree M/18 dated 28/01/1439 H (corresponding to 18 October 2017). The following provides a high-level summary of the contents of the Draft.

I. Petrol Operations / Petrochemical Operations

The Draft redefines petrol operations and petrochemical operations. Whereas, Petrol Operations are defined as practicing one or more of the following activities: using, selling, purchasing, transporting, storing, importing, exporting, filling or treating petroleum products, or establishing or operating each of: a refinery, terminal or distribution station. While petrochemical operations are defined as engaging in one or more of the following activities: producing, processing, selling, purchasing, distributing, transporting, storing, importing or exporting petrochemical materials, or operating a petrochemical plant, and does not include industrial applications that are used for petrochemicals an essential or an additional part; for the production of finished or semi-finished consumer products, which are produced by molding (such as plastic boxes), blending (such as dyes), assembly (such as automobiles), or formation (such as foams used to produce insulators).

II. MOE as Regulator

The MOE, as per the Draft, is the main regulator for any petrol-related or petrochemical operations and introduces certain reporting duties. The Draft generally makes any activities in the fields subject to licensing requirements, especially the export of petrol and petrochemical materials.

III. Sanctions

A comprehensive catalog of sanctions including administrative fines of up to 30 million SAR are also foreseen in the Draft for any contraventions. Unlicensed exports of petroleum materials may be subject to up to two years of imprisonment and fines of up to 10 million SAR.

Although the Draft is at this stage only out for public consultation, it is an indication that legislative changes in KSA can likely be expected in KSA in the future.

*The **dedicated KSA team at SCHLÜTER GRAF** can gladly assist you in connection with any topics relating to licensing and any other Saudi legal matters.*

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