



NATURAL GAS MARKET LAW

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Some Sections From the Natural Gas Market



- The Natural Gas Market Law numbered 4646 became law in 2001 and entered into force in October 2002.
- Nowadays the main transmission pressure lines of BOTA have overpassed 11.000 km.
- In 69 cities more than 10 million houses with a subscription use natural gas. In this purpose more than 92 thousand km of network were established, out of which 10 thousand km are steel and 82 thousand km are PE.
- For these investments around 11 billion TL were spent (except management costs and VAT).
- Only 11.2 billion m³ out of 45.8 billion m³ of yearly import and local production are contract transfer and by transferring quantity they form the area of wholesale sector. In the consumption of yearly total quantity 38.2 billion are realized in the distribution areas.

Fields of Activity



- **Import**
- **Transmission**
- **Storage**
- **Wholesale**
- **Export**
- **Distribution**
- **Distribution and Transmission of CNG**
- **Production is not accepted among natural gas market activities and compressed natural gas (CNG) and liquified natural gas (LNG) are separately mentioned in the law. The liquified natural gas activities are mentioned under the title “storage” in the article number 1 for the activity of “undergorund or overground storage”.**

The Natural Gas Market Today



- The owners of Natural Gas distribution licences have not the power to make trade of gas and they are bearing any commercial risk of the gas they are selling to the subscribers or to eligible customers.
- The retail sales activity of natural gas is still being conducted under distribution. Nowadays since this activity is not differentiated there is an obstacle for gas to gas competition between different sectors.

The Natural Gas Market Today



- There are 44 owners of wholesale licence in the market and if we consider that importers can make wholesale then we realize that more than 100 market players cannot buy gas from the Main Importer.
- Although there is no legislative obstacle to this we cannot say that there is gas to gas competition.
- Wholesalers can only evaluate around 25% of the market which is the gas of private importers.

Process of Unbundling of BOTAS and Transfer of Gas



- In the provisional Article No 2 of the Natural Gas Market Law numbered 4646 there are expressions such as;
- “...BOTA makes transfer of contract until the yearly national consumption falls to 20% until 2009...”
- “ ...and there is a separate tender for the possibility of transfer of quantity ...”
- “... According to these provisions, except the distribution activity, the vertically integrated legal entity of BOTA continues until 2009. After this date BOTA is restructured according to the horizontally integrated entity....”

BOTAŞ SCADA



- There may be a new EBB in BOTAŞ and an additional Balancing Gas Market Module within the EBB.
- In this sense the power of BOTAŞ given in the draft to “establish and manage the communication and information systems infrastructure” is very important for the transparent sharing of information with other transmitters and in the exchange infrastructure, and there is a need to restructure the infrastructure from today by taking into consideration the demands of multi-directional sector players.

Regulated Market Management



- The PMUM/DUY application is only available in the electricity market. The Balancing and Conciliating operations are run under TE A .
- The basis agreement of EP A and the Organization of Labor Regulations have been approved by EMRA and starting from July 2014 “THE CALL FOR C GROUP SHAREHOLDING” has been done. As a result of this call 114 applications were collected and the evaluations are ongoing.

Cost Based Pricing



- The Cost Based Pricing Communique was published by the High Planning Council on 14/02/2008 with the number 2008/T-5.
- However it did not last long and BOTA was exempted from this with the next decision.
- There has been no change yet.

Amendment of Natural Gas Market Law



- The Draft Proposal of Amendment to the Natural Gas Market Law numbered 4646 was sent to the Parliament on September 2014.
- Obligation to make a contract:
- It is very important that natural gas operations are subject to a contract in order to minimize the commercial risks of the parties. Market players have added an important commercial volume of energy to the economy and an important contribution is being made with an increase of our nation's tax revenue.
- However; the fact that issues like “no activity can start without a contract” and “contracts...to be announced to the Commission” become a rule will be an obstacle to freedom because trade is subject to changes. This issue raises the worry that there will be a loss of movement in the relations with the wholesale market operator and the national system operator.

Amendment of Natural Gas Market Law



- Having the View of the Ministry in Licencing;
- In the draft it is mentioned that the process of licencing the “import, transmission, storage, export” activities are subject to the view of the Ministry of Energy and Natural Resources.”
- There is a worry that this innovation may be an obstacle to the liberalization of the market. Whatever the criterion they should be clearly declared, be included in the legislation and be followed up by EMRA.

