



# Challenges in upstream regulations

**Ukraine**

KINSTELLAR

Olena Kuchynska, Partner  
Budapest, 19 June 2019

# Recent Regulatory Developments



## Taxation:

easing the tax burden for the new wells and freezing tax rates until 2023



## Deregulation:

cancelling two dozens of permits, creating new opportunities for the land use



01

02

03

04



## Decentralisation of the royalties:

5% for local communities



## Geological data:

all secondary data is available, no consent for transfer of the state-owned data

# Recent Regulatory Developments (cont.)

## Transparency:

adoption of law implementing EITI principles



## Infrastructure:

setting competitive tariffs for use of the gas pipelines



## Granting rights for subsoil:

updating rules on auctions and introduction of the e-auction pilot project



# Results



Slow but steady increase in gas production (+2.5% in 2018)

Increase of number of new wells (+25%)

Licensing rounds

PSAs tenders

# Pilot E-auctions



Ukraine NOW

## OIL & GAS UKRAINE

1<sup>ST</sup> ROUND

30 AUCTION BLOCKS

LICENSING ROUNDS INFORMATION AND OPPORTUNITIES 2019

State Geological Service of Ukraine

Association of Gas Producers of Ukraine

## 1<sup>st</sup> round

**3 out of 10 lots sold**

### Key features:

1. Price increases, in some cases very significant
2. Only Ukrainian bidders
3. State-owned Ukrgazvydobuvannia obtaining majority of the licences

### Pilot procedures to be revisited in Autumn 2019

### Required changes:

Registration of legal presence after the auctions

Revisions to procedure for establishing starting price of a licence

## 2<sup>nd</sup> round

**6 out of 7 lots sold**

## 3<sup>rd</sup> round

**7 out of 9 lots sold**

Picture is taken from the web-site <https://www.goukrainenow.com/>



**DOLPHIN OFFSHORE PSA BLOCK** **Ukraine NOW**

PSA duration: 50 years  
 Location: northwestern part of continental shelf of the Black Sea  
 Minimum investment requirement: UAH 1,500,000,000 (USD 55,550,000)  
 Minimum work program: drilling of no less than five exploration wells

**DOLPHIN**  
9.496 sq km

**GEOLOGICAL DATA**  
 Petroleum province: North Black Sea Basin  
 Resources: Inferred resources of the block are 286 million tons of oil equivalent (subcategory 334), the density of undiscovered resources C3 + D (subcategories 333 + 334) within the block varies from 5 to 30-50 thousand tons of oil equivalent per sq.km. Prospective resources of particular structures discovered within the block are: Zonalna - 23,1 million tons, Myrna - 12,8 million tons, Charivna - 12,5 million tons of oil equivalent.  
 Wells data: 4 abandoned wells  
 Repository: Ukrgeofizyka, Kyiv, tel. +38 044 453-38-02-05  
 Geological researches: 16 reports (1965-2010)  
 Repository: Geoinform of Ukraine, Kyiv, tel. +38 044 456-61-61  
 Seismic data: 9 871 linear km of regional seismic performed in 2005, 13 regional seismic lines with about 1000 linear km of exploration seismic acquired within the Dolphin block.  
 Repository: Ukrgeofizyka, Kyiv, tel. +38 044 453-38-02  
 Information about valid contracts are available online: [www.geoinf.kiev.ua](http://www.geoinf.kiev.ua) and [www.minerals-ua.info](http://www.minerals-ua.info)  
 Please use the following link to download tender documentation: [www.mpe.kmu.gov.ua](http://www.mpe.kmu.gov.ua)

Association of Gas Producers of Ukraine

Picture is taken from the web-site <https://www.goukrainenow.com/>

## Onshore fields

**28 May 2019**

deadline for collecting applications

**23 applications**

from 14 participants, including foreign companies, in relation to 9 fields received

