



STATE-CORPORATE SYNERGY IN THE OIL AND GAS INDUSTRY: RECONCILING SOVEREIGN AND INVESTOR'S INTERESTS UNDER CAMEROONIAN LAW

Enow Godwill Baiye*

ABSTRACT

This article examines the critical need for state-corporate synergy in Cameroon's oil and gas industry, focusing on the delicate balance between sovereign national interests and the protection of investor rights. As a cornerstone of Cameroon's economy, the hydrocarbon sector relies heavily on foreign direct investment, advanced technology, and operational expertise. This reliance frequently intersects and sometimes conflicts with the state's mandate to exercise permanent sovereignty over its natural resources for domestic development. Grounded in public choice theory and institutional economics, the study explores the regulatory and institutional frameworks governing the oil and gas sectors in Cameroon. It evaluates the roles of key state entities, such as the Ministry of Mines and the Société Nationale des Hydrocarbures (SNH), alongside the deployment of Production Sharing Contracts (PSCs), fiscal incentives, and stabilisation clauses designed to safeguard mutual interests. Despite the plethora of laws in this sector, significant tensions persist. The article identifies key friction points, including the scope of ministerial discretion, the enforcement of stabilization clauses amidst regulatory changes, opaque governance, and the practical implementation of local content and environmental, social, and governance obligations. Instances of misaligned contracts and inadequate institutional capacity are shown to undermine both national developmental aspirations and investor security. To achieve a functional synergy, the paper argues that sovereignty and investor protections are not mutually exclusive but fundamentally interdependent. Sustainable resource governance in Cameroon requires institutionalising transparent contracting, equitable fiscal administration, and credible dispute-resolution mechanisms. Ultimately, the study advocates for a modernized legal and institutional framework characterized by clear administrative roles, pragmatic local content policies, and flexible economic-equilibrium mechanisms to foster a stable, profitable, and development-oriented energy sector.

KEYWORDS: *Interests, State-Corporate Synergy, Sovereign Investor and Resource Governance.*

1. INTRODUCTION

Oil and gas-producing nations often grapple with the tension between two fundamental principles. On one hand, both international law and domestic constitutional law affirm a state's permanent sovereignty over its natural resources, allowing it to determine how its petroleum and gas resources



are explored, developed, and utilized for public benefit.¹ On the other hand, both foreign and domestic investors typically invest capital only when they have ample assurances that their legal rights, commercial expectations, and mechanisms for dispute resolution will be reliably upheld.² This tension is especially evident in Sub-Saharan Africa, where state developmental goals often co-exist with a reliance on foreign expertise, technology, and capital.³ Cameroon exemplifies this dynamic. Though not among Africa's largest oil and gas producers, this sector has striven to maintain a significant growth for decades, supported by offshore production, a mature institutional framework, and a hybrid legal model combining state control with contractual flexibility.⁴

The oil and gas industry is a cornerstone of Cameroon's economy, significantly contributing to its Gross Domestic Product (GDP). In 2019, crude oil was both the largest export and import for Cameroon, accounting for approximately 1.89 billion US dollars in exports and 347 million US dollars in imports.⁵ In 2021, based on the Cameroon's EITI Committee reports, the extractive sector, primarily oil and gas contributed 16.34 percent to total government revenue, accounting to about 3.93 percent of the country's GDP.⁶ Cameroon's oil and gas reserves are mainly situated in the Rio del Rey Basin and the Douala/Kribi-Campo Basin, producing over 60,000 barrels of oil daily, thus positioning Cameroon as a key player in Central Africa's oil and gas market.⁷ The legal framework governing this sector, primarily the 2019 Petroleum Code (Law No. 2019/008 of 25 April 2019) and the 2012 Gas Code (Law No. 2012/006 of 19 April 2012), aims to maintain the state's authoritative control over its resources and at the same time, attracting international oil and gas companies⁸ through contracts, fiscal incentives, and international arbitration mechanisms.⁹

*Ph.D, Mining Law, Senior Lecturer, Department of English Law, Faculty of Law and Political Science, University of Bertoua, enowgodwillbaiyebaiye@gmail.com .

¹ N Schrijver, (1997), *Sovereignty over Natural Resources: Balancing Rights and Duties*, Cambridge University Press.

² M Sornarajah, (2021). *The International Law on Foreign Investment*, Cambridge University Press, 101.

³ T W Wälde, (2008), "Renegotiating Acquired Rights in the Oil and Gas Industries: Industry and Political Cycles Meet the Rule of and Law," *Journal of World Energy Law & Business*, 1(1), 55-97.

⁴ US Energy Information Administration, (2023), "International Energy Outlook", Available at <https://www.eia.gov/> (Lastly Accessed on 8th March, 2026).

⁵ US International Trade Administration, (2024), "Cameroon-Country Commercial Guide: Oil and Gas", <https://www.trade.gov/country-commercial-guides/cameroon-oil-gas> Accessed on March, 2026).

⁶ EITI Country Report (2021), "Cameroon EITI Report", <https://www.eiti.org/document/cameroon-2023-eiti-report/> Accessed on 8th March, 2026).

⁷ Cameroon Oil and Gas Companies-AFSIC, (2026), 'Investing in Africa', <https://www.afsic.net/cameroon-oil-gas-companies/> Accessed on 8 March 2026.

⁸ The key oil and gas companies that dominates this sector are Perenco, Addax Petroleum Company, Total SA, New Age Cameroon Offshore Petroleum SA, Ste Glencore Exploration Cameroon Ltd, Cameroon Oil Transport Co., Euroil Ltd and Gas du Cameroun.

⁹ P D Cameron, & C S Michael, (2017), 'Oil, Gas, and Mining: A Sourcebook for Understanding the Extractive Industries', World Bank, 27-74; KPMG, (2019), 'Cameroon: New Petroleum Code Enacted, KPMG Africa Tax and Legal Updates', <https://www.assets.kpmg.com> accessed on 14th March, 2026).



Yet this coexistence is not always smooth. Questions persist concerning the breadth of ministerial discretion, the role of the Société Nationale des Hydrocarbures (SNH), the durability of stabilization clauses, local content and environmental obligations, and the implications of bilateral or multilateral investment protections. The core dilemma within this sector mirrors a classic paradigm of international energy law: balancing “resource nationalism” (sovereign interests) with the imperative to provide a stable, profitable environment for foreign investment (investor rights). Achieving effective synergy between state interests and corporate rights is thus not merely an exercise in law but a macroeconomic necessity for Cameroon as it navigates both global energy transitions and domestic economic pressures.¹⁰ Therefore, the challenge lies not merely in choosing between sovereignty and investor rights but in institutionalizing a tangible synergy between the two.

This article analyses that challenge in the Cameroonian context. This article which begins with an introduction, is divided principally into four sections. The first section of the article is based on the conceptual and theoretical framework of sovereign control and investor protection. The regulatory framework and rationale for safeguarding national interests within the oil and gas industry in Cameroon is discussed in section two of the work. Section three and four respectively evaluates key friction points and opportunities for synergy. The work ends with a conclusion and proposed reforms capable of reconciling national interests and investors interests.

2. CONCEPTUAL AND THEORETICAL FRAMEWORK

This section of the article is devoted to provide clarity to the concept of state -corporate synergy and the fundamental theories that underpinned this concept in practice.

