



ICLG

The International Comparative Legal Guide to:

Oil & Gas Regulation 2019

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A practical cross-border insight into oil and gas regulation work

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EDITORIAL

Welcome to the fourteenth edition of *The International Comparative Legal Guide to: Oil & Gas Regulation*.

This guide provides corporate counsel and international practitioners with a comprehensive worldwide legal analysis of oil and gas regulation.

It is divided into two main sections:

Two general chapters. These are designed to provide readers with an overview of key issues and developments affecting oil and gas regulation.

Country question and answer chapters. These provide a broad overview of common issues in oil and gas regulation in 28 jurisdictions.

All chapters are written by leading energy lawyers and industry specialists and we are extremely grateful for their excellent contributions.

Special thanks are reserved for the contributing editors Philip Thomson and Julia Derrick of Ashurst LLP for their invaluable assistance.

Global Legal Group hopes that you find this guide practical and interesting.

The *International Comparative Legal Guide* series is also available online at www.iclg.com.

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1 Overview of Natural Gas Sector

- 1.1 A brief outline of your jurisdiction's natural gas sector, including a general description of: natural gas reserves; natural gas production including the extent to which production is associated or non-associated natural gas; import and export of natural gas, including liquefied natural gas (LNG) liquefaction and export facilities, and/or receiving and re-gasification facilities ("LNG facilities"); natural gas pipeline transportation and distribution/transmission network; natural gas storage; and commodity sales and trading.**

The Greek demand is fully covered by imported natural gas, which is injected into the National Natural Gas Transmission System ("NNGTS"), either through entry points from Bulgaria and Turkey or through the LNG Facility on Revythoussa Island. The Alexandroupolis LNG terminal, which is due to start commercial operation in 2020, will comprise an offshore floating unit for the reception, storage and re-gasification of LNG and a transmission system shipping natural gas into the NNGTS, thus securing new natural gas quantities for the supply of the Greek and the regional SE European markets.

Natural gas transmission within the Greek territory is carried out through the NNGTS operated by the Hellenic Gas Transmission System Operator SA ("DESFA"), whereas distribution is conducted through the Natural Gas Distribution Network. Transmission systems and distribution networks can also be privately operated through an Independent Natural Gas System licence ("INGS Licence") and a Distribution Network Operation licence ("Distribution Licence"), respectively, both granted by the Greek Regulatory Authority for Energy ("RAE"). The most significant private projects in this area (both under construction) are the Trans Adriatic Pipeline AG ("TAP") which will transport natural gas from the Shah Deniz II field in Azerbaijan to Europe and the Gas Interconnector Greece-Bulgaria ("IGB Pipeline"), which will provide a direct link between the national natural gas systems of Greece and Bulgaria, acting as a strategic gas transportation infrastructure and therefore enhancing supply security to Greece.

In addition to the above developments, the Greek energy market is also undergoing restructuring changes through the privatisations programme implemented by the Hellenic Republic Asset Development Fund ("HRADF"), which has already completed a public tender for the acquisition of a 66% stake in DESFA, and is expected to launch a public tender for the privatisation of the Public Gas Corporation SA ("DEPA"). The HRADF is also due to launch

a tender for the exploitation of a natural gas storage facility in South Kavala, which, when operative, will improve the management of the natural gas suppliers' portfolio thus enhancing security of supply in Greece.

- 1.2 To what extent are your jurisdiction's energy requirements met using natural gas (including LNG)?**

Natural gas is becoming an increasingly important fuel in the Greek energy mix, rising to a share of 28% in power generation and 15% in the total primary energy supply ("TPES") in 2016.

- 1.3 To what extent are your jurisdiction's natural gas requirements met through domestic natural gas production?**

Upstream gas operations are almost non-existent, as production of natural gas is negligibly small compared to the total consumption. Thus, the country's natural gas needs are mostly covered by imported natural gas and LNG, primarily from Russia, while other large gas suppliers include Algeria and Turkey.

- 1.4 To what extent is your jurisdiction's natural gas production exported (pipeline or LNG)?**

Currently, only a small share of the imported natural gas is exported through the NNGTS to Bulgaria and Turkey and further to third countries. However, through the implementation of significant infrastructure projects, Greece is expanding its role as a gas hub for the SE Europe gas market.

2 Overview of Oil Sector

- 2.1 Please provide a brief outline of your jurisdiction's oil sector.**

Oil is the most important fuel in Greece's energy system. Although there is an increasing interest in upstream oil business, Greece currently has negligible domestic crude oil production and is largely dependent on imports, mainly from Iraq and Russia. Despite the poor oil production, export of oil products has grown, mostly thanks to Greece's strong refinery capacity.

Further, a public tender launched by the HRADF for the acquisition of a majority stake in the Hellenic Petroleum S.A. ("HELPE"), a leading company in the Greek energy sector, with activity focusing

on the supply, refining and trading of oil products, oil exploration and production, is currently under way and has attracted international energy players.

