

PETFORM



“” PETFORM – The Views related with the Exploration and Production Sector and Resolution Advisory

Main Problems From the Perspective of Private Sector Investors



1. Regional Incentive Mechanisms

Article 26 (Article 26-1) of Turkish Petroleum Law, No: 6491 foresees that “the incentives to be granted for the investments being realized by Petroleum Right Owners are defined by the **Council of Ministers**”.

PROPOSAL

In order to promptly finalize the effectuation of the incentives needed for the Sector; it is strongly believed that having a Presidential Decree Law issued, enabling the Companies running business in the Sector to enjoy the all incentives defined for the 6th Region in Turkey's Incentives Regime, without taking into account the actual region of investment, would increase the local production.

Main Problems From the Perspective of Private Sector Investors



2. EIA Process

Prolonged EIA Processes substantially and seriously delay the Exploration and Production Activities both before and after the drilling.

PROPOSAL

It is strongly believed that having; the E&P Activities for which the “Not Subject To EIA” resolution are made as per the Article 17 of the EIA By-Law and the Production Activities, which are “EIA Out of Scope” based on Article 29, Enclosure 1 of the EIA By-Law, due to the lower volume of production below the thresholds defined, exempted from the EIA Processes would speed up the investments and thus the production.

Main Problems From the Perspective of Private Sector Investors



3. Handling Fees at Crude Oil Deliveries

TPAO calculates the handling fees for crude oil deliveries over the USD exchange rate.

PROPOSAL

As per the Presidential Decree Law, No:85 (related with the Resolution amending the Resolution about the Protection of the Value of Turkish Lira No:32); in line with national monetary policy, the subject handling fees is suggested to be calculated in Turkish Lira without being indexed to USD.

Main Problems From the Perspective of Private Sector Investors



4. Permission Process for the Regions Declared as “Big Lowlands”

The Permission procedures implemented for the regions declared as “Big Lowlands” referring to the Land Protection and Land Utilization Law, No: 5403; slows down the operational activities of the Sector in a serious manner. Additionally also the Land Consolidation By-Law brings limitation for the allocation of the lands to conduct E&P activities.

PROPOSAL

Like wise at Article 13 of the Law; an addendum to be made at Article 14 of the Law, exceptionally allowing Big Lowlands’ usage outside agricultural purposes, would substantially shorten the related approval and permission processes. In this respect; the activities of the Sector also needs to be exempted from the Land Consolidation By-Law.

Main Problems From the Perspective of Private Sector Investors



5. Price Formation

The sale of high quality local crude oil cannot be sold at fare market price.

PROPOSAL

In order to sell the high quality local crude oil at fare market prices; a new exemplary oil definition needs to be made in Petroleum Market Law, No: 5015.

Main Problems From the Perspective of Private Sector Investors



6. Data Access

The GDPA Archives kept at TPAO needs to be served to the access of Sector's Stake-Holders for transparency and equal competition purposes.

PROPOSAL

It is believed that the GDPA archives should be transferred to a new and modern digital based system to be established at the General Directorate of Mining Research and Petroleum Affairs (MAPEG) and with a Data Room approach should be provided to all potential players at price.

Main Problems From the Perspective of Private Sector Investors



7. Acceptance of the Directional Drillings from Land to Shore-Line as Offshore Drilling

Petroleum Right Owners having two neighbor on-shore and off-shore licenses are not allowed to directionally drill off-shore wells from their neighboring on-shore license and get this drilling accounted for their off-shore license obligations.

PROPOSAL

It is believed that, in order to encourage the off-shore drilling activities by minimizing the drilling costs and shortening the extensive bureaucratic permission and approval procedures; an adjustment required to be made at Petroleum Law and By-Law, allowing Petroleum Right Owners having two neighbor on-shore and off-shore licenses to comply with their drilling obligations for the offshore license with a drilling of a directional well to the shore-line from their neighboring on-shore Licenses.

Main Problems From the Perspective of Private Sector Investors



8. The Amount of Withholding Tax

It is evaluated that the amounts of the withholding tax charged over the dividend distribution needs to be reviewed.

PROPOSAL

It is believed that in order to encourage the foreign investors to import more capital into our country and to ease the realization of their investments; the amount of the withholding tax charged over the dividend distribution needs to be reviewed.

Main Problems From the Perspective of Private Sector Investors



9. Having Petroleum Interest Rights Subject To Pledge and Similar Contracts

The Article 21 of the Turkish Petroleum Law and also the Article 21 of the Turkish Petroleum Implementation By-Law have not properly defined in detail that whether the operation licenses and the petroleum rights deriving from those can be made subject to pledge and similar contracts.

PROPOSAL

In order to clarify the procedures and the processes for the establishment of Pledge arrangements; a detailed regulation is required.

Main Problems From the Perspective of Private Sector Investors



10. Transfer of Imported Properties

The problems being faced at the transfer of the materials and equipment imported under the provisions of Article 13 of Turkish Petroleum Law and Article 36 of Turkish Petroleum Implementation By-Law without being subject to any permission and / or approval at the end of 10th year following their importation into the country.

PROPOSAL

It is believed that though the requirements regarding the transfer of the material and equipment imported under the exemptions are clearly indicated at Article 13 of the Turkish Petroleum Law; due to the problems faced through out the related implementation processes, an announcement needs to be made that there would be no need to obtain approvals and permissions from other related Governmental Bodies and Institutions.

Main Problems From the Perspective of Private Sector Investors



11. Working Hours

Certain needed arrangements and regulations need to be made at Turkish Code of Labor and at the related Legislations, mainly in relation with the subjects like overtime, rotation working, weekends and overnight shifts.

PROPOSAL

Having the required arrangements and the regulations made in coordination with the Turkish Ministry of Labor.

Main Problems From the Perspective of Private Sector Investors



12. Local Natural Gas Production

Due to the limited numbers of natural gas fields in our Country, economical feasibility is not much achieved.

PROPOSAL

It is believed that in order to promptly integrate the locally produced natural gas into the economy; a cost based pricing needs to be applied in the local market.

Main Problems From the Perspective of Private Sector Investors



13. Limitations On the Term of Production Licenses

The grant of Production Licenses for 3 to 5 years time span instead of 20 years, limits the predictability and therefore negatively effects the investment feasibilities.

PROPOSAL

It is evaluated that the term of Production Licenses needs to be reviewed again with a perspective having license terms creating positive impact on investments.

Main Problems From the Perspective of Private Sector Investors



14. New Arrangements Upon Expiry of the Operation Licenses

The provision in the Law indicating that “the fields for which the term of operational right has expired, prior to being made subject to auction is first offered to TPAO” is not complying with the rules and principles of a liberal market.

PROPOSAL

It is believed that in order to maintain and sustain the most effective production at the expired Operation Licenses, the priority given to TPAO needs to be removed and necessary amendments need to be made in the related articles of the Law in order to have those fields licensed again under liberal market conditions.

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Interest**