



Scan to know paper details and
author's profile

Unclear and Uncertainty: A Comparative Analysis of the Somali Petroleum Authority and Global Petroleum Regulatory

Dr. Mohamed Mohamoud Farid

ABSTRACT

This paper critically evaluates the institutional effectiveness and limited operational mandate of the Somali Petroleum Authority (SPA) in the governance of Somalia's emerging oil and gas sector. Although Somalia holds significant hydrocarbon potential, capturing these economic opportunities requires a transparent regulatory framework and competent oversight institutions. The 2020 Petroleum Law assigns the SPA key responsibilities, including license administration, compliance enforcement, and oversight of upstream activities. However, the Authority has struggled to execute these functions, resulting in diminished transparency and slow sectoral progress.

Using a qualitative, comparative case study methodology, the research analyzes legal provisions, institutional documentation, and academic sources to examine the SPA's designated functions and assess whether its shortcomings arise from legislative constraints, weak implementation, or authority overlap—particularly with the Ministry of Petroleum and Mineral Resources. Comparative insights from established regulatory models in Ghana and Uganda provide contextual benchmarks.

Keywords: somali petroleum authority, international oil companies, somali national oil company, national oil companies.

Classification: JEL Code: L71, Q35, Q38

Language: English



Great Britain
Journals Press

LJP Copyright ID: 146485

Print ISSN: 2633-2299

Online ISSN: 2633-2302

London Journal of Research in Management & Business

Volume 25 | Issue 8 | Compilation 1.0



Unclear and Uncertainty: A Comparative Analysis of the Somali Petroleum Authority and Global Petroleum Regulatory

Dr. Mohamed Mohamoud Farid

ABSTRACT

This paper critically evaluates the institutional effectiveness and limited operational mandate of the Somali Petroleum Authority (SPA) in the governance of Somalia's emerging oil and gas sector. Although Somalia holds significant hydrocarbon potential, capturing these economic opportunities requires a transparent regulatory framework and competent oversight institutions. The 2020 Petroleum Law assigns the SPA key responsibilities, including license administration, compliance enforcement, and oversight of upstream activities. However, the Authority has struggled to execute these functions, resulting in diminished transparency and slow sectoral progress.

Using a qualitative, comparative case study methodology, the research analyzes legal provisions, institutional documentation, and academic sources to examine the SPA's designated functions and assess whether its shortcomings arise from legislative constraints, weak implementation, or authority overlap—particularly with the Ministry of Petroleum and Mineral Resources. Comparative insights from established regulatory models in Ghana and Uganda provide contextual benchmarks.

Findings indicate that, despite a seemingly comprehensive legal mandate, the SPA's effectiveness is undermined by ambiguous institutional arrangements and overlapping responsibilities. This dysfunction has contributed to opaque licensing practices, inadequate contract monitoring, and weak enforcement of due diligence requirements, including the failure to revoke non-compliant agreements. Such

governance deficiencies risk deterring investment, eroding public trust, and compromising sustainable resource management.

The study recommends clarifying institutional roles and strengthening the SPA's enforcement capacity and operational autonomy. These reforms are critical to improving regulatory governance and ensuring Somalia's petroleum resources contribute to sustainable national development.

Keywords: somali petroleum authority, international oil companies, somali national oil company, national oil companies.

I. INTRODUCTION

Somalia possesses significant untapped hydrocarbon potential, which presents opportunities for economic growth, job creation, and industrialization. However, realizing these opportunities depends on the effective governance and management of oil and gas resources, alongside the development of strong institutions. Effective governance in the petroleum sector requires well-defined institutions such as ministries, authorities, and commissions, each mandated with distinct responsibilities. (Abudu, et al. 2022).

Globally, independent petroleum regulatory institutions such as those in Ghana and Uganda demonstrate how clearly defined roles and responsibilities can enhance investor confidence, mitigate sector-related risks, and ensure the sustainable management of natural resources.

In Somalia, the Petroleum Law of 2020 created key institutions, including the Somali Petroleum Authority (SPA) and the Somali National Oil Company (SONOC). However, the Somali Petroleum Authority has recently struggled to fulfill its mandate, raising questions about the clarity of its institutional roles and responsibilities. Unclear mandates risk undermining resource governance, deterring investment, and exacerbating resource management challenges.

This paper examines the mandate of the Somali Petroleum Authority by comparing it with global petroleum regulatory frameworks to identify the factors contributing to its failure to fulfill its mandate. The study highlights the risks associated with unclear institutional delineation, which has recently been emphasized by scholars and sector stakeholders.

1.1 Background of the Research

The study highlights the shortcomings of the Somali Petroleum Authority in fulfilling its mandated responsibilities, which appear to have been assumed by other agencies. Furthermore, a more effective delegation of institutional mandates could enhance sector governance. (Simpson, A. 2017).

The oil and gas sector is a complex industry that is typically divided into three segments: the Upstream (Exploration and Production) sector, the Midstream (Transportation and Storage) sector, and the Downstream (Refining and Marketing) sector. Each of these activities requires oversight by regulatory bodies that address multiple specialized areas, including economic, environmental, security, and community considerations. (Patidar, et. al. 2023).

The key actors in the oil and gas sector that regulate access, oversee operations, and shape its development include National Oil Companies (NOCs), International Oil Companies (IOCs), and petroleum regulatory authorities or commissions. In Somalia, governance of the oil and gas sector falls primarily under the authority of the *Federal Government*. The principal institutions mandated in this area include:

- ✓ The Ministry of Petroleum and Mineral Resources
- ✓ The Somali Petroleum Authority (SPA)
- ✓ Natural Resource Council
- ✓ Other supporting bodies, such as the Office of the Prime Minister and the Parliamentary Committee for Natural Resources.

This study highlights the critical importance of establishing robust legal frameworks, independent regulatory institutions, and a clear delineation of responsibilities to ensure effective petroleum governance.

Recently, the Ministry of Petroleum and Minerals entered into production-sharing agreements with international oil companies. However, these contracts have been characterized by a lack of transparency and clarity, leading to mistrust and raising concerns regarding institutional effectiveness. Abubakar, A. M. (2019).

