



# Adaptation of petroleum contract

by third party

## Scope and Justification

by

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### Introduction

Petroleum contracts like many other long-term contracts need adaptation and renegotiation for various reasons such as necessity of introducing flexibility, ensuring a stable contractual relationship and achieving the desired outcome from the project in the event of changes of circumstance. The long duration of petroleum contract reveals the reality that it can never be perfectly drafted because the parties' foreseeability to predict all the contingencies is limited. The fact that petroleum contracts are negotiated under conditions of considerable complexity and uncertainty, it is not possible for the parties to specify in advance every conceivable contingency in contract. The limited foreseeability of the parties about all future situations and anticipating the parties' rights and obligations in those situations often influence the parties to leave the certain terms of the petroleum contract open and incomplete. Moreover, the transaction costs of negotiating every possible future change and ex ante specification of contract details may be too high to discourage the parties to narrate the future contingencies in detail and how to mitigate them. In such circumstances, as the relationship continues, the parties are assumed to make necessary adjustments to fill-up some of the gaps to the contract or to change the initial terms. In this way, the subsequent adaptation may appear inevitable in order to develop these incomplete terms of contracts, when complete and full information becomes available in this regard. Renegotiation and adaptation are well accepted processes for responding to change of circumstances or filling gaps in the contract. Parties to the petroleum contract usually reach acceptable