2.2 To what extent are your jurisdiction's energy requirements met using oil?

Crude oil accounts for approximately half of the country's TPES and over half of the total final consumption ("TFC").

2.3 To what extent are your jurisdiction's oil requirements met through domestic oil production?

Crude oil production in Greece, currently derived from two producing fields in the Northern Aegean Sea (Prinos) by a single oil producer, is insignificant compared to the domestic oil consumption. However, from 2012 onwards the Greek government is actively promoting the upstream oil operations.

2.4 To what extent is your jurisdiction's oil production exported?

Domestically produced oil is only used for internal needs; however, export of oil products has grown in the last years, mostly as a result of the increased refining output of imported oil performed by four oil refineries.

3 Development of Oil and Natural Gas

3.1 Outline broadly the legal/statutory and organisational framework for the exploration and production ("development") of oil and natural gas reserves including: principal legislation; in whom the State's mineral rights to oil and natural gas are vested; Government authority or authorities responsible for the regulation of oil and natural gas development; and current major initiatives or policies of the Government (if any) in relation to oil and natural gas development.

Law 2289/1995 ("Hydrocarbons Law"), which has transposed Directive 94/22/EC on the conditions for granting and using authorisations for the prospection, exploration and production of hydrocarbons, constitutes the main applicable legislation governing the development of hydrocarbons in Greece. Hydrocarbons Law was substantially amended by Law 4001/2011 ("Energy Law"), through which new practices were incorporated, aiming to create a more appealing investment climate and to attract serious investments in the oil sector.

The rights to prospecting, exploration and production of hydrocarbons that exist in onshore areas, sub-lake and submarine areas upon which the Greek State exercises sovereignty or sovereign rights in accordance with provisions of the United Nations Convention on the Law of the Sea are exclusively vested in the Greek State (Article 2, para. 1 of Hydrocarbons Law). Such rights are exercised by the Hellenic Hydrocarbon Resources Management S.A. ("HHRM"), a new State-owned company that was established by virtue of Presidential Decree ("PD") 14/2012 (Government Gazette A' 21/2012) in implementation of Articles 145–153 of Energy Law, whereas certain powers are also exercised by the Ministry of Environment, Energy and Climate Change (the "Minister").

Over the last few years, as part of its effort to secure additional revenues, the Greek government has entered into or launched tenders for the award of a number of lease agreements for the development of hydrocarbons at several offshore and onshore blocks (West Patraikos Gulf, Ioannina, Katakolo, Arta-Preveza, Aitolokarnania, North-West Peloponnese, Sea of Thrace, Ionian Sea, South West Crete and West Crete, etc.).

3.2 How are the State's mineral rights to develop oil and natural gas reserves transferred to investors or companies ("participants") (e.g. licence, concession, service contract, contractual rights under Production Sharing Agreement?) and what is the legal status of those rights or interests under domestic law?

The Greek State's oil and natural gas development rights may be granted through: (a) a lease agreement ("Lease Agreement"); or (b) a production sharing agreement ("Production Sharing Agreement") (Article 2, para. 10 of Hydrocarbons Law). Based on Article 2, para. 14 of Hydrocarbons Law, the type of agreement to be concluded is determined on a case-by-case basis through a Ministerial Decision of the Minister; however, in practice, Lease Agreements are by far the most preferred contractual type. Both types of agreements are signed by the HHRM and the contractor and are subject to the Minister's prior approval.

3.3 If different authorisations are issued in respect of different stages of development (e.g., exploration appraisal or production arrangements), please specify those authorisations and briefly summarise the most important (standard) terms (such as term/duration, scope of rights, expenditure obligations).

- i. The right of prospecting for hydrocarbons is granted through a decision issued by the HHRM. More specifically, upon the Minister's approval, the HHRM issues an invitation for submission of applications for prospecting for hydrocarbons, either following submission of application by any interested party or on the HHRM's initiative ("Prospecting Invitation"). Within the deadline set out in the Prospecting Invitation, the HHRM's prospecting licence is granted to one or more interested parties for a maximum duration of 18 months.
- ii. The exploration and production rights are granted through one of the agreements referred to in our response to question 3.2, awarded either: (a) following an invitation to tender, approved by the Minister, and published in the government gazette and the Official European Union Journal; (b) following application of an interested party for an area not included in a published invitation to tender; or (c) through an open invitation process ("open door") for the submission of interest if the area under discussion is available on a permanent basis or has been previously subjected to a tender that was not completed or has been abandoned by the contractor, if the latter has withdrawn from or terminated the respective agreement. The exploration right is granted for a maximum duration of seven years in case of onshore areas and eight years in case of offshore areas, starting in both cases from the date of execution of the relevant agreement with the Greek State, while the production stage has a maximum duration of 25 years from the date on which the contractor/lessee notifies the Greek State that it has tracked down a commercially exploitable crude oil deposit. Both stages may be extended under certain conditions provided by the same law.

3.4 To what extent, if any, does the State have an ownership interest, or seek to participate, in the development of oil and natural gas reserves (whether as a matter of law or policy)?