The paper identifies a significant research gap: there is limited scholarly analysis on how the *constrained mandate* of the Somali Petroleum Authority (SPA), coupled with *overlapping institutional responsibilities*, influences governance outcomes, investor confidence, and the prospects for sustainable resource management. To address this gap, the study critically examines the institutional design of the SPA and draws upon international best practices in petroleum regulation to propose recommendations for strengthening governance mechanisms in Somalia.

1.2 General objectives

The general objectives of the study are to clearly set out the responsibilities assigned to the Somali Petroleum Authority, to examine the key reasons why it has not been able to carry out these responsibilities effectively, and to identify which actors are currently performing its roles. To provide context and a broader perspective. The study also examines the duties and governance structures of petroleum authorities in Uganda, Ghana, in comparison to SPA.

Specific objective of the research

- ✓ To analyze the legal framework and institutional structure of Somalia's petroleum sector
- ✓ To identify challenges limiting the SPA's effectiveness.
- ✓ To assess the impact of overlapping institutional roles on governance and investor confidence.
- ✓ To compare the SPA with the petroleum regulatory authorities in Ghana and Uganda.
- ✓ To draw lessons from international best practices for improving petroleum governance in Somalia.
- ✓ To recommend reforms that enhance the SPA's capacity and independence.

1.3 Problem Statement

In recent years, Somalia's offshore oil and gas sector has attracted increasing interest. The Ministry of Petroleum and Mineral Resources has signed several agreements with international oil companies; however, these agreements have often been marked by ambiguity, which has generated public mistrust and strained cooperation between the Federal Government and the Federal Member States. (Davidson, 2018). As a result, it has become evident that the Somali Petroleum Authority (SPA) faces significant shortcomings in fulfilling its core mandate of ensuring effective sector management and the sustainable utilization of the country's oil and gas resources. (Davidson, 2018).

The problem statement in the study is to examine why the Somali Petroleum Authority has been unable to fulfil its mandate effectively. Specifically, the study seeks to determine whether the problems arise from;

- a. The Petroleum Law 2020 limits the mandate of the Authority.
- b. The Authority has failed to implement or carry out its mandated responsibilities.
- c. Certain functions have been transferred to other agencies in accordance with the Petroleum Law 2020.

To better understand the root of the problem, it is essential to assess and compare the mandates of petroleum authorities in other African countries, particularly Ghana and Uganda, which possess more developed and well-established regulatory frameworks.

1.4 Significance of the study

This research is designed to achieve a set of critical objectives aimed at improving the governance of Somalia's oil and gas sector. Specifically, the study seeks to:

1. **Examine Institutional Effectiveness:** Look at the scope of mandate Somali Petroleum Authority (SPA) and analyze the underlying reasons the Somali Petroleum Authority (SPA) fails to effectively fulfill its responsibilities, focusing specifically on the delineation of roles between the SPA and the Ministry of Petroleum and Mineral Resources.
2. **Provide Comparative Insight:** Draw comparative insights by analyzing the organizational structures and functions of petroleum authorities in established and emerging jurisdictions, specifically Ghana and Uganda.
3. **Address the Governance Gap:** Contribute to the limited existing literature on the governance of Somalia's oil and gas sector, thereby fostering a clearer understanding of the roles and responsibilities essential for ongoing operations.

The Significance of this study is underscored by the numerous challenges facing the Somali petroleum sector, including:

- **Political Instability:** Persistent public mistrust and disagreements between the federal government and federal member states in resource and revenue management in accordance with the applicable legal framework.
- **Capacity Deficiencies:** Weak state institutions and limited technical expertise are necessary for regulatory oversight.

By providing a deeper, comparative understanding of institutional mandates, this

research aims to inform policymakers and stakeholders, thereby enabling the implementation of more robust and effective governance practices necessary for realizing sustainable oil and gas resource management in Somalia.

II. LITERATURE REVIEW

The literature review provides the background and context of the research problem and also constructs and highlights research opportunities and sheds light on gaps in the research by examining relevant articles through the existing arguments and findings. The main aim is to show that the current study uses the evidence and analysis of related previous studies. The main themes discussed in the literature are as follows;

a) Oil and Gas Prospects in Somalia

The theme addresses the hydrocarbon potential in Somalia and the Core regulatory functions of the relevant authority, such as Licensing and Contract Awards, Compliance and Enforcement, and Environmental Protection.

b) Comparative Analysis and the Role of Contract Transparency.

2.1 Oil and Gas Potentiality in Somalia

Interest in Somalia's hydrocarbon potential dates back to the early 20th century. This interest gained traction in the 1950s and 1960s, with companies like Sinclair Oil Corporation conducting widespread geological studies and drilling campaigns. (Davidson, et al. 2018). While many of these wells were exploratory and focused on stratigraphic data collection, some displayed oil shows and technical discoveries, confirming working petroleum systems. (Gundel, J. (2020).

During the 1980s, driven by oil discoveries in neighboring Yemen, Somalia experienced a surge in exploration activities. Major international companies, including Conoco, Chevron, Amoco, and Shell, acquired concessions and began extensive exploration and drilling, both onshore and offshore. (Hadden, R. L. 2007).

To gain a comprehensive understanding of the historical development of Somalia's oil and gas sector, from the initial recorded instances of oil seepage to contemporary developments, a detailed summary of the key milestones and major activities within the sector is presented below.

In 2012, Africa Oil Corp, in partnership with Range Resources and Horn Petroleum, conducted gravity surveys and acquired both new and reprocessed 2D seismic data in the Dharoor and Nugaal valleys of Puntland, Somalia (Bamberger et al., 2016). As part of this program, two exploration wells, Shabeel-1 and Shabeel North-1, were drilled to depths of approximately 3,800 and 3,945 meters, respectively. Although both wells encountered hydrocarbon shows in sandstone formations, they did not confirm the presence of commercially viable reserves. (Bamberger et al. 2016).

Between 2009 and 2018, several international companies carried out exploration surveys in Somaliland to evaluate its hydrocarbon potential. (Ga'al, A. S. 2021). These companies continue to maintain a presence in the country, and the seismic data acquired during this period indicated promising oil and gas potential. (Davidson, et.al. 2018).