2.1 Conceptual Framework

The governance of oil and gas has significant implications for public finances and the broader economy. The doctrine of permanent sovereignty over natural resources, which emerged during the era of decolonization, continues to hold importance in resource governance. United Nations General Assembly Resolution 1803 affirms the right of peoples and nations to permanent sovereignty over their natural wealth and resources, emphasizing that foreign investments should be governed by mutually agreed terms and applicable international law.¹¹ This doctrine confers more than mere ownership; it empowers states to regulate extraction, establish fiscal terms, protect the environment, and ensure that exploitation contributes to national development.¹² In Cameroon, this principle is mirrored in public-law oversight over subsoil resources and the government’s

¹⁰ R M Lloyd, & J Ghazvinian, (2007), ‘Untapped: The Scramble for Africa's Oil’, *Naval War College Review* 60(4),141-143.

¹¹ UNGA Resolution 1803 (XVII), ‘Permanent Sovereignty over Natural Resources’ (14 December 1962).

¹² International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights art1(2).



central role in granting petroleum rights.¹³ However, resource sovereignty does not imply unchecked authority. Once a state enters into contracts or commits to international treaties, its actions can be assessed against standards such as *pacta sunt servanda* (the obligation to honor agreements), fair and equitable treatment, protection against unlawful expropriation, and adherence to agreed dispute resolution mechanisms.¹⁴ Thus, it is essential for state-corporate synergy to align the interests of the state with those of oil and gas investors.

The word “synergy” which comes from a Greek word *synergos* means working together. It refers to the ability of two or more business units or companies to generate greater value working together than they would working apart.¹⁵ Gupta and Roos,¹⁶ defined synergy as the interaction of two or more intellectual capital resources from previously sovereign organizations, which enhances the combined effect of value creation and competitive performance, which effect is greater than the sum of the individual effects. Similarly, synergy is a concept that combines two or more different businesses, activities, or processes to create an overall value that is greater than the sum of the individual parts”.¹⁷ The synergy concept suggests that advantages are created when economies of scale and speed are combined with administrative co-ordination. Synergy can be in the domain of sales, operation, investment and management. Thus, the concept of “state-corporate synergy” refers to the alignment of national policy goals with corporate strategies, typically through joint-venture structures, revenue-sharing agreements, and governance reforms.¹⁸ Within the context of the oil and gas industry in Cameroon, synergy is being tested by the need to reconcile “sovereign interests”-resource sovereignty, fiscal responsibility, and socio-environmental stewardship with investor rights contractual certainty, protection against arbitrary expropriation, and efficient dispute resolution.

2.2 Theoretical Framework

State-corporate synergy manifests through the “principal-agent” relationship between the government (the principal) and the state-owned enterprise or joint venture (the agent). The theoretical foundations of this relationship can be rooted in public choice theory and institutional economics. Public Choice Theory (PCT), developed by economists like Buchanan and Tullock,¹⁹ challenges the conventional notion that politicians and bureaucrats act solely in the public interest.

¹³ Law No. 2019/008 of 25 April 2019, instituting the Petroleum Code.

¹⁴ M Sornarajah, (2021), note 2, 391–470.

¹⁵ C J Harwood, (2000), “Review of Synergy Matters: Working with Systems in the Twenty-First Century” by A M Castell, (Eds), *Kybernetes*, 29(4), 523-529.

¹⁶ O Gupta, & G Roos, (2001), “Mergers and Acquisitions through an Intellectual Capital Perspective”, *Journal of Intellectual Capital*, 2(3), 297-309.

¹⁷ P A Argenti, (1994), *The Portable MBA Desk Reference, An Essential Business Companion*, New York, John Wiley.

¹⁸ M M Gasela, (2021), “The Impact of Strategy Lignment on Organisational Performance in National Public Entities in the Northern Cape Province of South Africa”, *Africa's Public Service Delivery and Performance Review* 9(1), 1-9.

¹⁹ J M Buchanan, & G Tullock, (1962), *The Calculus of Consent: Logical Foundations of Constitutional Democracy*, University of Michigan Press.



It argues that political actors-voters, politicians, and bureaucrats-are rational, self-interested utility maximizers, similar to consumers and producers in the marketplace. In relation to the oil and gas sector, public choice theory provides a powerful lens for understanding the formulation of policies, subsidies, and regulations favoring the industry, even when such policies may conflict with broader public interests, such as environmental protection.

Key concepts within public choice theory-like rent-seeking behavior, corporate subsidies, and regulatory capture-are particularly relevant. Rent-seeking involves expending resources to influence public policy for profit rather than creating new wealth through production. The oil and gas sector is a prime example of this behavior, with companies lobbying extensively for favorable tax treatments and subsidies. Regulatory capture, a concept developed by George Stigler,²⁰ occurs when regulatory agencies, intended to act in the public interest, instead promote the interests of dominant industry groups. The oil and gas industry's technical complexity makes it particularly vulnerable to regulatory capture. Regulators often must rely on the industry itself for data, expertise, and technology.

Institutional economics is a school of economic thought that emphasizes the role of “institutions”- defined as the formal rules (laws, property rights, contracts, regulations) and informal norms (customs, corporate culture, trust)-in shaping economic behavior. In the oil and gas industry, institutional economics helps explain how ownership rules dictate extraction practices, why oil companies are structured as large, vertically integrated entities, and why oil wealth may benefit some nations while harming others. The concepts of property rights and the rule of capture, explored by scholars like North and Coase,²¹ illuminate how the allocation of ownership affects resource management. Establishing clear, enforceable property rights is vital to prevent over-exploitation of common resources. Historical developments in the oil and gas industry have shown that evolving property rights can mitigate inefficiencies, such as those generated by the “Rule of Capture,” which incentivizes rapid extraction regardless of neighboring landowners.

Institutional economists like Acemoglu and Robinson,²² argue that a nation's economic trajectory depends on whether its institutions are inclusive-fostering broad participation and protecting property rights- or extractive, designed to benefit the elite. The “Resource Curse,” or the “Paradox of Plenty,” explains why countries with oil wealth may fall into corruption and conflict while others flourish. The quality of institutions at the time oil is discovered largely determines the outcomes: strong institutions lead to investment in public goods like sovereign wealth funds, while weak

²⁰ G J Stigler, ‘The Theory of Economic Regulation’, [1971] 2(1) *The Bell Journal of Economics and Management Science*, 3-31.

²¹ D C North, (1990), *Institutions, Institutional Change and Economic Performance*, Cambridge University Press.

²² D Acemoglu, & J A Robinson, (2012), *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, Crown Publishers.



institutions can foster dictatorship and corruption. This situation is very glaring in Cameroon where corruption is endemic in the oil and gas sector.²³

2.3 Regulatory Framework

The state's sovereign interest is non-negotiable and forms the bedrock of all oil and gas agreements in Cameroon. This has been buttressed by the preamble of the Constitution which holds that; the state has resolved to harness our natural resources in order to ensure the well-being of every citizen without discrimination, by raising the living standards, proclaim our rights to development as well as our determination to devote our efforts to that end and declare our readiness to co-operate with all states desirous of participating...with due respect for our sovereignty and the independence of the Cameroonian state. The bedrock of the State's position is the principle that "all hydrocarbon deposits within Cameroon's territory are the exclusive property of the state".²⁴ As a result of this, the state exercises sovereign rights over the entire territory with regards to petroleum operations.²⁵ Thus, any natural or legal persons who intent to carry out petroleum operations in Cameroon, can only do so after obtaining prior authorization from the state.²⁶ Similarly, the Gas Code posits that, any natural Cameroonian or foreign person residing in Cameroon or any corporate body governed by Cameroonian private or public law without discrimination, may undertake on Cameroonian territory, any activity in the downstream gas sector, provided that such person or corporate body has been granted prior authorization.²⁷ In light with this, the state shall reserve the right to undertake petroleum operations either directly or through duly mandated public bodies.²⁸ Specifically in the gas sector, the state has the responsibility to improve its organization and protection of general interest, especially by facilitating the construction of gas facilities and to promote effective competition in the sector, ensuring that all instituted regulatory mechanisms are adhered by oil and gas companies.²⁹

The state exercises its control through key institutions like Ministry of Mines, Industries and Technological Development and Société Nationale des Hydrocarbures. At first, the Ministry of Mines and that of energy were combined. But with decree N° 2011/408 of 9 December 2011 organizing the government, the Ministry was restructured and was given a new appellation.³⁰ The Ministry is now organized by decree N° 2012/432 of 1 October 2012. The Ministry is responsible

²³ L Idriss, (2022), Glencore and Steel cases in Cameroon: Practical cases of the need for more Transparency on Extractive Contracts in Africa, Tax Justice Network, Available at <https://www.taxjustice.net/2022/09/21/glencore-and-steel-cases-in-cameroon/html/> (Lastly Accessed 20 March, 2026).