In case of Lease Agreements, the contractor is the exclusive owner of the extracted hydrocarbons as of the time of their extraction, while the Greek State acquires co-ownership of the extracted hydrocarbons only when lease is paid in kind. On the other hand, in the Production Sharing Agreement, the State acquires ownership of the hydrocarbons as of their extraction, while the contractor acquires ownership solely of part of the extracted hydrocarbons, namely its agreed share, as well as a quantity equal to its expenses. Further, both the Lease Agreement and the Production Sharing Agreement may provide for the State's participation in a joint venture with the contractor, both in the exploration and the production stage.

3.5 How does the State derive value from oil and natural gas development (e.g. royalty, share of production, taxes)?

The State's consideration for the oil and natural gas development rights comes under the form of royalties/lease fees under a Lease Agreement or a share in the extracted hydrocarbons under a Production Sharing Agreement. Such agreements may also provide for payment of a signature bonus, a production bonus, as well as an amount of compensation *per annum* determined by reference to the surface area used during the exploration and production stage ("surface fees").

According to Article 8 of Hydrocarbons Law, the contractor's income from the exploitation of hydrocarbons is subject to a special 20% income tax and a 5% regional tax, while being exempt from any further contributions, duties or other obligations.

3.6 Are there any restrictions on the export of production?

According to Hydrocarbons Law, the contractor is free to trade the extracted hydrocarbons either in Greece or abroad by exporting them, unless otherwise stipulated in the respective agreement.

3.7 Are there any currency exchange restrictions, or restrictions on the transfer of funds derived from production out of the jurisdiction?

As a principle, foreign exchange and movement of capital in Greece are free, deriving from the country's capacity as a Member State of the European Union and the Eurozone. However, by virtue of the Legislative Act of 18.07.2015 (Government Gazette A' 84/2015), capital controls were imposed establishing limitations on cash withdrawals and transfer of capital from Greece as an emergency measure in the midst of the financial crisis. Within this framework, most payments abroad are strictly restricted or permitted subject to a prior approval by a capital controls committee. However, Article 2, para. 4 of the PD 127/1996 provides that the funds derived from the exploitation of hydrocarbons can be freely transferred abroad. Although this provision, as *lex specialis* governing revenues from hydrocarbons, may be interpreted to constitute an exemption from the general capital controls restrictions, whether an outbound payment is permitted or not is determined on a case-by-case basis by the competent committee. Nevertheless, transfer-of-funds restrictions are gradually being loosened, while the Greek Government is planning to completely abolish capital controls in 2019.

3.8 What restrictions (if any) apply to the transfer or disposal of oil and natural gas development rights or interests?

According to Article 7, para. 4 *et seq.* of the Hydrocarbons Law, transfer by the contractor of its contractual rights and obligations to a third party is subject to the HHRM's and Minister's written consent. The State may refuse to grant its consent for national security reasons arising from the nationality and the financial and technical capability of the third party. A pre-emption right is granted to the State in case of substitution of the contractor or transfer of its shares, including in case of transfer of any affiliate company controlling the contractor. Further, provided that the contractor remains jointly liable with the transferee, the contractor may transfer its contractual rights and obligations to an affiliate enterprise, subject to the HHRM's and Minister's written consent. Subject to the State's pre-emption right, where the contractor is a joint venture, its members may transfer their rights and obligations to each other, upon written consent of the State and approval by the Minister.

3.9 Are participants obliged to provide any security or guarantees in relation to oil and natural gas development?

The Prospecting Invitation specifies the amount of the performance guarantee to be provided by the interested party, which must be issued by a credit institution lawfully operating in the European Union. Likewise, under the Lease Agreements, the contractor must provide a letter of guarantee issued by a first-class bank lawfully operating in the European Union, the form and terms of which are substantially stipulated in the Lease Agreement. The amount of such guarantee is determined on a case-by-case basis, in principle calculated on the basis of the minimum expenditure requirement and gradually reduced by the amounts of actual expenditure incurred by the contractor.

3.10 Can rights to develop oil and natural gas reserves granted to a participant be pledged for security, or booked for accounting purposes under domestic law?

Please refer to the restrictions described in our response to question 3.8 above.

3.11 In addition to those rights/authorisations required to explore for and produce oil and natural gas, what other principal Government authorisations are required to develop oil and natural gas reserves (e.g. environmental, occupational health and safety) and from whom are these authorisations to be obtained?

The most significant permits/licences that might be required for the exploration and production of oil or natural gas are the following:

- (a) an Environmental Terms Approval, incorporating forest intervention and antiquities authorisation (if applicable) issued by the Minister (Article 2 of Law 4014/2011 in combination with Ministerial Decision No. 37674/2016 (Government Gazette B' 2471/10.08.2016));
- (b) a building permit issued by the competent municipal construction units (Article 29, para. 1 of Law 4495/2017);
- (c) an installation and operation licence (Article 6, para. 1 (b) of Hydrocarbons Law and Law 3982/2011);
- (d) a forest area designation decision issued by the competent Decentralised Administration (Law 998/1979 as amended in force); and

- (e) a Seveso III registration with the Minister (Joint Ministerial Decision 172058 (Government Gazette B' 17/2.2016)), transposing Directive 2012/18/EU.