In 2009, TGS completed the processing and interpretation of a speculative survey in Somaliland. The program included the acquisition of approximately 5,300 kilometers of marine 2D seismic data along the offshore margin, as well as 34,000 kilometers of high-resolution aeromagnetic data covering key onshore basins. (Mohamoud, M. A. 2018)

In 2016, DNO International acquired around 9,250 line-kilometers of gravity and magnetic data over exploration blocks located in the Sool and Sanaag regions (North-East State of Somalia). These surveys aimed to improve subsurface imaging and delineate potential petroleum systems in northern Somalia. (Ali, M. Y. 2015).

In 2017, Genel Energy undertook a seismic campaign that involved the acquisition of approximately 3,500 kilometers of 2D seismic

data across several onshore basins in Somaliland. This survey was designed to refine earlier structural interpretations and identify drillable prospects. (Farah, A. (2014).

In 2018, RAK Gas, a United Arab Emirates–based company, acquired about 800 kilometers of 2D seismic data in the Berbera region. The program focused on defining structural traps and sedimentary sequences in one of Somaliland’s most prospective coastal basins. (Pegg, S. (2018).

Spectrum Geo Ltd conducted extensive 2D seismic surveys offshore Somalia in 2014 and 2016, covering ~20,500 km across key frontier basins such as Jubba Deep, Mogadishu Deep, Mid Somalia High, Obbia, Coriole, and Juba–Lamu. (Ga’al, A. S. (2021).

The data revealed multiple petroleum play types ranging from Jurassic to Tertiary, including stratigraphic traps, carbonate platforms, reefal build-ups, fault blocks, and submarine fans. (Levent. K. 2025). These findings established strong analogies with proven hydrocarbon provinces in Mozambique and Tanzania, indicating the presence of multi-play oil and gas systems. Strategically, the surveys provided Somalia’s first modern seismic dataset in decades, reduced geological uncertainty, and attracted international exploration interest through multi-client licensing rounds (Davidson et al., 2018).

Liberty Petroleum signed PSAs in March 2024 for Blocks 131, 190, and 206, committing to seismic acquisition, geological and geophysical evaluation, and potential exploratory drilling within five years. The company is targeting Jurassic

carbonate and clastic plays, aiming to validate earlier seismic data, de-risk drilling locations, and unlock Somalia’s underexplored deepwater hydrocarbon potential (Gundel, 2020).

In March 2024, TPAO was awarded offshore exploration licenses under the Turkey–Somalia energy cooperation agreement, covering three blocks approximately 50–100 km offshore and totaling 15,000 km². Using the seismic vessel *Oruç Reis*, escorted by naval ships, TPAO completed high-resolution 3D seismic surveys by April 2025, with exploratory drilling planned for late 2025–early 2026. (Oxford Analytica. (2024).

Interpretation of the 3D data revealed a more detailed subsurface than previous 2D surveys, identifying large faulted structural closures, deep Jurassic carbonate platforms, Cretaceous–Tertiary deep marine clastic systems, submarine fans, and potential source rocks in deepwater anoxic basins likely rich in oil-prone kerogen. (Bamberger et. al. 2016). These findings suggest that Somalia’s offshore regions contain all key elements of a working petroleum system, including mature source rocks, migration pathways, reservoirs, seals, and trap structures. (Davidson, 2018).

Strategically, TPAO’s engagement underscores state-to-state energy cooperation, strengthening Turkey–Somalia political and economic ties, introducing advanced technical capabilities in 3D seismic and deepwater drilling, and positioning Turkey as a long-term partner in Somalia’s offshore hydrocarbon development, with broader implications for regional energy security (Levent, 2025).

Table 1: Oil and Gas Exploration Blocks Licensed by the Ministry of Petroleum and Minerals

Company name	Block	Offshore/onshore	Size of the block	License location
Shell and ExxonMobil	M3	Offshore	13,400km ²	Puntland
	M4	Offshore	14,000km ²	Puntland/Galmudug
	M5	Offshore	16,000km ²	Galmudug/Hirshabeele
	M6	Offshore	10,000km ²	Hirshabeele/Southwest
	M7	Offshore	7,000km ²	Southwest
Coastline Exploration	129/130	Offshore	5,000km ²	Galmudug
	141	Offshore	5,000km ²	Galmudug
	143	Offshore	5,000km ²	Galmudug

	191	Offshore	5,000km ²	Southwest
	192	Offshore	5,000km ²	Southwest
	205	Offshore	5,000km ²	Jubbaland
	221	Offshore	5,000km ²	Jubbaland
Liberty Petroleum	131	Offshore	5,000km ²	Galmudug
	190	Offshore	5,000km ²	Southwest
	206	Offshore	4,978km ²	Jubbaland
Genel Energy	SL6	Onshore	12,000km ²	Somaliland
	SL10	Onshore	12,000km ²	Somaliland
	SL13	Onshore	12,000km ²	Somaliland
TPOA	142	Offshore	15,000km ² in total	Galmudug
	152	Offshore		Galmudug
	153	Offshore		Galmudug
	Undisclosed	Onshore	16,000km ² in total	Undisclosed
	Undisclosed	Onshore		Undisclosed
	Undisclosed	Onshore		Undisclosed
Rak Gas	SL9	Onshore	12,000km ²	Somaliland
	SL12	Onshore	12,000km ²	Somaliland
GulfSom Energy	S48	Onshore	2,500km ²	Jubbaland
	S55	Onshore	2,500km ²	Southwest
	S56	Onshore	2,300km ²	Hirshabeele/Southwest
	S217	Onshore	2,500km ²	Northeast
	S218	Onshore	2,500km ²	Northeast

2.2 Mandate of Somali Petroleum Authorities

The Petroleum Act of 2020 established the Somali Petroleum Authority (SPA) as the independent regulator of Somalia's oil and gas sector, tasked with ensuring responsible, transparent, and nationally beneficial management of petroleum resources. The SPA's core functions include:

- ✓ **Regulation:** Administering licenses and contracts, and enforcing compliance with petroleum laws, production-sharing agreement terms, and environmental standards.
- ✓ **Monitoring and Oversight:** Supervising exploration, production, and decommissioning activities, with attention to health, safety, security, and environmental (HSSE) standards.
- ✓ **Revenue Transparency:** Ensuring transparent collection and equitable distribution of petroleum revenues between the Federal Government and Federal Member States.
- ✓ **Advisory and Technical Support:** Managing data repositories, providing expert guidance,

and promoting sustainable resource management.