²⁴ Petroleum Code 2019, 3(1).

²⁵ Petroleum Code 2019, art3(2).

²⁶ Ibid, art 4(1).

²⁷ Gas Code 2012, s3.

²⁸ Petroleum Code 2010, art5.

²⁹ Gas Code 2012, art2(1).

³⁰ The 2011 Decree changed its name to the Ministry of Mines, Industries and Technological Development (MINMIDT).



for the elaboration and the implementation of the mining policies and the government industries and the strategies of technological development in the different sectors of the national economy.³¹ The ministry is also in charge of: the development of the mining cartography; the geological prospecting and the mining activities; the valorization of resources mining, oil and gas; the management of the mining and gas natural resources; the follow-up of the upstream oil activities; the promotion of investments in the sector of mines as well as industries.³²

The role play by this Ministry in relation to oil and gas operations cannot be overemphasized. The Ministry gives instructions and prepares miners title relative to hydrocarbons, prepares and elaborates production sharing contracts, gas contracts, analyses techniques of petroleum contracts, supervises the techniques of the exploration and exploitation of hydrocarbons and the valorization of hydrocarbons.³³

The National Hydrocarbon Company (NHC) frequently referred to by its French acronym SNH is a public company, industrial and commercial, with financial autonomy. The SNH's operations are overseen by the President of the Republic, who appoints its director, while the Secretary General of the presidency serves as the president of the SNH Executive Board. SNH occupies a pivotal place in Cameroon's oil and gas sector. It was created in 1980 by Decree N° 80/086 of 12 March 1980 and is the state body in charge of developing and monitoring petroleum activities for the entire Cameroonian territory, managing the Cameroonian state's interests in the oil sector and controlling the sale of locally produced crude oil in the domestic and international markets. NHC is also responsible for transferring the resulting oil revenue (after accounting for expenditures) to the state treasury. NHC is also marginally involved in oil production, as it exploits jointly with Perenco.

The law mandates that SNH retains the right to acquire a participating interest (typically up to 20%) in any commercial discovery. In this light, NHC holds a 20 percent stake in Total, Pecten, and Perenco and other stakes in companies involved in oil sector downstream activities and in non-oil-related activities. Direct control over SNH is exercised by the President of the Republic, who appoints the director of the public corporation, while the Secretary General of the presidency acts as the president of SNH Executive Board. National oil companies can facilitate synergy by improving state understanding of project economics, reducing information asymmetry, and enabling more effective contract management.³⁴

³¹ Decree N° 2011/408 of 9 December 2011, s 1.

³² Ibid, s 1(2).

³³ Ibid, Section 30(1).

³⁴ M Valerie, (2006), *Oil Titans: National Oil Companies in the Middle East*, (Brookings Institution Press, 21) 7.



2.4 Rationale of Safeguarding Sovereign Interests in the Oil and Gas Industry

One cannot deny the ongoing nexus between the oil and gas sector, the vital interests of the state and the sector's necessity for maintaining the state's existence as an entity. The oil and gas industry have always been fundamental to a nation's economic and political stability. Given the importance of the oil and gas industry, its regulatory system can reflect uncertainty, incompatibility and conflicts of interests, whether at the international or domestic level.³⁵ One legal issue that may arise is the state's claim that it has defined the objectives of its oil and gas sector and consequently established a legal system that governs the industry based on its sovereign interest. This section of the work aims at providing reasons why it is important to safeguard a state's interest in the oil and gas industry.

The underlying reason for safeguarding state's interest in the oil and gas industry is in response to the principle of permanent sovereignty over natural resources (PSNR).³⁶ The principle of permanent sovereignty over natural resources reflects the need for states to define their objectives in the oil and gas sector and develop appropriate legal frameworks. This principle, emphasized in various international resolutions, underscores the state's authority to regulate and guide the development of its resources in accordance with national interests. The principle of PSNR for states and their people was confirmed to have emerged from the right to self-determination guided by several resolutions by the United Nations General Assembly, the first of which was Resolution 1803, issued in 1962. Under this resolution, it was agreed by the General Assembly, according to a recommendation by the Commission on Human Rights, that sovereignty over natural wealth and resources is constructed as a 'basic constituent of the right to self-determination',³⁷ thus acting as a Grundnorm.

The International Court of Justice recognised PSNR as a principle of customary international law in the *East Timor case*³⁸ and in *Congo v Uganda*.³⁹ The principle of permanent sovereignty is the basis for the idea of authority and control over petroleum resources. The state has the right to regulate and plan the development of these resources, including determining related national interests. Therefore, the right of the state to define its national interests in developing petroleum resources is drawn from the PSNR principle.

³⁵ F Sotonye, (2014), 'Stabilization Clauses and Development in Developing Countries', Ph. D Thesis, University of Nottingham, 199.

³⁶ Permanent Sovereignty Over Natural Resources, UN General Assembly Resolution 1803 (XVII) of 14 December 1962.

³⁷ Ibid.

³⁸ *East Timor, Portugal v Australia*, Jurisdiction, Judgment, [1995] ICJ Rep 90, ICGJ 86 (ICJ 1995), 30th June 1995, United Nations [UN]; International Court of Justice [ICJ].

³⁹ *Armed Activities on the Territory of the Congo, Congo, the Democratic Republic of the v. Uganda*, Judgment, Merits, ICJ GL No 116, [2005] ICJ Rep 168, ICGJ 31 (ICJ 2005), 19th December 2005, International Court of Justice [ICJ] 8; N Sangwani, (2015), "Permanent Sovereignty Over Natural Resources and the Sanctity of Contracts, From the Angle of Lucrum Cessans", *Loyola University International Law Review*, 12(2), 153-172.



Safeguarding state interests provides mechanisms for effective oversight of the industry and control over petroleum and gas resources. It serves an ideological purpose by assuring citizens that the benefits derived from these resources are not misappropriated by corporations.⁴⁰ This is why production sharing contracts (PSCs) are prevalent in Cameroon; they offer stability and assurance for both parties involved.

In addition, private ownership and control of oil and gas resources would deliver vast benefits to the few individuals that claim to own them. Rawls, J.,⁴¹ however highlights that, these vast private benefits cannot guarantee a delivery of positive benefits to the rest of the nation. There's no guarantee that it will ease the "class struggle", particularly in nations which are characterized by largely fratricidal tribal societies. It is for reason that, state participation in natural resources will guarantee the common good of all and as such, these resources should be developed for the benefit of all its citizens. In all, the drivers or objectives of state participation in the oil, gas and mining sectors fall under two general headings; non-economic and commercial and fiscal. Non-economic objectives were, and are still today, extremely important. They are both symbolic and practical. On the symbolic side, the natural resource countries (NRCs) have been presented as national champions.⁴² As suggested above, their participation in the resource sectors was regarded as essential for protection of sovereignty and the national interest.

