



Mongolia:  
Enhancing Resource  
Management through  
Institutional Transformation

Petroleum Policy Development

George Arthur Ross  
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## 1) About Me:

- Canadian Public Service Executive (Ontario Province, Yukon Territory)

34 Years experience

Roles included leadership of large, decentralized organizations, policy and legislation, program design and delivery, finance and administration and regulatory affairs.

Deputy Minister positions (non political position) -- Consumer Service, Research and Innovation, Northern Development and Mines and Energy Mines and Resources.

- Past President of the Institute of Public Administration of Canada
- Consultant specializing in Extractive Industry advice and strategy
- Editor in Chief of Canadian Government Executive Magazine
- Live in Owen Sound Ontario Canada
- Not an Engineer or Technical Expert in Petroleum Industry

## Process Overview:

### Objectives – September 15:

- Working draft of the revised Petroleum Policy.
- Recommendations on supporting legislation, regulations, programs and actions.

### Process:

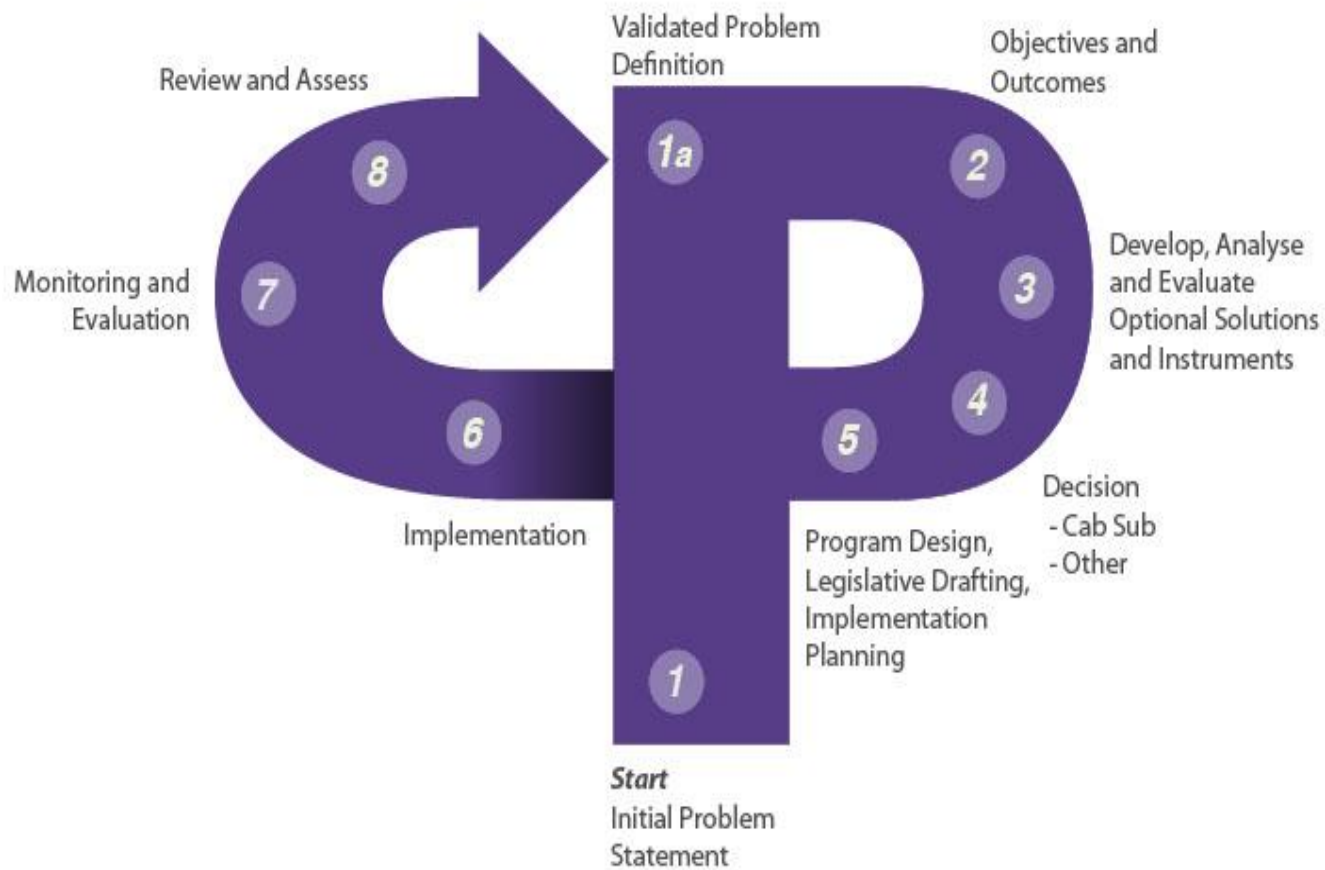
- International Policy Development Process
- Use Existing Policy and it's Evaluation as starting point