- ✓ **Investment Promotion:** Creating a stable regulatory environment to attract international investors and facilitate agreements.
- ✓ **Capacity Building:** Advancing skills development, workforce participation, and technology transfer.
- ✓ **Dispute Resolution:** Mediating and arbitrating sector-related conflicts.

As per Article 19.14b, the SPA is granted the power to negotiate production sharing agreements with the companies, in accordance with Article 24, which states that the SPA is to conclude a production sharing agreement and submit a recommendation letter to the minister. Such a task requires selecting qualified companies that have financial and technical capacity to execute petroleum operations, as well as having a sound track enters of legal compliance.

SPA has approval authority for the annual work program and budget of the project, as well as

ensuring that such a work program is carried out as planned. On the other hand, SPA has the power to terminate the production sharing agreement if the contractor fails to fulfill all its obligations timely manner and in accordance with the sector legislation and contract terms.

2.3 Comparative Analysis of Petroleum Authorities

To understand the mandates of the Somali Petroleum Authority (SPA) and identify potential gaps in its responsibilities, it is instructive to examine petroleum regulatory institutions in selected countries, including Ghana and Uganda. This comparison clarifies institutional roles, cooperation frameworks, and best practices for effective governance. (Edward, R. 2020).

2.4 Petroleum Commission of Ghana

The Petroleum Commission of Ghana was formally established by an Act of Parliament in 2011. The core mandate of the Commission is to regulate, oversee, and promote efficiency within the nation's upstream petroleum sector. Boateng, K. (2022). Following the discovery of hydrocarbons in commercial quantities, the Commission's role is critical in regulating and managing the utilization of petroleum resources and coordinating policies related to upstream activities. The core functions of the Petroleum Commission of Ghana include:

- a) *Regulation and Monitoring:* To regulate, manage, and monitor all upstream petroleum operations within Ghana.
- b) *Licensing and Approvals:* To receive, evaluate, and approve applications for the necessary licenses, permits, or authorizations required for upstream petroleum exploration, development, and other related operations.
- c) *Operational Efficiency:* To promote petroleum operations that are planned, well-executed, and cost-efficient.
- d) *Compliance Enforcement:* To monitor and ensure strict compliance with all relevant laws, regulations, policies, and agreements about upstream activities.
- e) *Issuance of Authorizations:* To issue authorizations required for all upstream

activities, including exploration and development.

2.1.1 Petroleum Authority of Uganda (PAU)

The Petroleum Authority of Uganda (PAU) is the regulatory body responsible for overseeing and monitoring upstream petroleum activities, including exploration, development, and production. Established in 2013, the PAU operates as an autonomous institution mandated to regulate the entire petroleum value chain. The Authority's core mandate is to promote transparency, accountability, efficiency, and the sustainable management of Uganda's petroleum resources. (Benard, O. O. M. 2017).

- a. Promote efficiency, economy, and safety among licensees and ensure the efficient and safe conduct of all petroleum activities.
- b. Ensure compliance by making sure that licensees carry out the petroleum activities for which they are licensed.
- c. Promote competition in petroleum activities to encourage fair participation and innovation.
- d. Ensure transparency in all petroleum sector activities and within the operations of the Authority itself.
- e. Maintain a fair balance between the interests of the Government and other participants in the petroleum sector.

Table 1: Detailed functions of a petroleum authority

Institution	Country	Mandate / Core Functions	Role of Ministry	Observations / Lessons
Somali Petroleum Authority (SPA)	Somalia	Regulation, monitoring, and oversight of exploration and production, revenue transparency, advisory support, investment promotion, capacity building, and dispute resolution	Ministry of Petroleum and Mineral Resources provides policy direction, oversees supporting bodies.	SPA has a constrained mandate, overlapping responsibilities, and limited capacity; lessons from other countries highlight the need for clear mandate delineation and functional independence
Petroleum Commission of Ghana	Ghana	Licensing and regulation, monitoring and safety, pricing oversight, uniform pricing and consumer protection, data management, and market development	Ministry of Energy sets policy, provides strategic oversight, ensures policy coherence, and sectoral coordination.	Clear division of labor: Ministry sets policy, NPA executes regulation; effective downstream oversight and consumer protection mechanisms
Petroleum Authority of Uganda (PAU)	Uganda	Oversight and regulation of the entire petroleum value chain (exploration, production, refining, transportation, storage), enforcement of legal and safety standards, advisory role, promotion of local content	The Ministry of Energy formulates policy, provides strategic direction, and ensures energy security and sustainability.	An autonomous regulator covering the full value chain enhances transparency, accountability, and sustainable resource management.

2.5 Role of Contract Transparency

The role of contract transparency in the oil and gas industry is fundamentally to enhance governance, accountability, and public trust, leading to more sustainable and equitable management of natural resources. (Mkalama, L. M. 2022). The contract transparency involves the full disclosure of the full text of contracts, licenses, concessions, and other agreements between the government and international oil companies, as well as all material petroleum-related payments and all revenues received by the Government from contractors. (Hassan, et. al. 2023).

Contract transparency is vital in developing countries and has several benefits, such as;

- a. Combating Corruption and Promoting Accountability
- b. Optimizing Public Benefit and Revenue Management
- c. Building Trust and Stability

The study is examining why the Somali Petroleum Authority failure mandated responsibilities and which institutions are exercising the mandate of SPA. The scholars and the communities doubted members of the Somali Petroleum Authority due to the alleged failure associated with the fact that recent oil and gas contracts seem to be in favor of the contractor. The oil, gas, and minerals are the property of the nation, government, as a representative of the nation. When the contract remains secret, citizens and oversight actors cannot properly monitor the implementation of the deal, and the country is at high risk of corruption and mismanagement. Contract transparency has many benefits for each stakeholder in the sector. Below is a table that briefly highlights the benefits of contract transparency in the oil and gas sector.