On the practical side, state participation is expected to regulate, or rein in, the behavior of private sector investors in the national interest, to build national capacity in the resource sector through the transfer of managerial and technical skills and information from the private sector, and, whether explicitly stated or not, to address a wide range of development goals outside the resource sectors.⁴³ Specific objectives under these several headings included, but were not confined to, job creation, the promotion of local content in petroleum operations, provision of social and physical infrastructure, regional development, and, not least, and especially in the case of petroleum, income transfers through supply of products at subsidized prices.

The commercial or fiscal objectives of protecting state interest in the resource sectors were, and are, more straight forward than the non-economic objectives. They are focused on the maximization of revenues flowing to the state from these sectors. In the first instance, NRC participation was and is expected to generate additional revenues for the state in the form of commercial profits and resulting taxes and dividends, emulating and eventually displacing the

⁴⁰ H Abdo, (2010), 'The Taxation of UK Oil and Gas Production: Why the Windfalls got Away', [2010] 38(10) *Energy Policy Journal*, 5625-5635.

⁴¹ J Rawls, (1999), *A Theory of Justice*, 2nd Ed., Havard University Press.

⁴² J Baland, & F Patrick, (2000), "Rent-Seeking and Resource Booms", *Journal of Development Economics*, 61 (2), 527-542.

⁴³ A Ifeoluwa, (2020) "Sustainable Development and Crude oil Revenue: A Case of Selected Crude Oil Producing African Countries", *International Journal of Environmental Research and Public Health*, 17(6799), 1-30.



private investors in this role.⁴⁴ Second, participation was and is expected to obtain a higher share of sector revenues for the state either through recovery of a share of the fiscal benefits “given away” to the private sector in favorable deals or through capture of a major share of the rents generated by profitable projects and, most visibly, and recently, attributable to the stunning increases in prices for oil and minerals.

2.5 Forms of Safeguarding Sovereign Interests in the Oil and Gas Industry

Protection of sovereign interests in the oil and gas industry can take several forms. Production sharing contracts exemplify a glaring instance through which a state can protect its interests in the oil and gas industry. Production sharing contract is a popular form of state participation in oil prospective or producing developing countries. Production sharing is similar to free equity participation in that it provides the state with an equity share income after cost recovery by the private investor, without any off setting financial obligation.⁴⁵ Production sharing agreements are regarded as acceptable form of oil and gas contracts because the government upholds national ownership of resources.²⁸² Initially, major oil companies opposed to this new contract form as they were reluctant to invest capital into an enterprise which they were not allowed to own or manage. A PSC is a contractual arrangement in terms of which a contractor, at its sole risk, undertakes exploration and production activities, in exchange for reimbursement for its operating costs and the earning of profit in the form of a share of the oil and gas produced.⁴⁶

In a production sharing contract in Cameroon, the state either directly or through a duly mandated public body, hire the services of a holder to exclusively carry exploration on its behalf, within a specified area and carry out exploitation, in the event of discovery of a commercially exploitable hydrocarbon field.⁴⁷ The holder is also responsible for financing such petroleum operations. Depending on their nature, petroleum operations under a production sharing contract in Cameroon are subjected to an exclusive exploration authorization, or an exclusive exploitation authorization covering the exploitation of a commercially exploitable hydrocarbon field.

In a standard PSC, the company bears all the risks of exploration, and is often in charge of the contract area.⁴⁸ When oil is discovered in commercial qualities, the company is entitled to recoup its investment from the crude oil produced from the contract area. This portion of oil is often referred to as ‘cost oil’ which is generally limited to a fixed percentage of production.²⁹² The production not used for cost recovery is called profit oil. This oil is shared between the oil company

⁴⁴ B Smith, (2015), “The Resource Curse Exorcised: Evidence from a Panel of Countries”, *Oxcarre Working Paper 165*, Oxford Centre for the Analysis of Resource Rich Economics, University of Oxford.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Cameroonian Petroleum Code 2019, S16.

⁴⁸ A O Taiwo, (2015), “A Legal Analysis of Production Sharing Contract Arrangements in the Nigerian Petroleum Industry”, *Journal of Energy Technologies and Policies*, 5 (8), 1-10.



and the competent authority on either a fixed ratio or variable share based on production volumes. This common understanding is deduced from the Cameroonian Petroleum Code where the holder of a production sharing contract receives a share of production as reimbursement for its costs and as compensation in kind.⁴⁹ The share of total hydrocarbon production is usually allocated for the reimbursement of petroleum costs actually incurred by the holder under the petroleum operations contract. Such share commonly referred to as *cost oil* or *cost recovery* production may not exceed the percentage of production specified in the production sharing contract which defines the recoverable petroleum costs, special amortization terms for such costs, as well as the terms and conditions for their recovery through deduction from production.⁵⁰ The shared profit oil will only be made after the oil companies must have recovered their expenses incurred in the oil operation. In, Cameroon the production sharing ratio is 60:40. 60 percent goes to NHC and 40 goes to the oil companies.⁵¹

PSAs usually comprise signature and production bonuses, and in some instances discovery bonuses to be paid by the foreign oil company. Bonuses in PSC serve as another source of revenue for the host country. A signature bonus is a one-off payment on signing a contract. It captures economic rent regardless of the success of exploration and production activities. It is required after commercial discovery is declared and after the NOC has approved the FOC's development plan. The Cameroonian Petroleum Code makes it incumbent for holders of production sharing agreements to pay signature bonuses.⁵² Royalties, cost oil, profit oil and production bonuses can either be levied as fixed shares of production, such as an n-percent royalty that is applied to all production, or on the basis of sliding scales. The practiced that obtains in Cameroon's oil sector is that, production bonuses are paid to the state in proportion of the hydrocarbons produced.

Full equity, another form through which a sovereign state can protect its interests in its oil and gas industry can take several ways. Firstly, it involves the state going ahead with investments on its own through its national oil company but without private sector involvement.⁵³ Secondly, investing *pari passu* with the private sector from the start of operations by acquiring either a majority or minority interest in an incorporated joint enterprise or a participation share in an unincorporated joint venture.

Furthermore, a major pillar of sovereign interest is the promotion of the domestic economy through the institution of local content requirements. The petroleum legislation places a strong emphasis on local content, requiring IOCs to prioritize Cameroonian enterprises for sub-contracts, employ

⁴⁹ Cameroonian Petroleum Code 2019, s 17(2).

⁵⁰ Ibid, s 17 (3).

⁵¹ Cameroonian 2007 Model Production Sharing.

⁵² Cameroonian Petroleum Code 2019 s108.