**winners**

shall be selected in June

**Amendments to legislation required**

to increase credibility and simplify procedure

## Offshore field

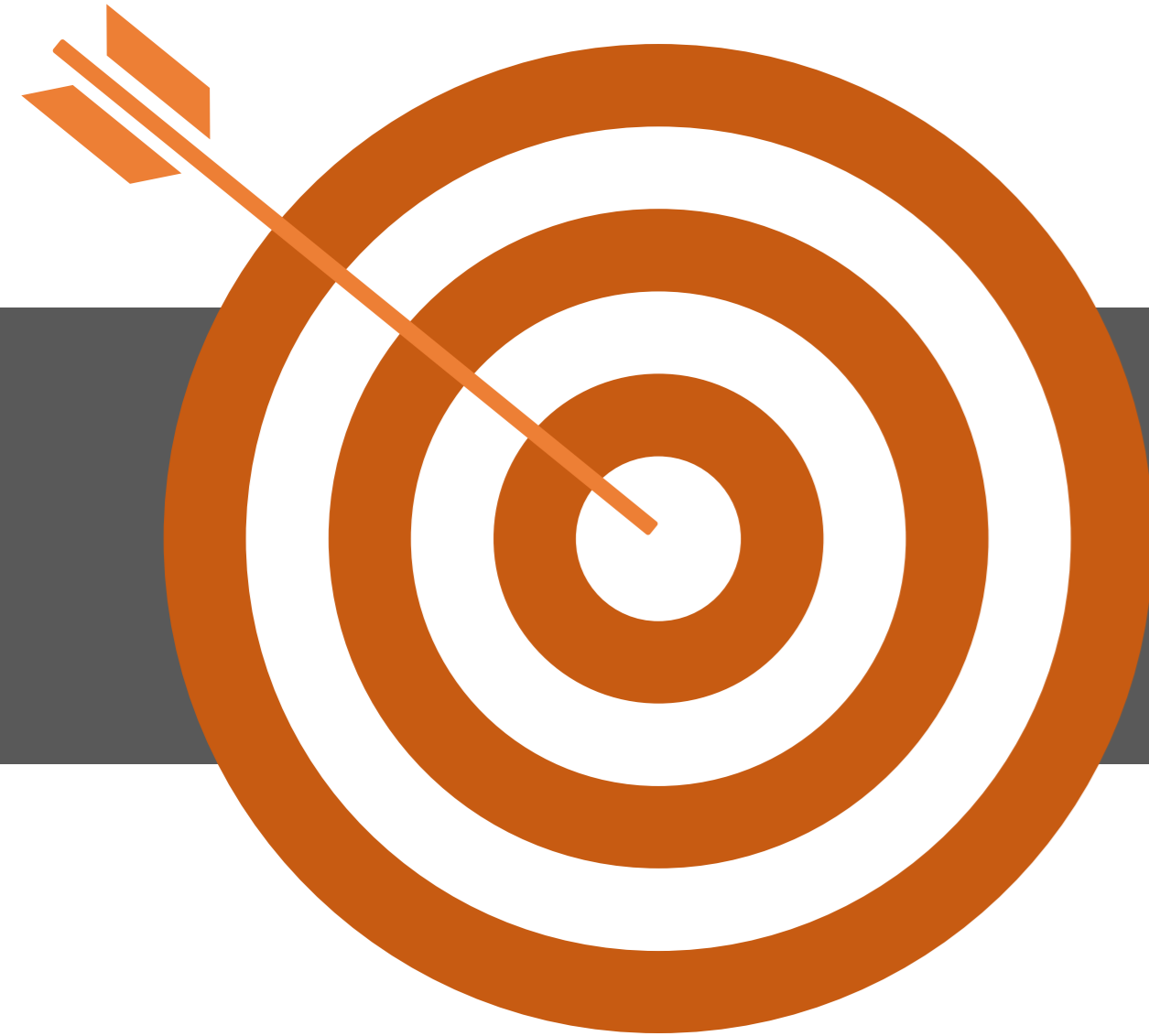
**12 June 2019**

deadline for collecting applications

**Key features:**

- biggest field (9.5 th sq. km) with some “issues”
- application period was too short compared to other countries (2 months)
- four bidders
  - Caspian Drilling International (Az)
  - Frontera Resources (US)
  - Trident Black Sea (US) + San Leon Energy (US)
  - Ukrnaftoburinnia (UA)