#### 4 Phases:

- 1) Problem Statement, Objectives and Outcomes (day 1)
- 2) Develop Recommended Supporting Activities and Policy Options (day 2,3)
- 3) Recommend programs, legislation, regulations (existing, new or amended) day 4.

## 5) Policy Development and Delivery Process

A Policy Development Roadmap (Ontario, Canada Model consistent with International Best Practice):



# Petroleum Policy Evaluation

Areas of focus:

- Increasing investment.
- Workforce development.
- Refining capacity.
- Increase activity in and regulation of unconventional sector.
- Management of PSAs
- Royalties (international standards)
- Transfer and land flipping
- Compliance.

Others ?

# Policy Problem Assessment

1. Administration of Fees, royalties, taxes, PSA payments conflict, overlap and are hard to administer. PSA's unclear on definition of sharing (product vs revenue). Royalties should be better linked to market conditions. Accounting Laws must be improved. Definitions should be improved. Continual negotiations with companies creating administrative challenges.
2. Petroleum Policy and Law should work better together (alignment). Ministries not collaborating, Implementation plans, responsibilities and performance measurement should be established for all Ministries involved.
3. Local Development Fund and Training Fund not working as planned.
4. System lacks transparency to Industry and local government. Need for better engagement with Aimaag and Soom levels.
5. Underdeveloped supply chain (no quality standards). Local preference commitment not being achieved. Mongolian "shell companies held by foreigners.
6. Legal authority of PSA and other laws disputed. Gaps in PSA enforcement (negotiation model).
7. Lack of Mongolian involvement in workforce at all levels. Workforce commitments in non-compliance.
8. Lack of enforcement powers (Fuel Quality) and compliance procedures and directives should be better communicated.
9. Some fees not aligned with market and production levels (eg \$50,000 standard fee).
10. Regulation and promotion of Unconventional Resources should have a specific set of policies. Geoscience data, environmental baseline and local engagement should be enhanced in anticipation of major investment. Overlapping procedures should be established.
11. Exploration investment not occurring to levels committed in PSA. Lack of enforcement and potential sterilization of land, flipping.
12. Infrastructure planning and investment priorities for high potential areas should be led by government.
13. Government should consider a NOC to act as it's commercial agent with clear criteria and governance (including local and public oversight).
14. Inspection powers missing for Product Supply.
15. Establishing a refinery should be a priority for Economic and administrative reasons.

# Petroleum Policy Objectives

The Policy will be the foundation for a National Petroleum Industry that will include Exploration, Production, Supply and Services , Value-added processing (refining) and domestic fuel supply market. Further the Policy will:

1. Attract increased Foreign and Domestic Investment in the sector by creating a stable business climate with clear legal and contracting arrangements (PSAs).
2. Increase Petroleum exploitation and provide for a stable flow of Petroleum for the benefit of all Mongolians.
3. Grow the Mongolian Supply Chain for the Petroleum sector. Establish product and services quality and standards to support local preference policies.
4. Set the stage for enhanced, planned infrastructure development in high potential areas.
5. Develop a policy for the promotion and regulation of enhanced exploration and exploitation of unconventional resources.
6. Align policies, laws, programs, enforcement and activities of Ministries to support this policy and to create a better operating environment for business.
7. Enhance understanding, support and transparency of the policy and Law by including Local Government and the public in Governance of the policy and activate the Local Development Fund to create financial benefit to local communities.
8. Develop domestic processing capacity (refining) and value added industries.
9. Increase Mongolian workforce participation in the Petroleum Industry at all job levels and ensure skills training of the workforce.
10. Provide Petroleum Sector revenue to state, provinces and communities through taxes, fees and royalties and contracts. Clarify the administration of Fees, Royalties, taxes and other payments established in Law and PSA's at the State, Aimaag and Soom levels.
11. Provide powers for regulating and enforcing fuel quality standards.
12. Establish a National Oil Corporation to act as the commercial agent of government in dealings with the Industry