



SCREENING CHAPTER 15 ENERGY

AGENDA ITEM: HYDROCARBONS-OIL

Liquefied Petroleum Gas (LPG) Market Law

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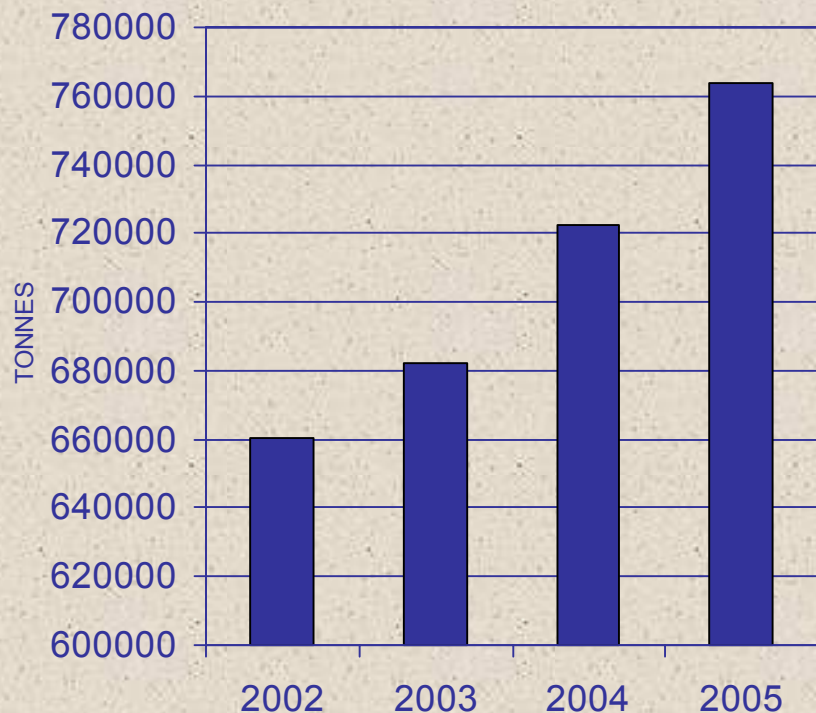
- Overview
- Legal Framework



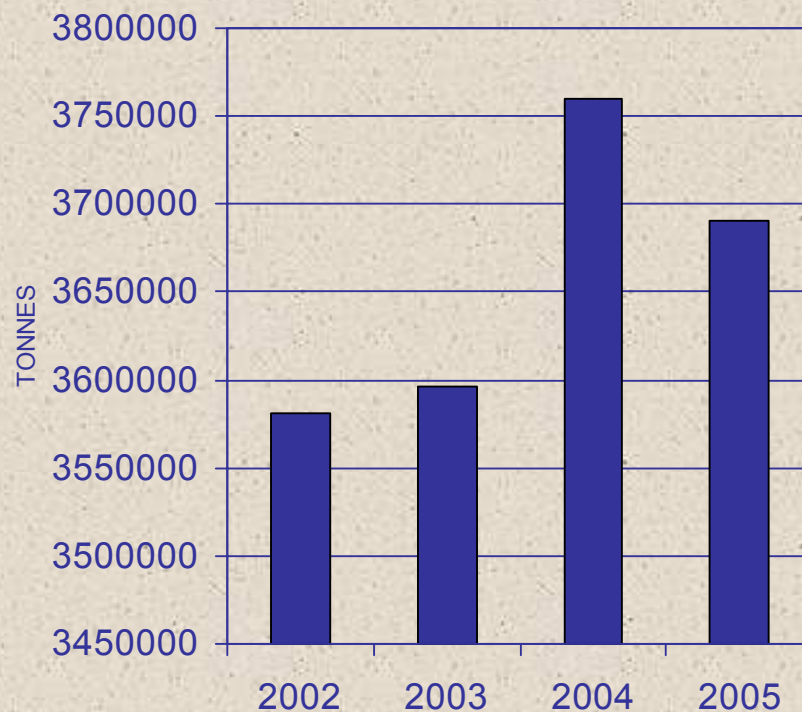
Liquefied Petroleum Gas (LPG) Market Law

