



***ENERGY MARKET REGULATORY AUTHORITY  
OF TURKEY***

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# **NATURAL GAS MARKET STRUCTURE**

**Natural Gas Market Implementation  
Department**

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# CONTENT

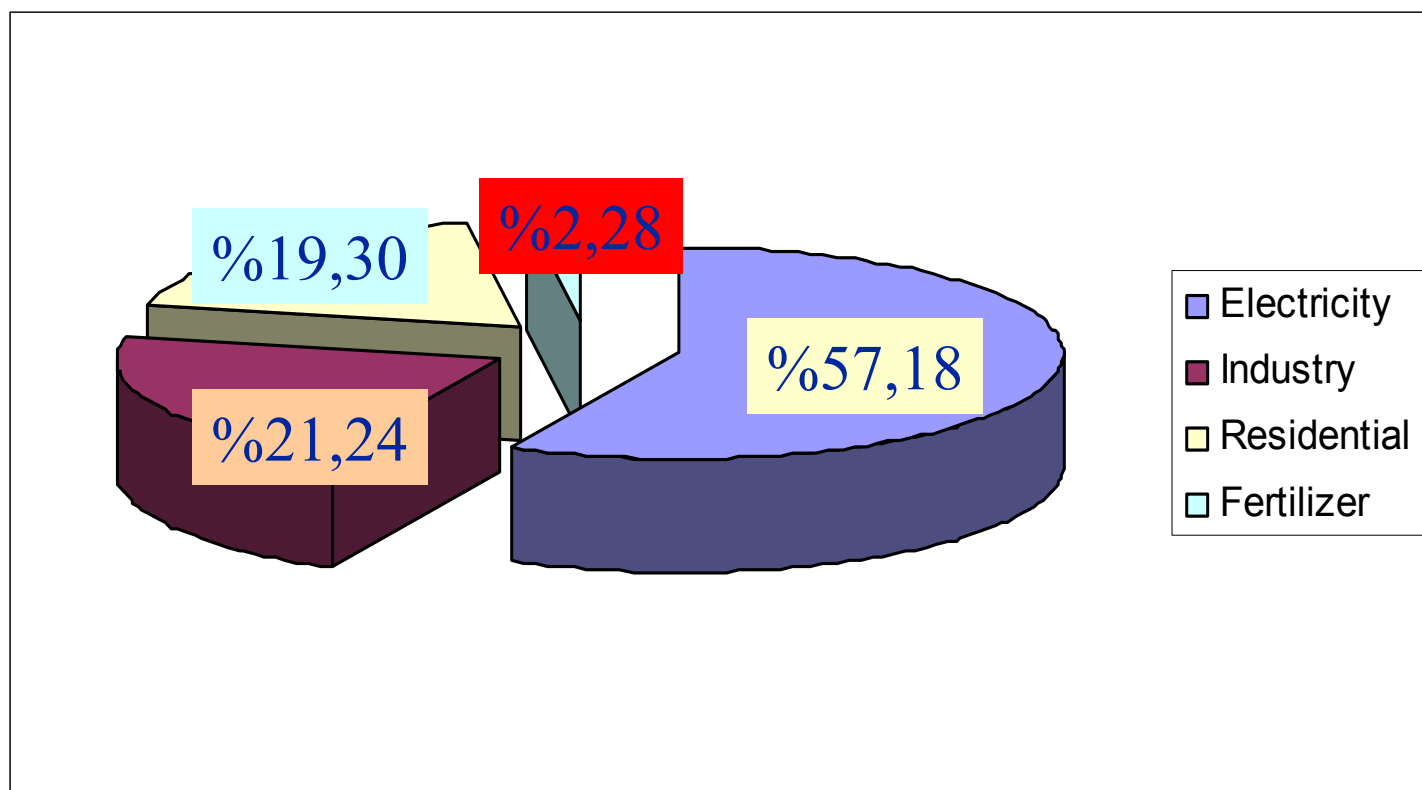
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## Turkish Natural Gas Market

- ✓ *General Information*
  - ✓ *The Natural Gas Market Law and Regulatory Process*
  - Key Issues
    - *Licensing*
    - *Tariffs*
    - *Third Party Access*
    - *Eligible Customers*
    - *Distribution License Tender*
    - *Gas Release Program*
  - ✓ *Comparison of the new structure with EU Natural Gas Directive*
  - ✓ *Final Remarks*
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## NATURAL GAS CONSUMPTION BY SECTORS (2004)

