

ABSTRACT

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THE ROLE OF STABILIZATION CLAUSE TO MANAGE POLITICAL RISKS IN PETROLEUM INVESTMENT CONTRACT TO CREATE STATE-INVESTOR FRIENDLY INVESTMENT ENVIRONMENT

(xvi + 177 pages)

The entanglement of the state as a legally binding party in a petroleum contract constantly generate the possibility of unilateral action or early termination of the contract by eminence of the state's sovereign legislative power. Under these circumstances, foreign investors in petroleum development projects have always attempt to find contract stability guarantees as their contractual preservation from the unilateral action of host state to alter the provisions of the contract by legislation or administrative governmental discretion. The presence of stabilisation clauses as contractual mechanisms for the protection of foreign investment in the negotiation of modern petroleum contracts has prominently becomes more and more crucial required by the investor. Stabilisation clauses have generated much academic controversy regarding its legal character, efficacy and validity of its implementation. The purpose of this thesis is to examine, to recognize the scope and different techniques of stabilisation clauses, to identify their legal character, to explore their objectives of existence, and to examine their legal effect and validity in the view of arbitral jurisprudence and contract practice. In determining how stabilisation clauses are able to manage political risks in the petroleum contract, this thesis also explores the applicable relationship between stabilisation clauses and host state's sovereignty right.