

# Algeria 2026 Upstream Bid Round — What General Counsel Need to Resolve Before the Window Closes

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ALNAFT's 2026 bid round opens seven upstream blocks to international competition. The previous round was in 2024 leading to the attribution of five sites in June 2025. The commercial signal is clear: the legal architecture of every bid, every contract, and every operational decision determines whether a position is a source of profits or losses.

International operators entering this round without continuous in-country legal presence are not evaluating an opportunity, they are taking a risk they are yet to assess.

### **The Legal Terrain**

Since 1971, Algeria's hydrocarbon resources were nationalized belong to the State. This principle is constitutionally entrenched. No contract, regardless of its governing law, can alter this. It is a condition within which every upstream transaction operates.

Law 19-13 is the governing framework of the 2026 Bid Round. Operators working from assumptions built under the 1986 law or the 2005 amendments are navigating from an obsolete map. The 2019 restructuring introduced revised authorization procedures, new fiscal parameters, and a redefined regulatory architecture that materially affects how foreign operators structure, operate, and exit positions.

Two institutions govern the upstream. Conflating them is the most common — and most costly — error foreign legal teams make.

The Algerian Hydrocarbons Regulatory Authority (ARH) is responsible for the more logistical and practical aspect of upstream and downstream activities. Its missions include insuring compliance with various rules, laws and standards of the oil and gas industry such as hygiene and safety. It is also in charge of granting concessions such as those of pipeline transport. It is further vested with powers to enforce sanctions for the breach of health and industrial safety regulations for instance.

ALNAFT issues and manages bid rounds, issues upstream authorizations, and monitors compliance among other functions. Its decisions are administrative, not commercial.

Sonatrach, the national and public oil and gas company, is the mandatory partner in all upstream operations, holding a minimum 51% interest by law. Its presence is structural, not negotiable.

One of the risks is that authorization and permit issues created by misreading this institutional divide surface during operations — not during the early stages such as negotiation, when they are still manageable.

### **Contract Structure and Fiscal Reality**

Three upstream contractual forms are available under Algerian law. One dominates.

The Production Sharing Agreement places 100% of exploration risk on the operator, who recovers costs through cost oil and shares remaining production as profit oil with Sonatrach. Most upstream contracts in Algeria operate under this model. In the 2026 Bid Round, 6 sites are offered for production sharing contracts.

Taxation depends on numerous factors, this said under a properly structured PSA, or other forms of contract foreign operators benefit from a number of tax exemptions including, Value-Added Tax (VAT); customs duties on imported equipment and materials; and bank domiciliation taxes on the other hand, hydrocarbon royalties for instance are assessed at 10% at a standard rate payable monthly.

The operators who understand the tax structure before bidding negotiate from strength. Those who discover it after commitment have already left value on the table.

### **What Must Be Resolved Before You Bid**

Four constraints define the legal perimeter of this round. Each must be addressed before bid submission not after.

Structure: Which contractual form aligns with your organization's risk profile and return expectations? This is a legal question before it is a commercial one. The answer determines your fiscal treatment, your operational exposure, and your governance framework for the life of the asset.

Authorization: Beyond the contract, operators face a parallel authorization matrix — work permits, environmental clearances, equipment import authorizations — operating on independent regulatory timelines. Mapping this before operations begin is not administrative diligence, it's operational risk management.

Exit: Transfer of participating interests requires State authorization. No contractual mechanism circumvents this. Operators who do not model their exit at entry will face it as a problem rather than a transaction. This is the most consistently underestimated constraint in Algerian upstream deals.

Presence in Algeria: Foreign operators must decide on the form of presence in Algeria before the start of operations carries implications for liability, governance, and fiscal treatment that must be resolved at structuring, not at execution.

### **Why It Matters Now**

The window between bid submission and contract execution is not sufficient to address structural exposure identified too late. In Algerian upstream transactions, legal structure is not a closing condition. It is a precondition.

The 2026 round is a genuine opportunity. Algeria has not offered this scope of upstream access in years. The operators who will extract value from it are those who arrive with legal positions already built — not those who engage counsel after a preliminary commitment has been made.

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