III. RESEARCH METHODOLOGY

This study adopts a qualitative, comparative case study design, an approach well-suited for

examining institutional roles, governance structures, and regulatory effectiveness in the management of natural resources. The primary focus is on analyzing the mandate of the Somali Petroleum Authority (SPA) and evaluating its implementation. To strengthen the analysis, the study incorporates comparative insights from petroleum regulatory frameworks in selected authorities, specifically Ghana and Uganda. (Babii, A. 2020).

The research relies predominantly on secondary data sources, including legal frameworks, policy documents, institutional reports, and academic literature. (Olabode, et.al. 2019). Document analysis and comparative review serve as the principal methods of inquiry, enabling a systematic evaluation of the clarity of the SPA's responsibilities and the identification of underlying factors contributing to governance challenges. By situating the Somali case within a broader comparative context, the study aims to reveal institutional gaps, draw upon relevant best practices, and generate lessons that can inform more effective and context-specific governance reforms in Somalia. (Mazhar, et. al.2021).

3.1 Data Collection

The data used in the study relies on secondary data sources, including:

- ✓ Legal and policy documents (Somalia's Petroleum Law 2020 and production-sharing agreement model).
- ✓ Institutional reports from SPA, ministries, and international organizations such as the World Bank, IMF, and African Development Bank.
- ✓ Academic literature on petroleum governance, institutional design and functions, and regulatory frameworks.
- ✓ Comparative country studies highlighting petroleum regulation best practices.

3.2 Data Analysis

The collected data will be examined using thematic and comparative analysis.

- ✓ *Thematic Analysis:* Identifying recurring themes such as mandate scope and clarity,

overlapping roles, institutional independence, and transparency.

- ✓ *Comparative Analysis:* Evaluating similarities and differences between the SPA and selected international petroleum authorities, with emphasis on institutional mandate, governance frameworks, regulatory independence, and sectoral outcomes.

3.3 Scope and Limitations

The study is limited to the period following the enactment of the 2020 Petroleum Law, focusing on upstream governance. The research does not include primary data due to data accessibility challenges and political sensitivities in Somalia. Instead, it relies on authoritative secondary sources and cross-country comparisons.

IV. RESEARCH FINDINGS

This research examines in depth the reasons why the Somali Petroleum Authority has failed or neglected to fulfil its assigned functions. To understand these issues, it is essential to first identify the functions assigned Somali Petroleum Law 2020 to the SPA, and then make a comparative analysis of the mandates given to petroleum authorities in other countries, particularly Uganda and Ghana, so that we can clearly determine where the neglect or failure lies.

When comparing the responsibilities of petroleum authorities in different countries, it becomes apparent that these responsibilities are quite similar, with each authority being given clear mandates under its respective laws. Therefore, it appears that the Somali Petroleum Authority has failed to fulfil its assigned duties, with some of these responsibilities being carried out by the Ministry of Petroleum and Minerals. In our findings, we will examine each of the authorities and analyse how it has failed to perform its mandated functions. (Acheampong, et. al. 2018). The functions granted Somali Petroleum Law to the SPA are clear, which allow the Authority to administer licences and contracts and enforce compliance with petroleum law, also allow it to monitor upstream activities, ensure transparency of collection and equitable distribution of

petroleum revenues. In addition, the Law grants the SPA the power to negotiate and conclude production sharing agreements with companies and then submit to the minister a recommendation. So that we will shed light on how each of these functions failed the authority to fulfill.

4.1 Formal Awarding and Licensing Process

The awarding process of petroleum licenses serves critical regulatory, economic, and governance functions within Somalia's petroleum sector. It ensures that exploration and production rights are granted transparently, competitively, and in alignment with national interests as established under the Somali Petroleum Law-2020 and its implementing regulations. (Cillari, et. al. (2021).

The Somali Petroleum Authority (SPA) is the primary regulatory body overseeing this process. Acting on behalf of the Federal Government, the SPA regulates entry into the petroleum sector and ensures compliance with the legal and policy framework governing petroleum operations. The Authority's Board includes representatives from the Federal Member States, ensuring that national and subnational interests are balanced and coordinated in decision-making through the licensing and awarding process, the SPA.

- a. Assesses and selects qualified companies based on their technical expertise, financial capacity, and commitment to health, safety, and environmental (HSE) standards.
- b. Ensures that all petroleum operations comply with Somali laws, regulations, and internationally accepted industry practices.
- c. Prevents unqualified, speculative, or non-compliant investors from entering the sector, thereby safeguarding Somalia's long-term resource and economic interests.

Following its evaluation and selection of qualified applicants, the SPA formally recommends successful companies to the Ministry of Petroleum and Mineral Resources (MPMR) for the signing of petroleum agreements on behalf of the Federal Government. In this way, the SPA plays a central and decisive role in the awarding process, acting as the principal regulatory institution that

upholds transparency, accountability, and national benefit in Somalia's petroleum licensing regime. Mavridis, E. (2018).

Two principal approaches are commonly employed for the marketing and licensing of oil and gas.

Blocks

- a. Bidding/licensing round: An open and competitive process in which companies submit bids for several oil and gas blocks made available for development.
- b. Direct bilateral negotiation: A process in which a specific company and the host country negotiate contractual terms for the development of one or more oil and gas blocks.

Recently, the SPA and the Ministry of Petroleum and Minerals selected contractors for direct bilateral negotiations, which have several heavily negative consequences for the host country. These issues are often interconnected and can lead to the state's inability to fully benefit from its own resources.

From the perspective of host countries, the former approach is generally more advantageous in terms of transparency and securing favourable contractual terms. The current agreements were concluded through direct bilateral negotiations, many of which lacked the necessary level of transparency. Kardel, M. F. (2019). Regardless of the approach, the primary selection criteria should focus on attracting companies with both the financial capacity and the technical competence to satisfy contractual requirements. The fundamental provisions of an oil and gas contract define the rights and obligations of the parties. The contractor's obligations, both technical and financial, are explicitly set out in the agreement and must be discharged in a timely manner. (Abudu, et. al. 2022).