3.12 Is there any legislation or framework relating to the abandonment or decommissioning of physical structures used in oil and natural gas development? If so, what are the principal features/requirements of the legislation?

According to Article 5, paras 6 and 14 of Hydrocarbons Law, the contractor is free to waive any prospecting, exploration and production rights granted thereto through an authorisation or a Lease Agreement/Production Sharing Agreement, respectively, under the specific terms of such agreement. Based on Article 6, para. 7 of Hydrocarbons Law, any equipment and materials from any unusable facilities can be sold by the contractor, subject to a relevant notification to the HHRM. Further to the above, upon completion of the production phase, the contractor must return to the State any blocks used, free of any encumbrances, in clean and environmentally safe condition (Article 10 of Hydrocarbons Law).

3.13 Is there any legislation or framework relating to gas storage? If so, what are the principal features/requirements of the legislation?

Under Article 6, para. 1 (b) of Hydrocarbons Law, the contractor may construct hydrocarbon storage tanks, following an installation and operation permit issued by the Minister, which, in case of offshore facilities, is subject to the prior approval by the Minister of National Defence and the Minister of Shipping and Island Policy. The above permit requires the prior issuance of an Environmental Terms Approval under Law 4014/2011, while for storage facilities falling under the provisions of Law 4495/2017, a building permit may also be required.

3.14 Are there any laws or regulations that deal specifically with the exploration and production of unconventional oil and gas resources? If so, what are their key features?

The Greek energy legislation does not include any specific provisions on unconventional oil and gas production. However, Hydrocarbons Law was amended in 2011 to allow conduct of non-exclusive seismic surveys, as part of the prospecting phase, thus incorporating a practice that has been successfully followed for more than a decade by other European oil-producing States.

4 Import / Export of Natural Gas (including LNG)

4.1 Outline any regulatory requirements, or specific terms, limitations or rules applying in respect of cross-border sales or deliveries of natural gas (including LNG).

Any activity of import or export of natural gas is not subject to any licensing requirements and thus is freely exercised (Article 81 of Energy Law), subject to the obligation to obtain a supply licence for the sale of natural gas to end customers in Greece (please refer to our relevant response in question 8.1 below).

5 Import / Export of Oil

5.1 Outline any regulatory requirements, or specific terms, limitations or rules applying in respect of cross-border sales or deliveries of oil and oil products.

Cross-border sales and deliveries of oil and oil products are not subject to any restrictions. However, the Lease Agreements or the Production Sharing Agreements may provide that in the event of a state of emergency, the contractor is obliged to sell any hydrocarbons produced to the State.

6 Transportation

6.1 Outline broadly the ownership, organisational and regulatory framework in relation to transportation pipelines and associated infrastructure (such as natural gas processing and storage facilities).

The NNGTS transports gas from the Greek-Bulgarian border (upstream TSO BULGARTRANGAZ) and the Greek-Turkish border (upstream TSO BOTAS) to consumers in continental Greece. Pursuant to Article 67, para. 1 of Energy Law, the NNGTS comprises the main gas transmission pipeline and its branches, together with any future extensions thereof, the border metering and regulating stations, compression stations, operation and maintenance centres, the LNG terminal of Revithousa and any other ancillary facilities. The responsibility for the operation of the NNGTS is vested into DESFA, the latter also being responsible for the maintenance, management, exploitation and development of the entire system (Article 67, para. 4 of Energy Law). Currently there is no operating INGS in Greece; however, INGS Licences have been issued for the Greek parts of the IGB Project and TAP, in expectation of their commercial operation.

Transportation of oil in Greece is mainly carried out by oil tankers and tanker trucks and less by cargo trains. Pipeline transmission is very limited, as there are only two oil pipelines currently operating in Greece: a 220 km pipeline stretching from Thessaloniki to a refinery (OKTA) in FYROM owned by HELPE and a shorter pipeline in Attica connecting the Aspropyrgos refinery with the Athens International Airport, owned by the airport together with HELPE and Motor Oil Hellas.

6.2 What governmental authorisations (including any applicable environmental authorisations) are required to construct and operate oil and natural gas transportation pipelines and associated infrastructure?

In addition to the licences/authorisations mentioned in our response to question 3.11 above (environmental terms approval, installation and operation licence, building permit, Seveso III registration), the following permits are required:

- (i) The right to construct an INGS and ownership thereof are granted through an INGS Licence issued by RAE pursuant to Article 74 of Energy Law. According to Article 77 of Energy Law, the right to operate and exploit an INGS is granted through an INGS Operation Licence, also issued by RAE. Further, transmission system operators ("TSOs") operating within the Greek territory are subject to the unbundling

rules set out under Article 62 of Energy Law and Article 9 of Directive 2009/73/EU (“**Gas Directive**”), thus being under the obligation to be certified by RAE as independent system operators (Article 64 of Energy Law). The specific requirements and the licensing procedure are in detail regulated by Ministerial Decision 178065/17.08.2018 (the “**Natural Gas Licensing Regulation**”).