⁵³ N Nweze, 'An Empirical Investigation of Oil Revenue and Economic Growth in Nigeria', [2016] 12(1) *European Scientific Journal*, 271. '



local staff, and invest in technology transfer and training programs.⁵⁴ In this respect, subject to the availability of skills, the implementing Decree to the petroleum code requires the following quotas to be observed in the employment of Cameroonian nationals: fifty percent (50%) of the management staff; sixty percent (60%) of supervisors; eighty-five percent (85%) of operational staff.⁵⁵ The Gas Code is to the effect that gas companies are bound to submit to the State and execute, according to their priority, a technology and knowledge transfer programme related to their activities in a bid to encourage, facilitate and enable the gradual replacement of expatriate personnel of gas companies by local personnel.⁵⁶ This ensures that petroleum and gas extractions yields secondary economic benefits rather than operating as an enclave industry.⁵⁷

Sovereign interests also encompass the protection of the local environment and communities. The legal framework mandates rigorous Environmental and Social Impact Assessments (ESIAs) and requires companies to establish site rehabilitation funds to manage the decommissioning of oil infrastructure. The petroleum legislation provides that, holders of petroleum authorizations or contracts shall carry out their operations under all circumstances to ensure the conservation of natural resources, in particular hydrocarbon deposits, and due protection of the essential features of the environment. In line with this, they should take all measures necessary to preserve the safety of persons and property, and protect the environment, natural surroundings and ecosystems.⁵⁸ Petroleum and gas contract holders are required by the law to bear the costs of carrying environmental and social impact assessment.⁵⁹ It is important to note that decree No. 2013/0171/PM to lay down the conditions for conducting environment and social impact assessment (ESIA) replaced decree No 2005/0577/PM to lay down the procedures for carrying out an environmental impact assessment (EIA). The change from EIA to ESIA caused a simultaneous change in appellation specific to Cameroon.⁶⁰ The 2013 decree introduced strategic environmental and social assessment (SEA) and environmental impact statement (EIS) as tools for effective environmental assessment.

3 POINTS OF TENSION BETWEEN SOVEREIGN INTERESTS AND INVESTOR RIGHTS

3.1 Renegotiation and the Obsolescing Bargain

As petroleum projects mature or prices rise, host states may seek to renegotiate terms perceived as outdated or inequitable. Such renegotiation is not inherently illegitimate; indeed, resource contracts

⁵⁴ Petroleum Code, art 87&89.

⁵⁵ Decree No. 2023/232 implementing the Petroleum Code, art 154(2).

⁵⁶ Gas Code s 67.

⁵⁷ JS Ovadia, (2016), *The Petro-Developmental State in Africa: Making Oil Work in Angola, Nigeria and the Gulf of Guinea*, Hurst & Company Publisher, 45.

⁵⁸ Cameroonian Petroleum Code 2019 s 91; Gas Code, s 69(1).

⁵⁹ Cameroonian Petroleum Code 2019, s 92(2).

⁶⁰ G B Enow, (2026), "Protection of Natural Resources as a Human Rights Imperative under Cameroonian Law", *Revue Internationale de Droit et Science Politique*, 6(2), 350- 376.



often require periodic recalibration. Problems arise when renegotiation is coercive, opaque, or accompanied by threats to licenses or export permissions.⁶¹ In Cameroon, as elsewhere, preserving investor confidence requires that renegotiation occur through clear contractual and legal channels rather than Ad hoc pressure. However, tension between the Cameroonian government and oil and gas investors can arise when the provisions of the stabilization clauses are not applied. The Cameroonian government can continue to have the power to nationalize and expropriate the property of oil companies in spite the presence of stabilization clauses in their contracts most especially on the grounds of public interest. As provided by the model production sharing contract in Cameroon, if there is a legislative, regulatory or fiscal changes in the terms of the contract, the oil and gas companies within two months have the right to write to the Minister in charge of hydrocarbons stating how detrimental these changes have affected the economic equilibrium as guaranteed in the contract. However, the Minister in charge of Hydrocarbons has the prerogatives to either accept or reject the notification from the contractors with justifications.⁶² Similar cases where seen in the Libyan expropriation cases of BP Exploration, Texaco and Liamco,⁶³ *Aguaytia Energy, LLC (AEL) v Republic of Peru*⁶⁴ and *Duke Energy International Peru Investments No 1, Ltd v. Republic of Peru*.⁶⁵ where the presence of stabilization clauses cases though held to be valid did not stop the various government from acting contrary to the stabilization clauses which was the reason for the case. From the above analogy, stabilization clauses can therefore not abrogate the state's sovereignty over its natural resources.

3.2 Regulatory Change in the Public Interest

States must retain power to update environmental, labor, safety, anti-corruption, and local content requirements.⁶⁶ The legitimacy of such regulation is generally recognized in both domestic and international law. Yet from the investor's perspective, sudden or poorly coordinated changes may upset project economics and undermine expectations.⁶⁷ The challenge is to distinguish bona fide public-interest regulation from disguised expropriation or arbitrary interference.

3.3 Governance, Transparency, and Institutional Coordination

Governance quality is often the decisive factor in whether sovereign power appears legitimate or risky.⁶⁸ Investors are more likely to accept robust state oversight where licensing criteria, approval processes, revenue management, and state participation are transparent.⁶⁹ Conversely, where

⁶¹ T W Wälde, (2008), note 3.

⁶² Model Production Sharing Contract art 29.

⁶³ *BP Exploration Company (Libya) Ltd. v Government of the Libyan Arab Republic* 53, I.L.R.

⁶⁴ ICSID (2008), Case No. Arb/06/13, 41-43 and 53-54.

⁶⁵ ICSID (2008), Case No. Arb/03/28 227.

⁶⁶ International Bar Association and World Bank materials on extractive regulation; evolving ESG norms.

⁶⁷ W S Jeswald, (2021), *The Law of Investment Treaties*, 3rd Ed., Oxford University Press, 23.

⁶⁸ Natural Resource Governance Institute-NRGI, (2021), Resource Governance Index materials. <https://www.resourcegovernance.org/2021-resource-governance-index>- accessed on 20th March, 2026).

⁶⁹ Extractive Industries Transparency Initiative (2023), Standard and Country Reporting", <https://www.eiti.org/document/cameroon-2023-eiti-report/> accessed on 20th March, 2026).



institutional roles are fragmented or opaque, even lawful state action may be perceived as unpredictable. Cameroon's reliance on both ministerial institutions and SNH can be productive, but only if responsibilities are clearly allocated and publicly intelligible. However, SNH lacks technical expertise and institutional autonomy, relying on foreign operators for day-to-day management. Contract secrecy remains prevalent in Cameroon's oil and gas industry. Cameroon scores 32/100 on the Extractive Industries Transparency Initiative (EITI) index, lagging behind regional peers.⁷⁰

3.4 Local Content and Developmental Expectations

Resource sovereignty today encompasses not only revenue capture but also domestic value creation through employment, procurement, skills transfer, and infrastructure development. Local content obligations can support industrial policy and social legitimacy. However, if such requirements are unrealistic, inconsistently enforced, or unaccompanied by capacity-building measures, they may increase costs without delivering sustainable benefits. Effective synergy requires local content rules that are measurable, phased, and linked to actual domestic capabilities.

One major case where synergy falters was in the Kribi Deepwater Project (Block 12). Operated by Total Energies (58% stake), with SNH (20%) and ENI (22%), this \$11 billion project began production in 2022.⁷¹ Despite state equity, SNH's technical capacity remains limited, leading to operational dependence on Total. Post-licensing, communities near Kribi reported disrupted livelihoods due to fishing bans and pollution, but compensation claims remain unresolved. Crucially, the government's "local content" mandate has been poorly implemented: only 42% of jobs went to Cameroonians by 2023, with skilled positions dominated by expatriates.⁷²

3.5 Environmental and Social Governance as a Site of Reconciliation

Environmental and social governance (ESG) concerns now shape both state legitimacy and investor exposure. The country's petroleum regulation must be evaluated not only in terms of revenue and legal certainty, but also in terms of environmental protection, community relations, and long-term energy transition considerations. Cameroon has a robust legal framework regarding environmental and social safeguards.⁷³ Cameroon ranks 26th in Africa and 139th out of 180 countries globally in terms of overall environmental and social performance vis-a-vis sustainable development. It ranks 4th in the CEMAC region, behind Gabon, Equatorial Guinea and Central African Republic.⁷⁴

Despite being signatory of the "Zero Flaring Routine" Treaty in 2015 initiated by world Bank and the "Paris Agreement" 2016, the activities of Perenco PLC have continually contributed to gas

⁷⁰*Ibid.*

⁷¹ Business in Cameroon (2022), <https://www.businessincameroon.com>- accessed on 20th March, 2026.