OVERVIEW

LPG PRODUCTION



LPG CONSUMPTION



Source: EMRA, 2006

LEGAL FRAMEWORK

- **Law No.5307 on Liquefied Petroleum Gas (LPG) Market**
(Official Gazette: 13 March 2005, no. 25754)
 - By-Law on Liquefied Petroleum Gas Market Licenses
 - By-Law on Liquefied Petroleum Gas Market Audit and Surveillance
 - By-Law on Liquefied Petroleum Gas Market, Training
 - By-Law on Liquefied Petroleum Gas Market, Authorized Manager



Law No.5307 on Liquefied Petroleum Gas (LPG) Market

Objective and Scope (Article 1)

Objective

- regulate the guidance,
- surveillance and supervision activities in order to ensure the transparent, non-discriminatory and stable performance of market activities pertaining to the delivery of petroleum supplied from domestic and foreign resources to consumers in a reliable, cost-effective manner within a competitive environment.

Scope

- distribution, transportation, storage, trade of LPG.
- rights and obligations of all real and legal persons relating to these activities.



Law No.5307 on LPG Market (CONT'D)

DEFINITIONS (Article 2)

- License Holders: real or legal persons (except for LPG in cylinders)
- Distribution undertaking
 - distribute LPG
 - may perform storage, filling and transportation activities
- Distribution
 - supply activities of LPG
 - all the sales to cylinder users, autogas users, bulk LPG users and vendors,
- Market activities: import, export, storage, transportation, distribution vendor activity of liquefied petroleum gas



Law No.5307 on LPG Market (CONT'D)

PRINCIPLES OF LICENSES (Article 3)

- It is obligatory to obtain a license in order to perform
 - distribution,
 - transportation,
 - autogas vendoring activities (except bottled LPG vendors)
 - storage
 - manufacturing of LPG cylinders, filling, examining, repairing
 - establishing and/ operating facilities for the aforesaid activities.



Law No.5307 on LPG Market (CONT'D) PRINCIPLES OF LICENSES (CONT'D)

- In granting licenses,
 - the technology,
 - quality,
 - safety,
 - sustainability of the enterprise and serviceshall be taken into account with respect to market entry.
- The Authority shall be authorized to enact regulations
 - the scope of the activities and/or operations requiring licenses,
 - the rights and liabilities as per the license,
 - limitations on activities within the scope of the license,
 - determination of special terms and conditions regarding the performance of the activity.



Law No.5307 on LPG Market (CONT'D)

PRINCIPLES OF LICENSES (CONT'D)

- Procedures and principles pertaining to licenses shall be regulated by the regulations to be issued by the Authority
 - Procedures for application, evaluation, and granting of licenses
 - Classification terms for licenses
 - Processes for class changes in licenses
 - Minimum qualifications
 - Necessary records and notification liabilities,
 - Sub-titles of activities and their definitions,
 - Consumer's rights,
 - Subjects to be included in the license,
 - Guidance, surveillance, audit and related issues of the market activities



Law No.5307 on LPG Market (CONT'D)

BASIC RIGHTS AND LIABILITIES OF LICENSEES (Article 4)

- Rights
 - The license shall convey the rights to the holder to perform activities
 - included in the license and enter into commitments.
- Import in specialized customs
 - Refinery holders
 - Distributor license holders



Law No.5307 on LPG Market (CONT'D) BASIC RIGHTS AND LIABILITIES OF LICENSEES (CONT'D)

- Liabilities
 - Act in accordance with the commercial and technical legislation,
 - Take necessary measures to prevent environmental risks,
 - Notify all related condition to public authorities
 - Insurance and financial responsibility
 - Compensate any loss or damage
 - Notify information
 - Employ a responsible manager at filling stations and autogas stations.
 - Supply LPG in accordance with the technical standards
 - Employ certificated personnel
 - Non discrimination.



Law No.5307 on LPG Market (CONT'D) PRODUCTION AND DISTRIBUTION (Article 5)

Production

- Refinery Licence Holders (According to Petroleum Market Law)

Distribution

- Distributor Licence Holders may sell
 - bulk LPG to end-users,
 - bottled LPG to end-users,
 - auto gas LPG to vehicle
 - bulk LPG to other Distributor Licence Holders
- Distributor Licence Holders
 - transport LPG
 - fill LPG
 - storage LPG



Law No.5307 on LPG Market (CONT'D) PRODUCTION AND DISTRIBUTION (CONT'D)

- Distributor Licence Holders shall have
 - storage facilities,
 - filling stations
 - LPG bottled
 - at least 20 times more amount of LPG in their storage than their average daily supply
- Restriction of 45% market share for ‘Distributor Licence Holders’
- If the distributor license owner has only one filling and storage facility , it shall distribute LPG autogas within its own and neighbour provinces where the facility exists.



