



SCREENING CHAPTER 15 ENERGY

AGENDA ITEM : HYDROCARBONS-OIL

Oil Stocks and Upstream

Country Session: The Republic of TURKEY
14-15 June 2006

LEGAL FRAMEWORK

OIL STOCKS

- **Petroleum Market Law No 5015** (Official Gazette: 20 December 2003, no. 25322)
- **LPG Market Law No 5307** (Official Gazette: 13 March 2005, no. 25754)
- **Decree of Council of Ministers No: 2005/8374 on The Procedures and Principles of National Oil Stock Commission**
(Official Gazette: 28 January 2005, no.25710)
- **By-law on Petroleum Market Licence** (Official Gazette: 17 June 2004, no. 25495)
- **By-law on LPG Market Licence** (Official Gazette: 16 September 2005, no: 25938)

UPSTREAM

- **Petroleum Law No. 6326** (Official Gazette: 16 March 1954, no. 8659)
- **Petroleum Regulation** (Official Gazette: 17 July 1989, no. 20224)

LEGAL FRAMEWORK - OIL STOCKS

Petroleum Market Law No 5015

Objective (Art. 1)

To pile **90 days oil stock** to provide a sustainable oil market, to prevent the risks in crises or extraordinary cases and to meet the requirements of international agreements.

LEGAL FRAMEWORK - OIL STOCKS (CONT'D)

Petroleum Market Law No 5015 (CONT'D)

Oil Stocks (Art. 16)

- National oil stock is kept in an amount of at least 90 days' amount of the net import in the previous year's average daily consumption.
- The national oil stock is obtained through the liability of the refinery, fuel and LPG distribution licensees, eligible consumers and government.
- Loaded tankers within territorial waters to be transferred to refineries and storages, and crude oil and semi-products in refineries are deemed as part of the national stock liability.
- The national oil stock might be kept tax-free, depending on its status.

LEGAL FRAMEWORK - OIL STOCKS (CONT'D)

Petroleum Market Law No 5015 (CONT'D)

Stockholding (Art. 16)

- Refinery, fuel and LPG distribution licensees are obliged to keep minimum 20 times of the average supplied daily product amount at their own storage or licensed storage facilities whether as a whole or separately according to their status.
- Eligible consumers, consuming 20 thousand tonnes or more of each type of liquid fuel each year, are obliged to keep 15 days of their consumption as a stock.
- The complementary portion of stocks to 90 days is retained by refineries on behalf of government.

LEGAL FRAMEWORK - OIL STOCKS (CONT'D)

Petroleum Market Law No 5015 (CONT'D)

Stockholding (Art. 16) (CONT'D)

- Financing, stockpiling and maintenance costs of such stocks shall be covered by the income added to the consumer prices and the income at the utilization of the refining undertaking.
- In the event of imports except for refining undertaking, such income shall be paid to the refining undertaking by the importers. Refining undertakings are obliged to provide EMRA with information regarding the accounting of this income every year.
- The amounts may be set by EMRA at a maximum of 10 US Dollars/ton for oil and LPG importers.

LEGAL FRAMEWORK - OIL STOCKS (CONT'D)

Petroleum Market Law No 5015 (CONT'D)

Stockholding (Art. 16) (CONT'D)

National Oil Stock Commission (NOSC)

- To set and take decisions concerning to;
 - The actual number of days,
 - The liabilities, term, type, quantity and the locations,
 - Procurement of petroleum and services,
 - Sales from the national petroleum stocks,
 - Other decisions and measures
- NOSC is responsible to Council of Ministers.

LEGAL FRAMEWORK - OIL STOCKS (CONT'D)

EMERGENCY MEASURES

Measures to mitigate the effects of difficulties in supply of crude oil and petroleum products.