- (ii) The right to transfer oil through a pipeline is granted through a relevant licence (“**Oil Pipeline Transmission Licence**”), according to Article 8 of Law 3054/2002.

6.3 In general, how does an entity obtain the necessary land (or other) rights to construct oil and natural gas transportation pipelines or associated infrastructure? Do Government authorities have any powers of compulsory acquisition to facilitate land access?

Pursuant to Articles 165–172 and 173, paras. 1, 174 and 175 of Energy Law regulating the route and establishment of a gas pipeline, a decision of the Minister defining the route of the pipeline is required. The procedure to be followed depends on the nature of the owners of the relevant land. More specifically, in case of privately owned land or land owned by municipalities, land owners are under the obligation to provide an easement right (Articles 165–169 and 170 of Energy Law), subject to the payment of a compensation, while any communal spaces are made available by the Greek State at no consideration (Article 170 of Energy Law). In case the realisation of the project needs seaside or seabed access, concession of such spaces can be granted through a joint ministerial decision issued according to Article 173, para. 1 of Energy Law. The consideration for the above easement rights, where applicable, is determined through a decision of the competent Decentralised Administration (Article 166, para. 4 of the Energy Law). Further to the above, pursuant to Article 171 of Energy Law, if any expropriation is found to be necessary for the construction of a gas pipeline, as well as the necessary buildings of mechanical installations, the expropriation shall then be effected exclusively to the benefit of the State, with the latter in turn granting an access right to the project entity, in accordance with Laws 797/1971 and 2882/2001.

Article 1 of Law 367/1976 provides that the land required for the construction of an oil pipeline can be expropriated in accordance with Laws 797/1971 and 2882/2001.

6.4 How is access to oil and natural gas transportation pipelines and associated infrastructure organised?

As provided for under Article 68 of Energy Law, DESFA, in its capacity as the owner and operator of the NNGTS, may enter into gas transmission services agreements, LNG facility usage agreements (for the use of Revithousa terminal) and agreements for the use of storage facility with third parties (“**Users**”). As per Article 72 of Energy Law, in order for any person to be able to enter into transmission agreements with DESFA, registration with the NNGTS Users Registry kept by RAE is required. The registration requirements, the process and the relevant documentation are regulated by the Natural Gas Licensing Regulation and the NNGS Users Registry Regulation (Ministerial Decision No. Δ1/A/5816/2010 Government Gazette B’ 451/2010). Please refer to our response in question 6.6 below for the Third-Party Access regime applying in the NNGTS.

Similarly, pursuant to Article 10 of Law 3052/2002, third parties are granted access to Oil Transmission Pipelines and storage facilities on a compulsory basis.

6.5 To what degree are oil and natural gas transportation pipelines integrated or interconnected, and how is co-operation between different transportation systems established and regulated?

Based on Article 79 of Energy Law, the interconnection of an INGS with the NNGTS or other transmission systems is regulated through each INGS’s Operation Code. Further, the NNGTS is interconnected with the distribution network, through which gas is transferred to end users. On the other hand, oil pipelines interconnections are not regulated under Greek law, while the existing oil pipelines are not interconnected with other transportation facilities.

6.6 Outline any third-party access regime/rights in respect of oil and natural gas transportation and associated infrastructure. For example, can the regulator or a new customer wishing to transport oil or natural gas compel or require the operator/owner of an oil or natural gas transportation pipeline or associated infrastructure to grant capacity or expand its facilities in order to accommodate the new customer? If so, how are the costs (including costs of interconnection, capacity reservation or facility expansions) allocated?

EU internal market regulation typically requires gas TSOs, LNG system operators, and operators of storage facilities to grant energy companies non-discriminatory access to their infrastructure, as per Article 32 of the Gas Directive (“**Third-Party Access**” or “**TPA**”). However, according to Article 36, para. 1 of the Gas Directive and Article 16 of Energy Law, major new gas infrastructure may, upon request and by way of a RAE’s decision, be exempted, for a defined period of time, from the TPA obligation, in accordance with the procedure and preconditions provided for under Article 36 of the Gas Directive.

Under Article 10, para. 3 of Law 3054/2002, the holders of an Oil Pipeline Transmission Licence are obliged to grant Third-Party Access to their pipeline, as well as to storage facilities, the terms of which are not regulated and thus left to the parties’ free negotiations.

6.7 Are parties free to agree the terms upon which oil or natural gas is to be transported or are the terms (including costs/tariffs which may be charged) regulated?