Amendment of Natural Gas Market Law



- Getting a licence for each operation;
- In the Articles 2 and 4 in the draft the importers should “get a licence separately for each import”.
- This procedure may lead to too many bureaucratic operations and it may lead to waste of effort. For the follow up and management of operations there should be easing approaches such as “following up under a single licence”.

Amendment of Natural Gas Market Law



- The principle of integrity of activities should be kept;
- In the sub article No 2 of Article No 2 in the Draft, there is the expression: "...legal entities that sell CNG/LNG in the distribution area can sell to cutomers..."
- Since this addition does not take into consideration the principle of "integrity of activites" which form the basis of current value chains, it will lead to a contradiction in the structure of the law. We think that the solution is very easy with "the application for approval of the owner of licence in the region".

Amendment of Natural Gas Market Law



- Integrity of activities:
- In the draft text production is not considered among the market activities, and in the draft there is an expression such as “ in the case that the production capacity is less than one million m³ it could sell to other consumers without making a distribution activity...”
- But instead of having an individual application for such a quantity, it could be presented into the market through wholesaler, importers and distributors.

Amendment of Natural Gas Market Law



- The Exchange;
- The bureaucratic legislation which is an obstacle to the entry of BOTA into EP A should be arranged.
- The D.V. Cost of operations in the exchange should be taken off and the VAT load should be diminished.
- EP A should have an independent management as soon as possible.

Amendment of Natural Gas Market Law



- Wholesale;
- It has always been underestimated so far.
- But it constitutes around a total of 3,7 billion USD \$ despite all barriers. The value added and another tax revenue has not been added. It is clear that this trade will grow a lot with application such as transfer of quantity.
- Because of effect that cannot be controlled such as “Prices not being free” and “currency” the wholesale sector faces important losses that should be stopped in this period.

Amendment of Natural Gas Market Law



- **Structure of Natural gas activities:**
- **Firms should separate distribution and retail sale activities.**
- **Considering that the new retail activity will spread in the whole country the sale of gas should be allowed, import should be allowed and tariff should be liberalized.**

Amendment of Natural Gas Market Law



- **Import;**
- **The import of natural gas should be liberalized without any preliminary condition.**

Amendment of Natural Gas Market Law



- **BOTA ;**
- **Should be able to determine the natural gas price in a free way.**
- **Should not be influenced by politics.**
- **Should be unbundled to increase its effectiveness.**
- **Its share in the natural gas trade should reach a reasonable level by applying a realistic program.**
- **Should continue its natural gas contract and transfer of quantity tenders.**
- **Its employees should progress, legislative barriers such as (K K) that managers and investments face should be stopped.**

Amendment of Natural Gas Market Law



- **The Free Pricing System;**
- **Should be applied immediately.**
- **Prices should be based on cost.**
- **The market should not be open to subsidy.**
- **The market should be established and managed by having the views of players.**

Amendment of Natural Gas Market Law



- **Supplier of Last Resort;**
- **Which players will be suppliers of last resort should be determined as soon as possible, in relation with this the situation of parties from the perspective of issues such as tariff application and storage with transmission systems should be clarified.**

Amendment of Natural Gas Market Law



- **Storage and LNG Terminals**
- **Investments should be completed without any delay.**
- **For this kind of facilities investment should be supported through some precautions.**
- **An initiative that will allow investors to use their facilities in line with their economic and commercial purposes should be foreseen.**
- **The storage obligations in the current markets should be examined by taking into consideration the current situation and without any burdens.**

Amendment of Natural Gas Market Law



- **Sanctions**
- **As far as routine announcements arising from neglect or other causes that could be avoided “do not lead to any unfair gain or any loss of tax”, sanctions such as high payment, warning or decertification should not be applied.**
- **Sanctions should not be seen as a revenue.**

Amendment of Natural Gas Market Law



- **Other Legislations;**
- **The priority of inevitable contact during activities of the Natural Gas Market Law sector such as the Municipality, Tax, Development, Petroleum, Commercial Law etc should be compared to the legislation and issues to be privileged should be determined.**
- **Similarly a detailed work is needed from the perspective of international law legislation.**



THANK YOU