In the Production Sharing Agreements (PSA) model, during the exploration period, the contractor is required to carry out agreed and budgeted exploration activities, such as seismic data acquisition and the drilling of wells.

Financial obligations during this early stage are usually limited to the signature bonus and annual contractual payments such as surface rental fees, contributions to training and community development funds, and any applicable taxes related to exploration activities (such as withholding tax) or capital gains in the event of a transfer of interest. Brnabic, R. (2016).

Under certain Production Sharing Agreements (PSAs), the contractor is required to adhere to a specified timeframe for each phase of petroleum operations. Typically, the exploration period covers an initial term of three years, with the possibility of a two-year renewal for a designated portion of the contract area. Upon obtaining exclusive rights to a particular area, the contractor must submit the requisite documentation outlining its fundamental petroleum obligations. These obligations generally include the following:

- | | |
|--|-------------------------------|
| ✓ Technical capability | ✓ Financial capacity |
| ✓ Transfer of technology | ✓ Minimum work program |
| ✓ Local content in the procurement of goods and services | ✓ Domestic market obligations |

The contractual obligation also includes relinquishment of a percentage of licensed acreage after each exploration phase. This needs to be enforced to prevent contractors from holding large areas without carrying out any activities in those areas.

Given these considerations, the licensing and selection of a qualified company to develop oil and gas resources represent the most critical stage in the oil and gas decision-making chain. Awarding licenses to companies lacking the technical and financial capability to meet their contractual obligations, an issue observed in Somalia on multiple occasions, results in stagnation, with no progress beyond the signing of the agreement. Ideally, execution of the agreement should initiate a clearly defined timeline and the commencement of activities in accordance with contractual terms. Contractual timelines typically require contractors

to submit a detailed exploration work programme and budget for the first year within approximately one month of signing. Exploration activities are expected to commence within months, provided that the host government creates the necessary enabling environment for the planned programme. (Kasimbazi, E. B. (2020). The Federal Government of Somalia is composed of federal member states, each with its own constitution, parliament, and executive institutions. These include executive bodies (ministries or agencies) responsible for oil and gas, as well as parliamentary sub-committees for natural resource affairs. Harun, I. (2022).

Pursuant to both the Somali Petroleum Act of 2020 and the Baidoa Agreement of 2018 (Somali Natural Resources Ownership, Management, and Revenue Sharing Agreement), petroleum resources are to be jointly managed by the Federal Government and the federal member states. The Petroleum Act further established the Natural Resources Council, the highest authority for natural resource governance, comprising the heads of executive bodies at both the federal and state levels. (Ahali, et. al. 2014).

The involvement of federal member states in sector management is essential not only for the effective functioning of the federal system but also for the successful implementation of oil and gas operations. Their participation is particularly important in ensuring regulatory compliance, security management, environmental protection, social responsibility, transparency, and accountability. Institutions of the Member States should be engaged throughout the entire oil and gas project Lifetime, from marketing campaigns and contract negotiations to licence awarding, resource Management, and revenue administration. (Asare, et. al. 2021).

Somalia is still in the process of adapting to the federal system, and the relationship between the Federal Government and the Member States could at times be fragile. In the extractive sector, while the ultimate responsibility lies with the Federal Government, in reality, the actual ownership of resources and thus the motivation to commercialize them rests with the member state

in which the resources are located. Therefore, greater engagement of member states in sector management will facilitate the licensing process and enhance accountability and efficiency. (Okpanachi, E. (2018).

At present, member states are not often involved in the decisions concerning licences awarded within their territories. They frequently lack access to crucial information regarding the nature and capacity of the companies involved, the terms of contracts, the financial and technical obligations of the operators, as well as the timelines of activities.

Likewise, given the principles of good governance, the public's constitutional right to information should be endorsed. Oil and gas blocks are awarded through a licensing round, making all available blocks public before bidding, or through direct bilateral negotiations arrangements. Subsequently, the awarding of licences should be disclosed to the public. Not disclosing the location of already licensed blocks, as has occurred with the recent awarding of three onshore blocks to TPOA, is unfitting for the industry. Such opacity undermines the sector's credibility, hampers accountability, and erodes public trust. (Olawale et. al. 2023).

The framework for sub-national revenue sharing is articulated in the Baidoa Agreement of 2018. While the agreement does not encompass all fiscal instruments and does not therefore fully reflect the entirety of petroleum revenues, it nevertheless establishes what appears to be a fair allocation of revenues between the federal government and the relevant member state. The timely receipt and allocation of contractual payments, particularly early-stage payments such as signature bonuses, surface rentals, community development contributions, and training funds, is essential in ensuring the smooth commencement of exploration and related groundwork operations. It is also important to emphasize that the ongoing political deadlock between the Federal Government and certain member states is hindering sectoral development within those regions. A political resolution is therefore

essential to ensure nationwide progress in sector development.

4.2 Monitoring petroleum activities

The Somali Petroleum Authority (SPA) is mandated to regulate and supervise upstream petroleum activities, including exploration, production, and decommissioning. Working with the Ministry of Petroleum and Mineral Resources, the SPA evaluates and recommends qualified contractors to the Minister, who grants the license. To promote transparency and fairness, the SPA implements a selection procedure that begins with the public announcement of available oil blocks, enabling competitive bidding. Licenses are awarded to companies that demonstrate adequate technical expertise and financial capacity to manage and operate the designated blocks effectively. Abubakar, et. al. 2016).

Following the issuance of a license and the signing of a Production Sharing Agreement (PSA) between the host government and the contractor, the latter is required to submit a comprehensive work plan and budget detailing the proposed exploration activities. This framework is intended to ensure that contractor operations extend beyond the initial licensing stage and remain consistent with Somalia's broader regulatory, economic, and developmental objectives.

In practice, however, the Somali Petroleum Authority has largely failed to fulfill its mandated oversight and regulatory functions. The SPA has been ineffective in monitoring petroleum agreements, supervising contractor operations, and ensuring compliance with contractual and regulatory obligations. This institutional failure has undermined accountability and transparency within the sector. The root of this problem can be traced to the initial contracting phase, during which the SPA and the Ministry engaged with companies that lacked the requisite financial and technical qualifications for effective petroleum operations. Consequently, the Authority's inability to enforce due diligence and maintain oversight has compromised the integrity and effectiveness of Somalia's petroleum governance framework.