Natural gas transmission agreements entered into with the NNGTS are based on pre-approved RAE and mandatory templates; currently the fourth revision of the standard framework agreement approved through RAE’s Decision No. 507/2018 (Government Gazette B’ 2473/27.06.2018) is applicable. The charges applying to users for accessing the NNGTS are calculated based on a list of tariffs published by DESFA, which in turn is determined in accordance with the Tariffs Regulation of NNGTS Basic Operation (Government Gazette B’ 3720/20.10.2017) and the Approval of NNGTS Usage Tariffs (Government Gazette B’ 3513/01.11.2016).

Unlike with the gas sector, the contractual and commercial arrangements of the Third-Party Access to oil pipelines are left to the parties’ negotiations, which, however, shall take place in good faith and subject to the principles of non-discrimination and fair competition (Article 10 of Law 3052/2002).

7 Gas Transmission / Distribution

7.1 Outline broadly the ownership, organisational and regulatory framework in relation to the natural gas transmission/distribution network.

Following recent unbundling of the supply and distribution activities, currently, the distribution of natural gas is carried out by the three newly established natural gas distribution companies (“EDAs”), each of which is responsible for the operation of a geographically divided distribution network, namely Attica, Thessaloniki and Thessaly and rest of Greece (Article 80A of Energy Law). Ownership of the existing distribution network lies with DEPA, while, pursuant to Article 80B of Energy Law, any new expansions of the distribution network will be the respective EDA’s property. A privatisation process is expected to be launched in 2019 for the majority stake in DEPA, sole shareholder of EDA Rest Greece and majority shareholder of the Attica and Thessaloniki/Thessaly EDAs (the remaining stakes belong to private investors).

7.2 What governmental authorisations (including any applicable environmental authorisations) are required to operate a distribution network?

A Distribution Licence is required for the construction of a distribution network and a Natural Gas Distribution Network Operation Licence must be obtained for the operation and commercial exploitation of such network (Article 80, para. 2 of Energy Law, Article 28 of the Licensing Regulation); both licences are issued by RAE.

Depending on the specific technical conditions, construction of a distribution network may be subject to environmental, building and installation/operation licensing.

7.3 How is access to the natural gas distribution network organised?

As provided for under Article 80 of Energy Law and the Distribution Network Code (RAE’s Decision No. 298/2018, Government Gazette B’ 1507/02.05.2018), third parties may gain access to the distribution networks by entering into a distribution services agreement with the EDAs. As with the NNGTS, registration with RAE’s NNGTS Users Registry is a prerequisite for accessing the distribution networks as well. As per Article 32 of the Gas Directive, the Third-Party Access regime described in our response to question 6.6. above applies for distribution networks as well.

7.4 Can the regulator require a distributor to grant capacity or expand its system in order to accommodate new customers?

Pursuant to Article 58 of the Distribution Network Code, the distribution networks are expanded or upgraded according to a five-year development plan, issued by RAE, following proposal of each EDA. Such development plan is subject to mandatory online public consultation, while the operators shall prepare the development plans taking into account the needs and relevant request of the end customers.

7.5 What fees are charged for accessing the distribution network, and are these fees regulated?

The charges applying to users for accessing the distribution networks are regulated by RAE through a Tariffs Regulation (currently RAE’s Decision No. 328/2016) and separate Usage Tariffs issued for each of the EDAs.

7.6 Are there any restrictions or limitations in relation to acquiring an interest in a gas utility, or the transfer of assets forming part of the distribution network (whether directly or indirectly)?

In line with the EU energy regulation, the Greek distribution network operators are subject to strict unbundling rules, as described in Article 80, para. 5 *et seq.* of Energy Law. Pursuant to Article 18, para. 8 and Annex 1 of Section II of the Natural Gas Licensing Regulation, distribution network operators are under the obligation to notify RAE of any intended change in their shareholding and to submit an application for the amendment of their respective licence once such change is effected.

8 Natural Gas Trading

8.1 Outline broadly the ownership, organisational and regulatory framework in relation to natural gas trading. Please include details of current major initiatives or policies of the Government or regulator (if any) relating to natural gas trading.

In principle, any activity of sale, purchase, import or export of natural gas is not subject to any licensing requirement and thus such transactions are freely carried out (Article 81 of Energy Law). A supply licence issued by RAE is only required for the supply of natural gas to end customers; thus wholesale trading is not regulated, although RAE can impose restrictions on the supply of natural gas by wholesale customers in order to ensure supply of security and fair competition.

8.2 What range of natural gas commodities can be traded? For example, can only “bundled” products (i.e., the natural gas commodity and the distribution thereof) be traded?

As a principle, natural gas is freely traded in Greece, subject to licensing requirements (supply licence, where applicable) and the ownership unbundling rules, set out in Energy Law and the Gas Directive.

9 Liquefied Natural Gas

9.1 Outline broadly the ownership, organisational and regulatory framework in relation to LNG facilities.

The LNG terminal of Revithoussa Island is part of the NNGTS and thus owned and operated by DESFA, as provided for under Article 67, para. 1 of Energy Law. The Alexandroupolis LNG terminal, currently under development by GASTRADE S.A., a private utility company, once completed will be the second LNG terminal operating in Greece.