- Province Administrations Law No: 5442/1949,
- National Security Law No: 3634/1939,
- National Protection Law No: 79/1960(revised in 1980),
- Petroleum Law No: 6326/1954.
- Petroleum Market Law No: 5015,
- Organization and Functions Law of Ministry of Energy and Natural Resources No:3154/1985

give the Turkish National Emergency Sharing Organization (NESO) wide-ranging authority for emergency management and control of the oil industry.

LEGAL FRAMEWORK - OIL STOCKS (CONT'D)

EMERGENCY MEASURES (CONT'D)

The measures to mitigate the effects of supply are;

- Stockdraws
- Demand restraint measures
 - Driving restraints
 - Odd and even plate number restriction
 - Weekend and short distance driving bans
 - Fuel Quotas
 - Price adjustments
- Crude oil production increase
- Fuel switching

LEGAL FRAMEWORK - OIL STOCKS (CONT'D)

EMERGENCY MEASURES (CONT'D)

- 90 days of oil stock has been introduced and National Oil Stock Commission has been established.
- NOSC has been authorized to take decision on oil stocks.
- Turkish Emergency Management Directorate has been established.
- National Emergency Sharing Organization has been re-organised in order to implement decisions quickly and effectively by including EMRA and Turkish Emergency Management Directorate.
- According to the Petroleum Law, the Minister may require petroleum right holders to produce petroleum from their existing wells at a sufficient rate.



LEGAL FRAMEWORK - UPSTREAM

Legal framework of current upstream activities are defined by Petroleum Law No. 6326 and Petroleum Regulation. A draft law regulating upstream activities has been prepared and is on the agenda of the Turkish Grand National Assembly.

LEGAL FRAMEWORK – UPSTREAM (CONT'D)

PETROLEUM LAW No. 6326

Objective (Article 2)

To enable the expedient, continuous and effective exploration, development and appraisal of the petroleum resources of the Republic of Turkey in accordance with the national interests.

Scope (Article 5)

Covers the methods and principles regarding regulation, management and audit of petroleum activities in Turkey.

LEGAL FRAMEWORK – UPSTREAM (CONT'D)

PETROLEUM LAW No. 6326 (CONT'D)

Licencing (Arts. 5, 45, 52, 53, 58)

- No petroleum operation may be conducted except under a permit, licence, lease or certificate granted under this Law.
- Turkey has been divided into 18 petroleum districts. On-shore and off-shore activities are subject to the same rules. By the decision of the Council of Ministers the whole or any part of a District may be declared open to licence or lease, or an open area may be modified or may be closed in whole or in part.
- A licence area may not exceed 50 thousand hectares.
- Each company may acquire maximum 8 exploration licences in one petroleum district, state-owned company TPAO (Turkish Petroleum Co) may acquire 12.
- For every exploration licence holder, there is district drilling obligation.

LEGAL FRAMEWORK – UPSTREAM (CONT'D)

PETROLEUM LAW No. 6326 (CONT'D)

Auditing (Art. 24, 42, 43)

- All petroleum operations are audited by General Directorate of Petroleum Affairs (GDPA). In specific cases, TPAO may assist GDPA upon the request of the Minister.

Leasing (Arts. 61,64)

- A lease area may not exceed 25 thousand hectares.
- An area which is not licenced or leased may be offered to bidding for lease by decision of the Council of Ministers .

LEGAL FRAMEWORK – UPSTREAM (CONT'D)

PETROLEUM LAW No. 6326 (CONT'D)

Surface Rental and Royalty (Arts. 56, 69, 78,121)

- All petroleum right holders pay Surface Rental for exploration licences, except TPAO.
- Surface Rental is collected both from the exploration licences and production leases. Rental fee changes according to acquisition years of licence.
- A fixed rate of 12.5 % royalty is collected.

Imports, exports of materials and transfers (Arts. 112 and 116)

- Companies may import materials and equipment for using at their petroleum operation free of customs and other import taxes and dues.
- Rate of exchange guarantee is introduced for the investments of foreign petroleum right holders.



Oil Stocks and Upstream

Thank you for your attention