4.3 Exercising the power of termination

The Petroleum Law of 2020 gives the Somalia Petroleum Authority (SPA) the responsibility to regulate and oversee the petroleum sector. Under this law, the SPA has several powers to access.

- a. To grant the reconnaissance authorization and surface access authorization in accordance with paragraphs of article 23.1 and 25.1.
- b. To negotiate production sharing agreements, which set out how petroleum production and profits are shared between the government and companies. In accordance with Article 24.1.
- c. Modify and terminate the contract in accordance with the relevant law, regulations, and the provisions of the authority.
- d. To assess penalties for the breach of any authorization, decision, order, or direction of the SPA

As discussed above, the Somali Petroleum Authority (SPA) has broad and extensive powers enabling it to enforce compliance when companies operating in the country fail to comply with the provisions of the Somali Petroleum Law. Nevertheless, the SPA appears to have neither fully exercised nor effectively implemented the scope of the authority. Several companies that have signed agreements with the government have not conducted exploration activities after being granted exploration licenses, revealing gaps in institutional oversight and regulatory enforcement. This situation has consequently impeded the sustainable development of Somalia's petroleum sector.

In essence, the Somali Petroleum Authority has been granted well-defined responsibilities and powers designed to foster transparent governance and advancement within the petroleum industry. However, the Authority's limited execution of its mandate reflects a deficiency in institutional capacity. Moreover, the SPA was envisioned to serve as a neutral mediator in managing political disputes between the Federal Government of Somalia and the Federal Member States, since its members represent all regional administrations. It is also important to emphasize that the ongoing

political deadlock between the Federal Government and certain member states is hindering sectoral development within those regions. A political resolution is therefore essential to ensure nationwide progress in sector development.

V. CONCLUSION

Somalia's oil and gas sector possesses significant untapped potential. Current speculation surrounding the industry is primarily driven by the country's promising subsurface prospectivity. However, in most cases, the development of the sector has largely stagnated beyond the mere signing of contracts. The fact that only two exploration wells have been drilled in the last thirty-five years reflects the dormant state of the industry. Notably, none of the seven companies currently holding licenses has drilled a single well over the past ten years, with some yet to even commence their exploration programs.

The Somali Petroleum Authority (SPA) was established under the Somali Petroleum Law of 2020 as the principal regulatory body responsible for overseeing and managing the country's petroleum sector. The law endowed the SPA with broad and well-defined functions, including the administration of licenses and contracts, the monitoring of upstream activities, the enforcement of compliance with petroleum regulations, and the negotiation of Production Sharing Agreements (PSAs). In addition, the Authority was expected to ensure transparency, accountability, and the equitable distribution of petroleum revenues. However, despite the clarity and comprehensiveness of its legal mandate, the SPA has struggled to fulfil its institutional responsibilities effectively.

Comparative analyses with other countries, such as Uganda and Ghana, reveal that while petroleum authorities elsewhere operate with similar mandates, their success is largely attributed to institutional independence, technical capacity, and political stability. In contrast, the SPA's failure can be traced to several interrelated factors: overlapping functions with the Ministry of Petroleum and Mineral Resources, weak

institutional capacity, limited technical expertise, political interference, and a lack of transparency in licensing and contract management processes. These deficiencies have allowed unqualified companies to acquire exploration rights without fulfilling contractual obligations, thereby stalling sectoral progress and eroding public confidence in the petroleum governance framework.

Furthermore, the SPA's inability to enforce compliance and exercise its powers of contract termination has perpetuated a cycle of non-performance among licensed operators. The Authority's weak oversight mechanisms have led to unmonitored exploration activities and the underperformance of companies holding petroleum blocks, resulting in a significant loss of potential revenue and delayed sectoral development. The situation is compounded by the fragile relationship between the Federal Government and Federal Member States, whose limited involvement in key decision-making processes has undermined coordination, accountability, and resource management.

For Somalia to realize the potential of its petroleum resources, the Somali Petroleum Authority must be strengthened through institutional reforms aimed at enhancing its autonomy, capacity, and accountability. This should include clear delineation of responsibilities between the SPA and the Ministry, the establishment of transparent and competitive licensing mechanisms, and the active inclusion of Federal Member States in all stages of the petroleum value chain. Additionally, ensuring public disclosure of contracts and licensing information would promote trust, transparency, and legitimacy.

IV. RECOMMENDATION

This study provides an in-depth analysis of the reasons why the Somali Petroleum Authority has failed, or has been unable, to fulfil its mandates assigned by the Somali Petroleum Law 2020. The research examines two key perspectives which commonly asked by scholars, which are whether the Somali petroleum laws 2020 limited the functions and the power of the authority, or

whether the other institutions overtook the responsibilities of the authority. This paper presents a set of recommendations intended to strengthen the Somali Petroleum Authority, highlighting specific areas where capacity and institutional effectiveness need to be enhanced, such as:

This study provides an in-depth analysis of the factors contributing to the Somali Petroleum Authority's failure, or its inability, to fully execute the mandates assigned under the Somali Petroleum Law of 2020. The research explores two key perspectives frequently discussed by scholars: whether the Somali Petroleum Law of 2020 inherently limited the Authority's functions and powers, or whether other institutions assumed responsibilities that rightfully belong to the Authority. Based on these findings, this paper offers a set of recommendations aimed at strengthening the Somali Petroleum Authority, focusing on critical areas where institutional capacity, governance, and operational effectiveness need to be enhanced, such as;

Before the Licensing Process

- ✓ Establish a national oil and gas data bank and encourage speculative data acquisition to reduce information asymmetry, one of the principal challenges facing frontier markets.
- ✓ Identify and prepare potential blocks for development, ensuring enabling conditions such as a clear legal framework, security, and cooperation with local communities.
- ✓ Ensure that the Production Sharing Agreement (PSA) model is prepared with input from relevant cross-cutting ministries (Finance, Investment, Environment, etc.) to make it align with national legislation.
- ✓ The Somali Petroleum Authority (SPA) should establish a professional, multidisciplinary negotiation team.