9.2 What governmental authorisations are required to construct and operate LNG facilities?

Construction and operation of LNG facilities in Greece are subject to issuance of an INGS Licence (Article 74 of Energy Law) and an INGS Operation Licence, respectively, both issued by RAE. In general, the licensing requirements are the same as for the transmission systems, as outlined in our response to question 6.2 above.

9.3 Is there any regulation of the price or terms of service in the LNG sector?

The charges applying to users for accessing the LNG facilities of Revithousa are regulated through the NNGTS tariffs, as described in our response to question 6.7 above. Other than that, charges for Third-Party Access to INGS LNG facilities are pre-determined by the relevant independent TSO and applied in the terminal usage agreements entered into with the terminal users (Article 78 of Energy Law).

9.4 Outline any third-party access regime/rights in respect of LNG facilities.

As per Article 32 of the Gas Directive, a Third-Party Access regime, as outlined in our response to question 6.6, applies to LNG facilities as well.

10 Downstream Oil

10.1 Outline broadly the regulatory framework in relation to the downstream oil sector.

According to Article 4 of Law 3054/2002 and Ministerial Decision 16570/2005 (“Oil Licensing Regulation”), the activities of oil refining, wholesale and retail trading, transportation through pipeline and liquid gas bottling are regulated and a relevant licence needs to be acquired, while the importers of crude oil are subject to certain security stock obligations, as in detail prescribed under Article 12 of Law 3054/2002.

10.2 Outline broadly the ownership, organisation and regulatory framework in relation to oil trading.

Pursuant to Article 6 of Law 3054/2002 and the Oil Licensing Regulation, a wholesale trading licence is granted to companies limited by shares (*Société Anonyme*), limited liability companies or Private Companies (“IKE”) or companies operating under any equivalent form in an EU Member State. Based on the same provisions, certain minimum share capital and storage capacity requirements must be met in order for such licence to be issued.

11 Competition

11.1 Which governmental authority or authorities are responsible for the regulation of competition aspects, or anti-competitive practices, in the oil and natural gas sector?

The Hellenic Competition Commission (the “HCC”) is the

Greek independent authority empowered with the administrative enforcement of Law 3959/2011 (“Competition Law”), for all fields of commercial activity.

11.2 To what criteria does the regulator have regard in determining whether conduct is anti-competitive?

Pursuant to Articles 1 and 2 of Competition Law, anti-competitive behaviours (such as prices/bid rigging, cartels, implementation of restrictions or controls on the production, trading, technological development or investments, unfair allocation of markets or sources of supply, and trading on unequal commercial terms) and abuse of dominant position, accordingly, are strictly prohibited.

11.3 What power or authority does the regulator have to preclude or take action in relation to anti-competitive practices?

As regards undertakings, the HCC has extensive investigative powers, including access to information, interrogation procedures, on-site investigations without prior notice, while heavy administrative fines can be imposed on entities infringing the Competition Law or obstructing the HCC’s procedures.

11.4 Does the regulator (or any other Government authority) have the power to approve/disapprove mergers or other changes in control over businesses in the oil and natural gas sector, or proposed acquisitions of development assets, transportation or associated infrastructure or distribution assets? If so, what criteria and procedures are applied? How long does it typically take to obtain a decision approving or disapproving the transaction?

Transactions subject to anti-trust clearance are those that qualify as “concentrations” and meet certain turnover thresholds, as set out in Regulation (EC) No. 139/2004 (“ECMR”) and the Competition Law, respectively. As stipulated under Article 6, para. 1 of the Competition Law, all concentrations of undertakings are subject to preliminary control and shall be notified to the HCC within 30 days of: (i) the conclusion of the agreement; (ii) the announcement of the offer to buy or exchange; or (iii) the undertaking of an obligation for the acquisition of a controlling interest, in any case where the total worldwide turnover of the undertakings concerned amounts to at least 150,000,000 Euros, and each of at least two of the undertakings involved separately achieves a turnover exceeding 15,000,000 Euros in the Greek market. The duration of the procedure before the HCC depends on the level of complication of each transaction; in practice, transactions raising no competition concerns are fairly swiftly cleared.

12 Foreign Investment and International Obligations

12.1 Are there any special requirements or limitations on acquisitions of interests in the natural gas sector (whether development, transportation or associated infrastructure, distribution or other) by foreign companies?

In principle, no nationality restrictions apply for the issuance of INGS Licences, INGS Operation Licences, Natural Gas Distribution Licences, Natural Gas Distribution Network Operation

Licences, and natural gas supply licences or for obtaining access to the NNGTS or the country's distribution networks. However, a special (stricter) process is followed for the unbundling certification of non-EU TSOs, as per Article 11 of the Gas Directive and Article 65 of Energy Law.

12.2 To what extent is regulatory policy in respect of the oil and natural gas sector influenced or affected by international treaties or other multinational arrangements?