➤ 2004 annual consumption is 22,74 billion m<sup>3</sup>



➤ Total contracted natural gas amount in platou period is 67.8 BCM/year

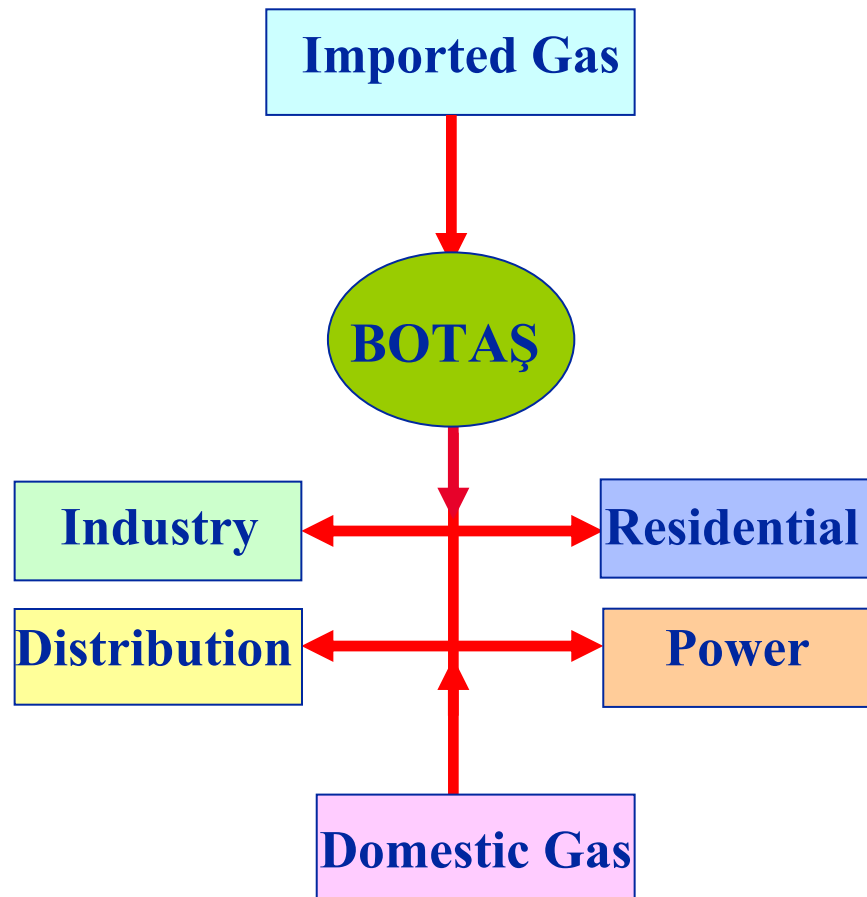
## CONTRACTS

NATURAL GAS SALE AND PURCHASE AGREEMENTS				
EXISTING CONTRACTS	QUANTITY (BCM/YEAR)	DATE OF SIGNATURE	TERM (YEARS)	STATUS
RUSSIAN FED.	6	1986	25	In Operation (1987)
RUSSIAN FED.	8	1998	23	In Operation (1998)
RUSSIAN FED.	16	1997	25	In Operation (2003)
IRAN	10	1996	25	In Operation (2001)
AZERBAIJAN	6,6	2001	15	2006
TURKMENISTAN	16	1999	30	2006
ALGERIA (LNG)	4	1988	20	In Operation (1994)
NIGERIA LNG)	1,2	1995	22	In Operation (1999)
TOTAL	67.8			

# NATURAL GAS AGREEMENTS & PIPELINES



## PREVIOUS STRUCTURE



*BOTAŞ was empowered under Decree No. 397 as a monopoly on;*

- ✓ *Import,*
- ✓ *Transmission,*
- ✓ *Sale and determination of sales prices of imported natural gas*

# TURKISH NATURAL GAS MARKET LAW

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Enactment of the Natural Gas Market Law – May 2, 2001

## Objectives;

- ★ To establish the legal framework for natural gas import, export, transmission, wholesale, city distribution, storage, and CNG sale, transmission and distribution
  - ★ To develop a fair, transparent and competitive natural gas market
  - ★ To unbundle market activities and eliminate the monopolistic structure in the market
  - ★ To create a market open to new entrants in all areas
  - ★ To ensure an independent regulatory and supervisory system in the natural gas market
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# THE REGULATORY PROCESS