⁷²*Ibid.*

⁷³ This framework is based on Law No. 96/2 of 5 August 1996, its implementing instruments.

⁷⁴ African Development Bank Group (2023), Cameroon Strategy Paper 2023-2028, 10.



flares in the sites they operate. For example, in 2006, there was twenty-four hours non-stop gas flares at the Bipaga plant. This incident contradicts an environmental study co-signed by Perenco in 2006 on the Bipaga plant, which does indeed mention flaring activity, but limited to accidental discharge or cases of malfunction, with a view to limiting the production of “greenhouse gases”.⁷⁵ Similarly, Perenco regularly flares near the Rio Del Rey estuary, a RAMSAR⁷⁶ listed area rich in forests along the Cameroonian coast. Flaring is also taking place near Ndongere in the South West Region of Cameroon, another site rich in biodiversity. This has caused inhabitants of Londji village to voiced their concerns on these environmental concerns. A well-designed environmental framework can actually enhance investor security by clarifying approval pathways, liability standards, decommissioning obligations, and consultation requirements. Investors generally prefer demanding but clear rules to ambiguous discretionary enforcement. Likewise, communities are more likely to accept hydrocarbon operations where benefits, safeguards, and grievance mechanisms are visible. Thus, ESG governance can operate as a bridge between sovereign development goals and durable investor rights.

4 RECONCILING THE DIVIDE: THE SYNERGY IN PRACTICE

In practice, synergy is achieved through contractual alignment. Contractual alignment is based on the fundamental concept that all agreements, sub agreements and associated documentation governing a commercial relationship must be mutually consistent with the objectives of the parties. Misaligned contracts often lead to ambiguity regarding risk allocation and performance obligations, particularly in complex international ventures. The legislations governing oil and gas sector in Cameroon has strived to achieve contractual alignment in oil and gas ventures through the following ways:

4.1 Recognition and Concretizing Stabilization Clauses in Oil and Gas Contractual Arrangements

The state in exercising its sovereign prerogatives can often times caused carryout amendments in existing legislations. These changes, even if they do not directly affect the contractual framework, could affect the situation of the oil and gas companies who are subject to considerable legislative hazards. These changes in the legal framework could even jeopardize the initial contractual and financial balance of the project.⁷⁷ One major feature of oil and gas operations is the long-term agreement. Given that these agreements may change over time, there is the need for the interest of the oil and gas operators to be protected. One possible way of protecting their interest is through the insertion of stability clauses. These clauses impose on the Host State the obligation of not introducing new legislative or economic terms that may affect the nature of with the oil and gas

⁷⁵ A Brutelle, (2023), in the Congo basin, Perenco Poisons the Air by Constantly Flaring Natural Gas, <https://www.infocong.org/> accessed on 20 March, 2026).

⁷⁶ RAMSAR Convention on Wetlands of International Importance Especially as Waterfowl Habitats, 1971.

⁷⁷ G B Enow, (2024), “A Legal Examination of Stabilization Clauses in Petroleum Contracts in Cameroon”, *Legal Research and Analysis*, 1(1), 13- 19.



operators.⁷⁸ These clauses are of great interest as it limits the state's exercise of its legislative authority with regard to the private operator,⁷⁹ thereby reducing the political risk that results from the state's exercise of its sovereignty. The inclusion of stabilization clauses, according to which a sovereign state agrees that the exercise of its legislative or regulatory authority cannot affect or modify the contractual terms to which the parties agreed, has become widespread and constitute a commonly accepted practice. The United Nations Guiding Principles are a significant step toward a full integration and application of stabilization clauses in contractual arrangements. Through the principle of Responsible contract, contractual stabilization clauses if used, should be carefully drafted so that protections for investors against future changes in law do not interfere with the state's bona fide efforts to implement laws, regulations or policies in a non-discriminatory manner in order to meet its human rights obligations.⁸⁰

The importance of stabilization clauses is thus entrenched in the Cameroonian Petroleum and Gas Laws. In this regard, the Petroleum Code provides that, *petroleum contract may provide for special regimes with regard to the stabilization of economic conditions, particularly where conditions for the execution of the said petroleum contract are aggravated by the introduction, in the Republic of Cameroon, of laws or regulations after its effective date.*⁸¹ This has been purported by the Gas Law which holds that; *gas agreement concluded between the state and one or more gas companies... shall specify the rights and obligations of the parties relating in particular to the legal, economic; financial, social, technical and environmental arrangements applicable to one or more gas exploitation operations during its validity period.*⁸²

The Chad-Cameroon project is one of those contracts where stabilization clauses were instituted. This project was governed by several agreements. However, for the purposes of this study, the four key documents are the 1988 Convention Agreement, the 2004 Convention Agreement replacing it, the 1997 COTCO Convention of establishment (COTCO-Cameroon),⁸³ and the TOTCO Convention of establishment (TOTCO-Chad).⁸⁴ The stabilization clauses in these agreements differ in the way in which they are drafted. However, each contains a combination of stringent freezing and economic equilibrium clauses protecting the investors for the entire duration of the project.⁸⁵ The governments in the project agreed that, they shall not modify such legal, tax, customs,

⁷⁸ B Enow, (2022), "The Efficacy of Disputes Settlement in Promoting Investment in the Petroleum Sector in Cameroon", *Journal of Corporate Governance & International Business Law*, 5(1), 24–33.

⁷⁹ ECOWAS Directive C/DIR 3/05/09 of 27 May 2009 on the Harmonization of Guiding Principles and Policies in the Mining Sector, art 7.

⁸⁰ Principle 4 of the United Nations, Principles for responsible contracts, 25 May, 2011.

⁸¹ Cameroonian Petroleum Code 2019, 124.

⁸² Gas Code 2012, s 10(2).

⁸³ Convention of Establishment between the Republic of Cameroon and the Cameroon Oil Transportation Company (hereinafter referred to as Cameroon-COTCO Convention).

⁸⁴ Convention establishments between the Republic of Chad and the Chad Oil Transportation Company (TOTCO), 10 July 1998.

⁸⁵ The duration of each agreement and contract is between 25 and 35 years with option of renewal for the same period.



and exchange control regime in such a way as to adversely affect the rights and obligations of the investors.⁸⁶ In addition, no legislative, regulatory or administrative measure, which is contrary to the provisions of the Convention, shall apply to the investors without their prior written consent.

4.2 Fair Fiscal Administration System

The degree of taxation is largely determined by the terms of the contract. If the government receives high royalty payments and a large share of profit oil, common sense would suggest that little room is left for income taxation as this would provide a disincentive to the foreign oil company. As the government takes increases, the foreign oil company's interest in the venture diminishes correspondingly. To attract investors in the oil sector, the 2019 Cameroonian Petroleum Code fixes the rate of company tax applicable to revenue derived from exploration and exploitation operations to 35 percent.⁸⁷ Investment incentives induce new investors to establish a presence, to expand an existing business or not to relocate elsewhere. They may also be provided to increase the benefits from foreign direct investment by stimulating foreign affiliates to operate in desired ways or to direct them into favoured industries or regions. As the use of investment restrictions has declined, incentives have become more prevalent across the world, especially because the market for foreign direct investment in some industries has become global.⁸⁸

The tax regime applicable to the oil and sector in Cameroon has been laid down in the Petroleum, Gas and Finance and Customs Laws which is promulgated yearly. Specifically, oil and gas companies are liable to pay special taxes (application grant fees, exploration fees, flat rates fees, renewal fees...),⁸⁹ income taxes for their workers, company taxes and royalties.⁹⁰ However, to attract potential investors in this sector, the petroleum and Gas Code has offered several tax and customs exemptions. Tax incentives are measures that provide for a more favorable tax treatment of certain activities or sectors compared to what is granted to the general industry.⁹¹ Many developing countries including Cameroon has resorted to use this method due to lack of funds, technical capabilities and infrastructural facilities to develop this sector. The Investment Charter in Cameroon has taken cognisance of the importance of incentives in enhancing investment in the country.⁹²

⁸⁶ Cameroon Convention art 24.