Law No.5307 on LPG Market (CONT'D)

TRANSPORTATION, STORAGE, FILLING, BOTTLE MANUFACTURING, BOTTLE INSPECTION, REPAIR AND MAINTENANCE (Article 6)

- The Authority determines the assessment criteria for the licenses, which will be granted for the performance of transportation, storage and filling activities of bulk LPG, autogas LPG, and also determines the technical and financial provisions that necessitate the grant of the license.

AUTOGAS LPG VENDORS (Article 7)

- Autogas LPG vendors are liable;
 - to sign contract with only one distributor,
 - to obtain the others necessary licenses,
 - to supply LPG to the vehicles
 - not to fill or sell LPG cylinders at autogas stations
 - to place the trademark and the logo of the distributor
 - to employ an “Authorized Manager” at the station.



Law No.5307 on LPG Market (CONT'D)

BOTTLED LPG VENDORS (Article 8)

- Bottled LPG vendors are not subject to a licence but they are liable
 - to act in accordance with the standards
 - to obtain a permit, authorization and documents from the relevant public organizations and institutions
 - to keep the LPG cylinders with trademark or logo of their distributor

BULK LPG USERS (Article 9)

- Bulk LPG users shall supply LPG only from the distributor licence holders.
- Consumers shall not use LPG that they have bought for their facilities or residential units other than its intended purposes.



Law No.5307 on LPG Market (CONT'D)

PRICING (Article 10)

- shall be constituted in free market conditions
- shall be notified to the Authority as ceiling prices

EMRA is authorized to determine base and/or ceiling price in emergency situation.

COORDINATION WITH OTHER INSTITUTIONS (Article 11)

The representative of the Authority shall take part in standard preparatory studies to be carried out by the Turkish Standards Institution regarding LPG market activities. The Turkish standards regarding LPG market activities can be enforced as compulsory by EMRA's approval.



Law No.5307 on LPG Market (CONT'D)

INFORMATION GATHERING, RECORDS, AUDIT AND NOTIFICATION (Article 12)

- notification liabilities
- specific procedures and principles regarding the preparation of documents and the record keeping system of the licensees
- The Authority can request any information it deems necessary during the performance of its duties, from public institutions, real and legal persons
- Market activities shall be audited by
 - Authority's personnel
 - way of service procurement from public institutions and organizations and private auditing organizations



Law No.5307 on LPG Market (CONT'D)

INSURANCE (Article 13)

It is compulsory to get insurance for the activities carried out within the scope of a license.

AUTHORIZED MANAGER (Article 14)

Employment of an authorized manager at filling stations and autogas stations.

TRAINING (Article 15)

Trained personel shall be employed in sector.



Law No.5307 on LPG Market (CONT'D)

ADMINISTRATIVE FINES (Article 16)

EMRA to impose the sanctions / penalties in cases of breach of legislation

SANCTIONS (Article 17)

- Market activities shall be temporarily suspended for not less than 30 and not more than 180 days
- Annulment of licenses

PRELIMINARY INQUIRY, INVESTIGATION AND RIGHT TO LEGAL ACTION (Article 18)

Board shall decide directly to carry out an investigation

- on it's own initiative
- upon a notification or complaint



Law No.5307 on LPG Market (CONT'D)

REGULATION (Article 19)

Issues regarding market activities shall be regulated by regulations referred to in the relevant articles of this Law and the regulations to be issued by the Authority on other issues needed during the operation of the market.

AMENDMENTS TO THE LAW ON ELECTRICITY MARKET (Articles 20-22)

Duties of the EMRA and revenues regarding the liquefied petroleum gas market was added to Electricity Market Law.



Law No.5307 on LPG Market (CONT'D)

TEMPORARY ARTICLE 1-7

- Regulated rights before the market law
- Determined dead line for license obligation
- Regulated regulation before the market law
- Determined dead line for license regulation
- Determined dead line for specilaized LPG customs
- Privatization of the Electricity Production Company
- Compansated energy costs in some sectors by the Energy and Natural Resources Ministry



Thank you for your attention