As an EU Member State, Greece is actively promoting energy reforms, particularly by transposing the provisions of the third EU Energy Package for the liberalisation of electricity and natural gas markets. Further, Greece is a signatory to a number of international treaties and conventions of relevance to the oil and gas industry, most notably the Energy Charter Treaty ("ECT"), and the International Convention for the Prevention of Pollution from Ships ("MARPOL").

13 Dispute Resolution

13.1 Provide a brief overview of compulsory dispute resolution procedures (statutory or otherwise) applying to the oil and natural gas sector (if any), including procedures applying in the context of disputes between the applicable Government authority/regulator and: participants in relation to oil and natural gas development; transportation pipeline and associated infrastructure owners or users in relation to the transportation, processing or storage of natural gas; downstream oil infrastructure owners or users; and distribution network owners or users in relation to the distribution/transmission of natural gas.

According to Article 10, para. 13 of Hydrocarbons Law, all disputes among the parties related either to the performance of the terms of the hydrocarbons Lease Agreements or arising from non-contractual liability are excluded from the scope of court proceedings before both Greek and foreign courts. Such disputes shall mandatorily be settled through arbitration, either according to Law 2735/1999 for international commercial arbitration or any other internationally recognised arbitration system, such as the International Chamber of Commerce ("ICC"), the London Court of International Arbitration or the Arbitration Institute of the Stockholm Chamber of Commerce. The seat of arbitration shall be Athens and the proceedings shall be carried out in Greek. However, in the latest Lease Agreements entered into between the State and private investors, an alternative dispute resolution mechanism has been implemented, according to which, a number of serious disputes between the parties are referred to a sole expert, while such expert's decision is subsequently subject to appeal through arbitration.

Any gas-related disputes between energy players and customers can be settled through arbitration before RAE's arbitration board, in accordance with Article 37 of Energy Law. Under Articles 106–108 of the NNGTS Operation Code, any disputes between DESFA and NNGTS Users are resolved by a technical expert and, ultimately, by the Courts of Athens. Pursuant to Article 6 of the Distribution

Network Code, any disputes between the distribution network users and operators are settled either before RAE or through the arbitration procedure established under Article 37 of Energy Law.

13.2 Is your jurisdiction a signatory to, and has it duly ratified into domestic legislation: the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards; and/or the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ("ICSID")?

Greece is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, ratified by Legislative Decree 4220/1961, as well as to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ("ICSID"), ratified by Law 608/1968.

13.3 Is there any special difficulty (whether as a matter of law or practice) in litigating, or seeking to enforce judgments or awards, against Government authorities or State organs (including any immunity)?

Pursuant to Article 94, para. 4 of the Greek Constitution, judgments and awards shall be enforced against the State, local authorities and public entities. The relevant procedure is governed by Law 3068/2002, as amended and in force, as well as the Greek Code of Civil Procedure. However, it is noted that judgments can be enforced only against private (not public, e.g. public buildings) assets of the Greek State.

13.4 Have there been instances in the oil and natural gas sector when foreign corporations have successfully obtained judgments or awards against Government authorities or State organs pursuant to litigation before domestic courts?

We are not aware of any such notable cases.

14 Updates

14.1 Please provide, in no more than 300 words, a summary of any new cases, trends and developments in Oil and Gas Regulation Law in your jurisdiction.

The newly amended NNGTS Operation Code (fourth revision), aiming to further increase the liquidity of the Greek natural gas market, enabled full compliance with EU Regulation 459/2017 establishing a network code on capacity allocation mechanisms. Following this regulatory introduction, as of July 1st of 2018, NNGTS maintains a fully operational Virtual Trading Point, as specified in Article 20K of the NNGTS Operation Code. With the activation of the Virtual Trading Point, natural gas traders not involved in physical trading are offered for the first time the possibility to operate in the Greek market, since it is now possible to get involved in natural gas transactions, irrespective of whether they have contracted capacity at entry/exit points or not.



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Yannis has a wide-ranging transactional practice which encompasses complex privatisations, public and private project developments and mergers and acquisitions, with an expertise in the infrastructure, energy, finance, utilities, telecommunications and transport sectors. Yannis' vast experience in privatisations reaches back to his time as Special Secretary for Privatisations at the Ministry of Finance, in which capacity he managed the sale of numerous State-owned companies, notably public utilities. Since joining the Firm, he has been involved in high-profile privatisations of grid operators, motorways, ports, airports and railways. Yannis is an expert in energy law, advising on the structuring, development, financing and implementation of transactions and projects in the conventional and renewable energy sectors. He advises extensively on legislative risk and compliance and counts leading energy companies, international investors, financiers and Government bodies among his clients. Yannis advises both privately- and State-owned entities and consortiums on project financings and public-private partnerships, with a specialisation in documenting and negotiating concession contracts. He also advises on the regulatory framework for the assignment of public contracts by way of tenders and for developing projects and public-private partnerships.



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