⁸⁷ Cameroonian Petroleum Code 2019, s 107.

⁸⁸ Ibid.

⁸⁹ Ibid, Section 102.

⁹⁰ Royalties are charged on mineral sales, most commonly as a percentage of the sales value (ad valorem) while royalty-based incentives could be provided by; royalty holiday (the royalty is reduced or waived for a period), royalty deferral (the payment date is extended, usually no more than three months), and sliding scale (the rate varies depending on sales, production, price or cost.

⁹¹ A Klemm, (2010), "Causes, Benefits and Risks of Business Tax Incentives", *International Tax and Public Finance*, Vol. 17(3), 315-336.

⁹² Investment Charter 2002 s 18.



The question that begs for answer therefore is: what are the taxes and customs exemptions that oil and gas investors enjoy in Cameroon? Some of the tax exemptions incentives include, exemption from corporate income tax for up to five years for liquid hydrocarbon operations and seven years for gaseous hydrocarbon operations, exemption from special tax on petroleum products or similar taxes on the supply of all kinds of goods and services, including studies directly related to the conduct of petroleum operations,⁹³ zero point forty five percent computer fee,⁹⁴ gas companies during the installation phase of their activity which may not exceed 5 years are exempted from registration duties on incorporation or capital instruments, 5 percent reduction on customs duties and exemption from VAT on the transportation of physical goods for oil and gas operations.⁹⁵ The Petroleum Code also allows the oil and gas companies to benefits from for the expenses incurred during commercial exploitation of the hydrocarbon field known as “cost oil” or “cost recovery production”.⁹⁶

4.3 An Enabling Investment Environment Which Promotes Repatriation of Profits

The destination of the capital drawn from oil and gas operations is an essential issue for the state. Injunction of the products generated by the extraction activities into the national economy represents a substantial source of development. In the meantime, the oil and gas companies want to ensure the repatriation of profits generated by the oil and gas activities. In this regard, guarantees of access to foreign exchange at market rates for repayment of debts, repatriation of capital and profits and purchase of essential inputs constitutes factors to attract investors in a country’s extractive sector.⁹⁷ These factors have been taken into account by the Cameroonian legislators before crafting the petroleum and gas code. In this light, the petroleum legislation provides that: petroleum contract holders shall benefit from the right to open in Cameroon and abroad, local and foreign currency accounts and to use them for their transactions. They equally have the right to receive and freely keep abroad funds acquired or borrowed, including proceeds from the sale of their share of production, the right to transfer and freely keep abroad, revenue from the sale of hydrocarbons and to pay directly abroad non-resident suppliers of goods and services used to carry out petroleum operations.⁹⁸

To further guaranteed their interests, Regulation N0.1/CEMAC/UMAC/CM on the Implementation of certain provisions of the Foreign Exchange Regulations by Resident Extractive Companies was enacted in 2021. The purpose of this Regulation is to define the specific rules relating to the implementation of the obligation to repatriate foreign currency assets held outside CEMAC as well

⁹³ Petroleum Code 2019 s 110(1).

⁹⁴ Ibid, Section 118 (1).

⁹⁵ Gas Code 2012 s 56(1); Petroleum Code 2019, s 110.

⁹⁶ Petroleum Code 2019 s 17.

⁹⁷ J Strongman, (1994), “Strategies to Attract New Investment for African Mining”, The World Bank Working Paper, No.17480, 1.

⁹⁸ Petroleum Code s 120.



as those relating to the declaration and domiciliation of imports and exports by resident extractive companies. It also determines the rules relating to the obligation of the latter to set up funds for the rehabilitation off sites at the end of their operation.⁹⁹ The regulation defines extractive companies to mean resident upstream oil and gas and mining companies, with the exception of transporters and subcontractors. In accordance with the foreign exchange regulations in force, resident extractive companies are subject to the obligation to repatriate foreign currency held, for whatever reason, outside CEMAC in the context of their activities.¹⁰⁰

The regulation guarantees this obligation by providing that, taking into account of operating constraints, extractive companies shall repatriate to CEMAC, through credit institutions, at least 35% of the foreign currency generated by their activities, including payments in kind, whether in the form of royalties or oil or mining profits, with the exception of those relating to rehabilitation funds for sites at the end of exploitation. The minimum repatriation rate provided may be revised upwards by the Government of the Central Bank, after an evaluation of its implementation and taking into account the economic situation of CEMAC, according to a periodicity and under the terms and conditions determined by an Instruction of the Governor of the Central Bank. However, the repatriation obligation shall not apply to currency derived from: activities related to the exploration phase; resource-backed loan contracts, commonly referred to as "resource-backed loans"; any other type of financing with similar characteristics to resource-backed loans, accepted by the Central Bank at the request of the extractive company.¹⁰¹ The Regulation has also given the possibility for Extractive companies to hold foreign currency accounts outside CEMAC, after prior authorization from the Central Bank. This must however be solely for the purpose of carrying out their activities.¹⁰²

4.4 Non-Discrimination and Operational Flexibility Investment Environment

One key way through which the Cameroonian government has been able to attract oil and gas investors in the economy as whole and the mining sector in particular is through the improvement of the standard of treatments of foreign investors. The government has done so by granting them non- discriminatory treatment vis- a-vis domestic investors. The government has ensured that the same degree of national treatment given to domestic investors is the same given to foreign investors or affiliates once they established in Cameroon. The national treatment principle plays a key role to foreign investment. National treatment can be defined as a principle whereby a host country extends to foreign investors treatment that is at least as favorable as the treatment that it accords to national investors in like circumstance.¹⁰³ The Cameroonian Investment Charter clearly affirms this

⁹⁹ implementation of certain provisions of the Foreign Exchange Regulations by Resident Extractive Companies, art 1.

¹⁰⁰ Ibid, Article 2.

¹⁰¹ Implementation of certain provisions of the Foreign Exchange Regulations by Resident Extractive Companies, art 4.

¹⁰² Implementation of certain provisions of the Foreign Exchange Regulations by Resident Extractive Companies, art 12.

¹⁰³ UNCTAD, (1999), 'Foreign Direct Investment and the Challenge of Development', World Investment Report WIR00, UN Publication, 1.



principle by providing that: the state shall guarantee to every natural and legal person duly established or desiring to become established in Cameroon equal treatment in carrying out an activity in accordance with the principles and provisions of competition law.¹⁰⁴ The same spirit of the Investment charter is worded in the Petroleum Code.¹⁰⁵ Furthermore, the framework allows for various contract types (PSA, Concession, Service Contract), enabling tailored agreements for different project profiles. For host countries, national treatment of foreign investors is directly related to policies to promote national enterprises and build and upgrade domestic capabilities.