During the Licensing Process

- ✓ Allocate contracts through transparent bidding rounds to the greatest extent possible.
- ✓ Publicly disclose bidding information to deter corruption.
- ✓ Under the bilateral approach, companies must demonstrate adequate financial capacity,

- ✓ Proven technical competence and a sound track record within the sector.
- ✓ Establish strong pre-qualification criteria for bidders.
- ✓ Standardize contract terms to minimize negotiation challenges, ensure consistency in the project
- ✓ Implementation, and strengthen monitoring and enforcement mechanisms.
- ✓ Define reasonable exploration periods with clear minimum work obligations for each phase.
- ✓ Include provisions for bank guarantees or performance bonds tied to the fulfilment of Minimum work commitments.
- ✓ Enforce robust conflict-of-interest prevention measures.

Post-Licensing

- ✓ Publish contracts, or at a minimum, make them accessible to the relevant parliamentary committees.
- ✓ Enforce timely fulfilment of financial obligations and adherence to agreed exploration schedules.
- ✓ Implement strict “use-it-or-lose-it” policies to terminate contracts where license holders fail to perform.
- ✓ Impose regular and frequent reporting obligations covering technical, financial, and operational matters.
- ✓ Establish or strengthen an independent petroleum regulatory body to oversee licensing and ensure compliance.
- ✓ Conduct regular government audits and inspections to verify progress.
- ✓ Apply substantial fees for any extensions of the exploitation phase, ensuring such extensions are justifiable.
- ✓ Mandate the relinquishment of a percentage of licensed acreage after each exploration phase to prevent speculative accumulation of excessive holdings.
- ✓ Require government approval for any transfer of interests, subject to the payment of applicable capital gains tax.
- ✓ The relevant member states should be engaged throughout the entire oil and gas project lifetime, from marketing campaigns

and contract negotiations to licence awarding, resource management, and revenue administration.

REFERENCES

1. Abubakar, A. M. (2019). Environmental regulation of emerging offshore oil and gas activities in Somalia.
2. Abudu, H., Cai, X., & Lin, B. (2022). How the upstream petroleum industry affects economic growth and development in petroleum-producing countries: Evidence from Ghana. *Energy*, 260, Article 125139. <https://doi.org/10.1016/j.energy.2022.125139>
3. Ali, M. Y. (2015). Petroleum geology and hydrocarbon potential of the Guban Basin, northern Somaliland. *Journal of Petroleum Geology*, 38(4), 433–458.
4. Babii, A. (2020). Important aspects of the experimental research methodology. *Вісник Тернопільського національного технічного університету*, 97(1), 77–87.
5. Benard, O. O. M. (2017). An analysis of the laws governing petroleum in Uganda.
6. Boateng, K. (2022). Setting up a national petroleum regulator: The Petroleum Commission and management of Ghana’s petroleum resources. In *Petroleum resource management in Africa: Lessons from ten years of oil and gas production in Ghana* (pp. 101–124). Springer International Publishing.
7. Brnabic, R. (2016, September). Production sharing contracts in the oil and gas industry. In *Economic and Social Development: Book of Proceedings, 16th International Scientific Conference on Economic and Social* (p. 151).
8. Davidson, L. M., Arthur, T. J., Smith, G. F., & Tubb, S. (2018). Geology and hydrocarbon potential of offshore SE Somalia. *Petroleum Geoscience*, 24(3), 247–257.
9. Edward, R. (2020). Assessing the role of the Petroleum Authority of Uganda in monitoring, evaluation and implementation of local content in Uganda’s petroleum sector (Doctoral dissertation, Institute of Petroleum Studies–Kampala).
10. Farah, A. (2014). Study of Genel Energy and Somaliland (Unpublished thesis). University of West London.

11. Ga'al, A. S. (2021). Seismic stratigraphy analysis and hydrocarbon generation potential of the Late–Cretaceous–Tertiary formations from the Coriole Subbasin (Somalia Coastal Basin) (Doctoral dissertation, University of Nairobi).
12. Gundel, J. (2020). Oil and gas in the political marketplace in Somalia.
13. Hadden, R. L. (2007). The geology of Somalia: A selected bibliography of Somalian geology, geography, and earth science.
14. Harun, I. (2022). Federalism in Somalia: Derailed or on track? In *Contemporary Governance Challenges in the Horn of Africa* (pp. 194–225). Routledge.
15. Hassan, S., Amuda, Y. J., Dhali, M., & Mehar, S. M. (2023). Contract structure of a production sharing agreement by an international oil company in the exploration of petroleum resources in developing countries. *International Journal of Energy Economics and Policy*, 13(3), 7–14. <https://doi.org/10.32479/ijeep.14002>
16. Kardel, M. F. (2019). The development of Iran's upstream oil and gas industry: The potential role of new concession contracts. Routledge.
17. Kasimbazi, E. B. (2020). The legal character of petroleum licences in Uganda. In *The character of petroleum licences* (pp. 95–118). Edward Elgar Publishing.
18. Mavridis, E. (2018). Types of contracts used in the upstream oil industry and related issues.
19. Mkalama, L. M. (2022). Advancing transparent disclosure in petroleum governance: A comparative study of the transparency provisions in the model petroleum agreements in Kenya and Nigeria (Doctoral dissertation, Strathmore University).
20. Mohamoud, M. A. (n.d.). Somaliland's oil and gas exploration attempt: Prospects of opportunities and challenges. *Recent Advances in Petrochemical Science*, 4, 87–98.
21. Olabode, S. O., Olateju, O. I., & Bakare, A. A. (2019). An assessment of the reliability of secondary data in management science research. *International Journal of Business and Management Review*, 7(3), 27–43.
22. Patidar, A. K., Agarwal, U., Das, U., & Choudhury, T. (2023). Understanding the oil and gas sector and its processes: Upstream, downstream. In *Understanding data analytics and predictive modelling in the oil and gas industry* (pp. 1–20). CRC Press.
23. Pegg, S. (2018). Oil to cash in Somaliland: A debate whose time has come. *The Journal of Modern African Studies*, 56(4), 619–643.