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Preparation and enactment of the secondary legislation;

- ↪ *License Regulation*
- ↪ *Internal Installations Regulation*
- ↪ *Certificate Regulation*
- ↪ *Tariffs Regulation*
- ↪ *Transmission Network Operation Regulation*
- ↪ *Facilities Regulation*
- ↪ *Distribution and Customer Services Regulation*

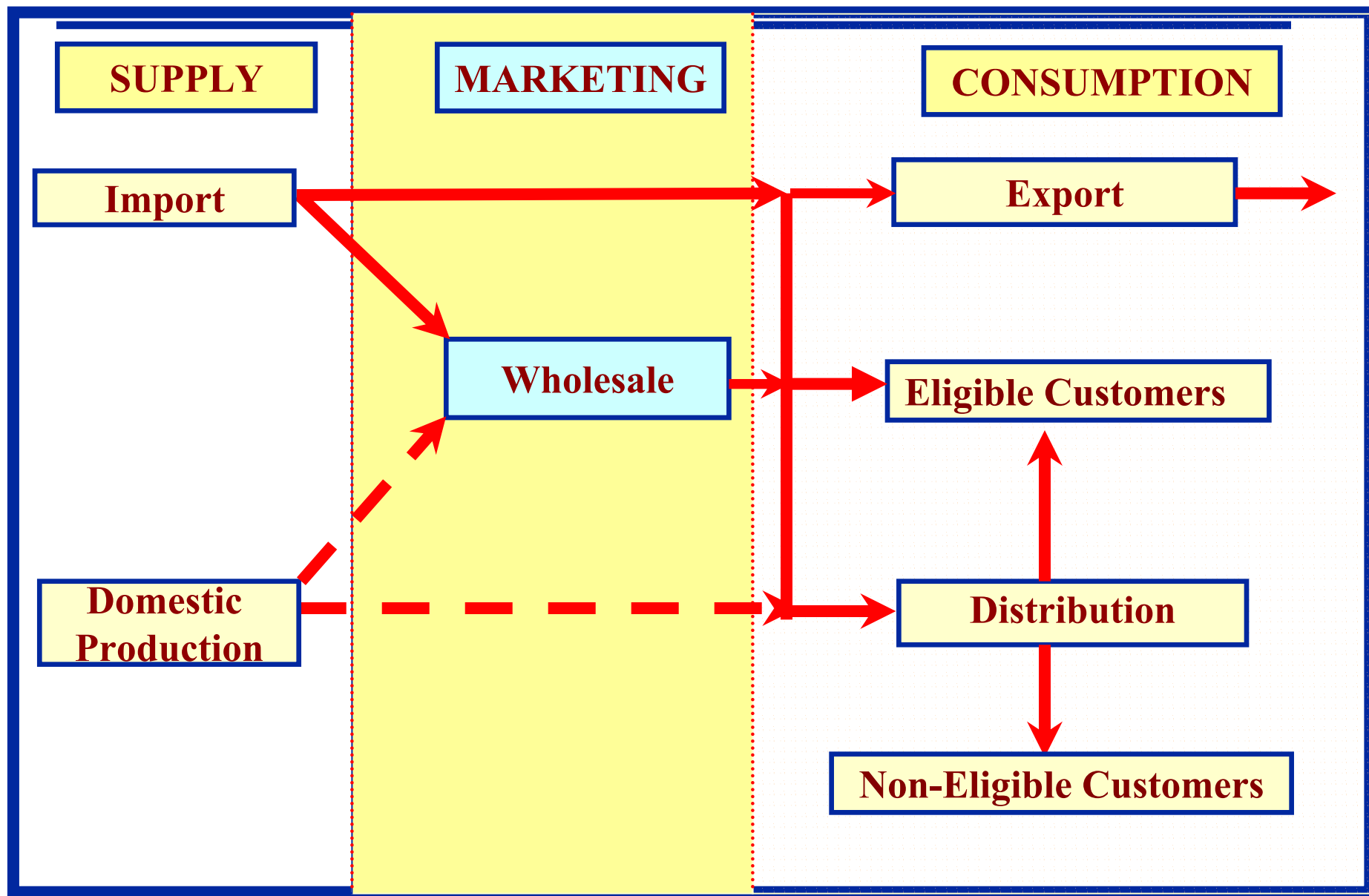
*and relevant communiqués*

Market Opening – *November 2, 2002*

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# NEW MARKET STRUCTURE



# LICENSING

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- ✓ Licenses are required in order to engage in any natural gas market activity,
- ✓ Separate licenses are required for each market activity and each facility,
- ✓ Types of Licenses
  - a) Import License*
  - b) Transmission License*
  - c) Storage License*
  - d) Distribution License*
  - e) Wholesale License*
  - f) CNG License*
  - g) Export License*