In international law, a state has the absolute right to control the admission and establishment of investors in its territory, the setting of conditions under which this occurs and the nature of ownership and control rights.¹⁰⁶ Control measures can range from total or sectoral exclusion of foreign direct investment to a variety of restrictions—for example, on the equity share allowed foreign investors, the requirements of joint ownership or management with local personnel and the screening of entry by a designated agency. Once foreign investors are established, host countries generally provide national treatment to foreign affiliates.¹⁰⁷ But a typical condition for such treatment is that foreign affiliates are in “like circumstances” to local enterprises, leaving open the possibility for governments to provide special support to national firms in different circumstances. But there are differences in policy even here, with exceptions in both developed and developing countries.

4.5 Credible Dispute-Resolution Ecology

The settlement of disputes between investors and host countries is central to national FDI policy. Oil and gas projects require significant financial investments, on a long-term basis, which may give rise to disputes between the investor and the host state. These disputes are most often related to the political risks faced by the oil and gas companies. Beyond these political aspects, the overall economic context can also lead to litigations. Oil and gas projects are particularly sensitive to market fluctuations, which can affect the overall financial balance of a project and lead to the suspension of mining operations. These disputes are open to different dispute resolution mechanisms either through the judiciary or through arbitration.

The Cameroonian Petroleum and Gas Laws directly provide for the use of conciliation and arbitration to resolve any dispute between the state and the oil and gas operators relating the

¹⁰⁴ Investment Charter 2002 art 10.

¹⁰⁵ Petroleum Code 2019, s 4.

¹⁰⁶ UNCTAD, (1999a), “National Treatment”, UNCTAD Series on Issues in International Investment Agreements, United Nations Publication.

¹⁰⁷ UNCTAD (1999b), “Admission and Establishment”, UNCTAD Series on Issues in International Investment Agreements, United Nations Publication.



interpretation or execution of petroleum contracts.¹⁰⁸ In the field as strategic as the exploitation of natural resources, the main advantage of arbitration is undoubtedly its neutrality. This method to settle disputes allows a private operator, depending on the subject of the dispute, to bypass the State's court system. The use of arbitration is often subject to compliance with a prior conciliation process. Recourse to arbitration is often preceded by an amicable settlement phase during which the parties are bound or entitled to attempt to amicably settle their dispute. There are many advantages to these amicable settlement clauses, also known as 'escalation clauses' or 'tiered dispute resolution clauses. The search for a compromise avoids a decision being taken that is at times perceived as an injustice by one of the parties. The amicable search for a compromise also favours continued contractual relations between the parties.¹⁰⁹

The 1990 Investment Code states that, at the time of incorporation or application for investment code benefits, a firm may choose one of several procedures, including adjudication by local courts, arbitration by the international court of justice and international arbitration centers, all according to the Cameroonian law and the arbitration regimes of which Cameroon is a member. Under the 2002 Charter petitions for redress or non-compliance with the provisions of the Charter will be forwarded to a regulation and competition board, which was created in September 2004. Difficulty in resolving commercial disputes, particularly the enforcement of contractual rights, remains one of the serious obstacles in promoting investment in Cameroon. The court system is very slow and corrupt, while the enforcement of judicial decisions is also slow and fraught with administrative and legal bottlenecks.

Cameroon is a member of the International Center for the Settlement of Investment Disputes (ICSID, also known as the Washington Convention). The Convention encourages arbitration by stating that: any contracting state or any national of a contracting state wishing to institute arbitration proceedings shall address a request to that effect in writing to the Secretary General who shall send a copy of the request to the other party.¹¹⁰ Cameroon is also a signatory to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (also known as the New York Convention). In early 2001, CEMAC established a court in N'djamena, Chad to judge regional commercial disputes. Cameroon is a signatory of the Treaty for the Organization to Harmonize Business Law in Africa (OHADA in French). Among other things, OHADA provides for a Uniform business law and arbitration procedures in the 17-members OHADA area.¹¹¹ Cameroon is a signatory to the 1985 Seoul Convention that established the Multilateral Investment Guarantee agency (MIGA) aimed at safeguarding non-commercial risk. It is also a signatory to the Lome Convention (as revised in Mauritius in 1995), which created an arbitration mechanism to

¹⁰⁸ Petroleum Code 2019, s 125(2); Section 8(1) of the Gas Code s 8(1).

¹⁰⁹ J Ortscheidt, & C Seraglini, (2019), *Droit de l'arbitrage Interne et International*, LGDJ, Paris, .10.

¹¹⁰ ICSID Convention, art 39.

¹¹¹ D Kenfack, (2023), APAA Symposium on the Settlement of Investment Disputes by Arbitration and Mediation within the OHADA Area, in Douala (Cameroon) on the 16 and 17 January, 2023.



settle disputes between African, the Caribbeans, the and Pacific States (ACP) and contactors, suppliers, and service providers financed by the European development fund (EDF).

5 CONCLUSION

The synergy between state sovereign interests and corporate investor rights in Cameroon is largely codified through the 2019 Petroleum Code and the 2012 Gas Code, which provide a more comprehensive and precise legal architecture than their predecessors. Cameroon's oil and gas sector illustrates a broader truth in international natural resource governance: sovereignty and investor rights are not irreconcilable opposites, but rather interdependent components of a workable extractive bargain. The state cannot realise the developmental and economic value of its hydrocarbons without foreign investors willing to commit substantial capital and technology. Conversely, investors cannot realise profitable returns without a sovereign legal order that is willing and able to confer secure, stable rights. The central issue, therefore, is institutional design. Cameroon has successfully constructed many foundational elements of such a design: state ownership of hydrocarbon resources, a statutory petroleum framework, contractual flexibility through PSCs, state participation via the SNH, and recourse to international arbitration. However, synergy is not automatic. It relies heavily on transparency, administrative competence, coherent institutional roles, fair fiscal administration, and a modern understanding of stabilization that preserves both public policy space and commercial equilibrium. If Cameroon strengthens these operational dimensions, it can effectively reconcile sovereign interests and investor rights not by diluting either, but by aligning both within a credible, stable, and development-oriented regime. Thus, to reconcile sovereign interests and investor rights more effectively and foster genuine state-corporate synergy, Cameroon's petroleum and gas regimes should adopt the following reforms:

Clearer institutional allocation in which the respective roles of the Ministry in charge of hydrocarbons, the SNH, tax authorities, environmental agencies, and executive structures must be distinctly clarified in both law and practice. Investors require absolute certainty regarding which institution grants approvals, audits costs, enforces environmental compliance, and speaks authoritatively for the state during negotiations. Strengthen transparency and contracting practices.

The government must enhance transparency in the sector to meet international standards, particularly those of the Extractive Industries Transparency Initiative (EITI). Oil and gas contracts and revenues should be constantly published. In addition, modernize stabilization and renegotiation clauses. Instead of rigid freezing clauses that often lead to disputes when public policy evolves, contracts should utilize structured, modernized mechanisms. This includes economic-equilibrium adjustments, predefined renegotiation windows, or compensation formulas that protect project economics while allowing the state to update environmental and social regulations.



Furthermore, designed a pragmatic local content obligation. The local content requirements should be tied to measurable targets, supplier-development programs, technical training, and periodic reviews. Rather than imposing abstract quotas that are detached from domestic market realities, the state should actively build an ecosystem in which domestic participation and technology transfer become commercially viable and sustainable. Finally, enhance environmental and social governance. The state should enforce rigorous, proactive environmental oversight and ensure that revenue-sharing and compensation mechanisms for local communities are consistently applied. A well-designed ESG framework bridges the gap between sovereign development goals and investor security by clarifying liability standards, mitigating social friction, and preventing operational disruptions.