# We expect



**rules on non-conventional hydrocarbons**



**further de-regulation**



**creation of data-rooms**  
for sharing the geological information

# Regulatory Changes



**New Subsoil Code**



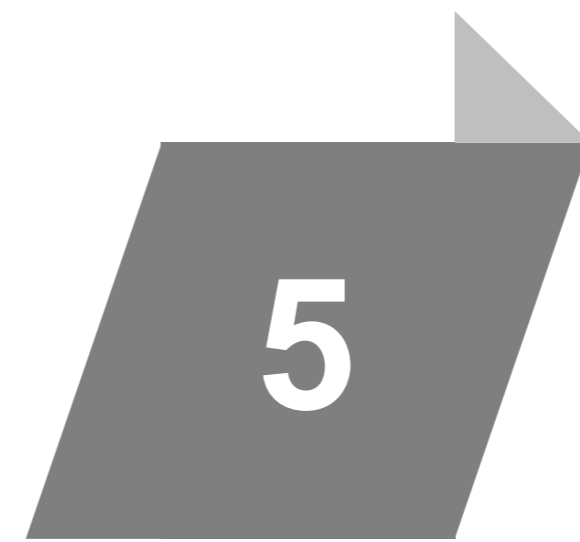
**Transferability**  
of the subsoil licence



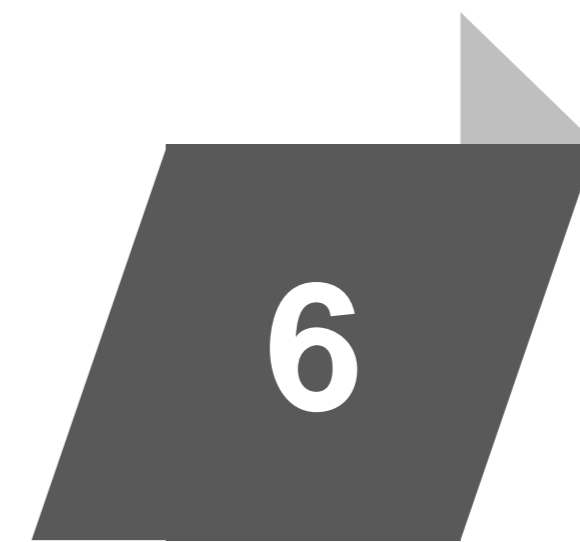
**Shifting to**  
PRMS, JORC...  
instead of local  
rules on  
evaluation of the  
deposits



**Unified permit**  
for gas  
production



**Updating rules**  
on determining  
price for the  
primary  
geological data



**Tax benefits**  
for  
unconventional  
gas





**FOR YOUR ATTENTION**

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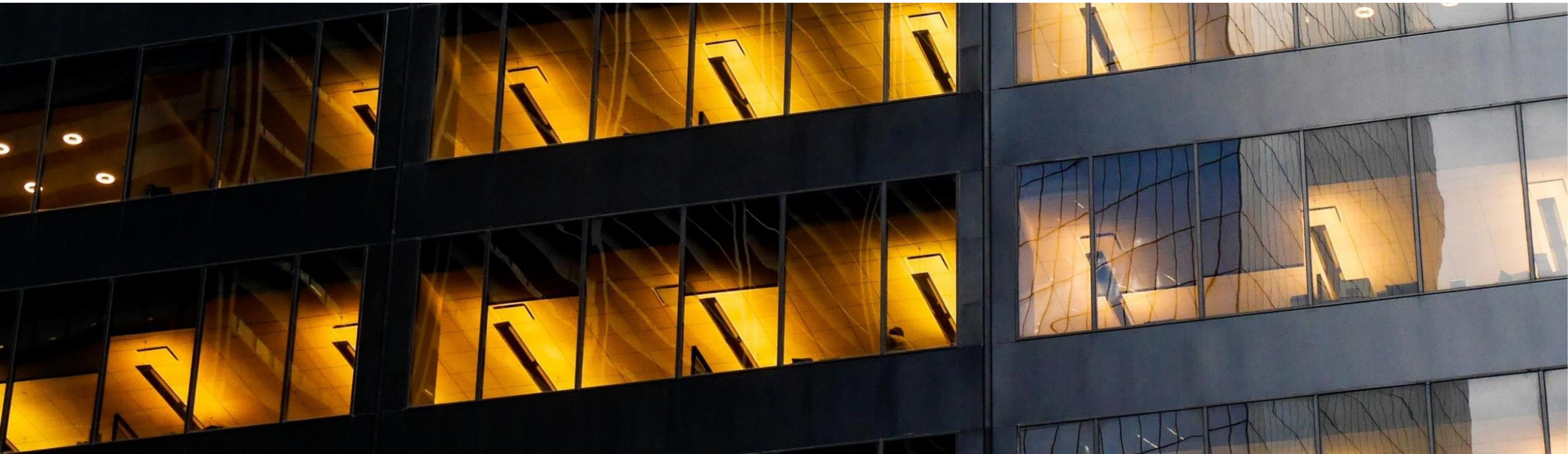


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