# TARIFFS

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## Types of Tariffs;

- ↪ Connection Tariffs
- ↪ Transmission & Supervision of Conveyance Tariffs
- ↪ Storage Tariffs
- ↪ Wholesale Tariffs
- ↪ Retail Sale Tariffs

*However, until sufficient competition is in place, all tariffs shall be determined by EMRA.*

*All determined tariffs are in the form of price ceilings and they are in place at the moment.*

## THIRD PARTY ACCESS

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↪ Transmission and distribution companies have an obligation to connect all users to the system.

↪ In case of rejection of access to system, EMRA's decision shall be final and binding.

↪ Transmission and distribution companies are obligated to demonstrate EMRA that their operations are cost efficient, effective and reliable.

## ELIGIBLE CUSTOMERS

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- ↪ Customers whose annual consumption is above the threshold set by the Board,
  - ↪ Companies purchasing natural gas for power generation, and
  - ↪ Domestic natural gas producers
- have the right to choose their suppliers.

## DISTRIBUTION LICENSE TENDERS

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- ↪ Distribution licenses shall be granted through a tender process.
- ↪ Prequalification shall be based on financial strength and experience of the companies.
- ↪ Evaluation shall be based on the unit service and depreciation charge for supplying one kWh natural gas to consumers.
- ↪ Licenses shall be granted for a minimum of 10 and for a maximum of 30 years.

## GAS RELEASE PROGRAM

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↪ BOTAS is required by the Law to gradually transfer its import obligations to private enterprises through a tendering process.

↪ The minimum contracted amount to be transferred by BOTAS each year is 10% of the total contracted amount as at the effective date of Natural Gas Market Law.

↪ BOTAS is required to transfer its import contracts until its market share decreases to 20% by the year 2009.

## EU NATURAL GAS DIRECTIVE VS NEW STRUCTURE (1)

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<i>issue</i>	<i>EU Natural Gas Directive</i>	<i>Natural Gas Market Legislation</i>
<b>Eligible customers &amp; market opening</b>	<b>✓ Non-Household customers by July 2004</b> <b>✓ All customers by July 2007</b>	<b>Customers whose annual consumption is above the threshold set by the Board,</b>
<b>Access to Networks (Third Party Access)</b>	<b>★ Regulated</b> <b>★ Regulated/Negotiated (for Storage)</b>	<b>★ Regulated</b>
<b>Unbundling of activities &amp; accounts</b>	<b>Seperation of activities and Accounts</b>	<b>Seperation of activities and Accounts</b>
<b>Authorisation</b>	<b>Objective and non-discriminatory</b>	<b>Objective and non-discriminatory</b>



## EU NATURAL GAS DIRECTIVE VS NEW STRUCTURE (2)

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<i>issue</i>	<i>EU Gas Directive</i>	<i>Natural Gas Market Legislation</i>
<b>Dispute Resolution</b>	<b>an independent authority (two months)</b>	<b>EMRA (one month)</b>
<b>Technical rules</b>	<b>Transparent and interoperability</b>	<b>Transparent and interoperability (ISO,EN)</b>
<b>Cross-subsidy</b>	<b>Prohibition of cross-subsidy</b>	<b>Prohibition of cross-subsidy</b>
<b>Operation of system</b>	<b>Secure, reliable, non-discriminatory and efficient</b>	<b>Secure, reliable, non-discriminatory and efficient</b>

*\*\*\*Natural Gas Market Law and relevant secondary legislation are consistent with the EU Natural Gas Directive (2003/55/EC)*

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## FINAL REMARKS

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↪ *A successful gas release program is of utmost importance for a competitive natural gas market.*

↪ *Smooth transition into a liberalized market is crucial.*

↪ *Success depends on acceptance of and support for reform by all concerned parties.*

↪ *Close cooperation and effective coordination are essential for success.*

# *ENERGY MARKET REGULATORY AUTHORITY OF TURKEY*

*[www.emra.org.tr](http://www.emra.org.tr)*

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