



A Glance at Liquefied Natural Gas (LNG) Industry

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Due to its geopolitical position, Türkiye has been continuously seeking to strengthen its position in the natural gas trade. Adapting legislation and practice to technological advancements is key in this strategy. In this article, we review the status of LNG in Turkish legislation and the anticipated developments.

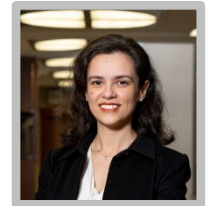
Existing regulations on LNG under the natural gas market legislation

As in any regulated industry, the natural gas market activities require an appropriate license or authorization. Such licensing and authorization procedures are carried out by the Energy Markets Regulatory Authority (EMRA). The general provisions and licensing processes regarding the importation, exportation, storage, transmission, distribution, and wholesale of natural gas are, in general terms, applicable to LNG. Some of the provisions that are specialized for LNG are as follows:

- To import natural gas, a separate import license is required for each import connection. However, Spot LNG imports can be performed under a single import (spot) license for different connections.
- In the review of import license applications, the existence of a natural gas import contract between BOTAŞ and the country of importation as well as the maintenance of a competitive market are among the criteria to be considered by EMRA. However, LNG importation is not subject to these criteria.



Mustafa Durakoğlu
Partner



Nazlı Başak Ayık
Counsel



Cansu Lara
Dervişoğlu
Intern

- Transportation of LNG in Turkish territorial waters and within the borders of Türkiye using LNG transportation vehicles requires an LNG transmission license. As an exception to this requirement, LNG exporting companies may carry out LNG transportation activities without a separate transmission license, provided that their export license covers transportation and that they do not engage in domestic deliveries.
- The wholesale of natural gas requires a wholesale license. However, the sale of LNG for use as fuel in road vehicles requires a separate wholesale (AutoLNG) license. Wholesale (AutoLNG) license holders can only sell LNG at the facility provided for in their license. Other wholesale companies engaged in the sale of natural gas in Türkiye must obtain a separate license to sell LNG for use as fuel for road vehicles at a specific address.

Amendments foreseen under the Draft Law

The goals set for the 5-year period between 2024 and 2028 in the 12th National Development Plan include strengthening of the natural gas supply security and the economic use of domestic natural gas, including the natural gas reserves discovered in the Sakarya Gas Field in the Black Sea. It is emphasized that Türkiye needs to progress market and technical infrastructure to supply nearby energy sources to the market to become a hub for energy producing and consuming countries. In line with these goals set out in the 12th National Development Plan, the Draft Law on the Amendment of the Mining Law and Certain Other Laws (the “Draft Law”) submitted to the Presidency of the Grand National Assembly of Türkiye on 29 January 2024 foresees several amendments in relation to natural gas market activities.

Novelties regarding storage activities

Currently, there are two onshore terminals and three floating LNG storage and regasification units (FSRUs) operational in Türkiye. The Marmara Ereğlisi LNG Terminal, commissioned by BOTAŞ in 1994, and the Ege Gaz A.Ş. LNG Terminal, established in Aliağa by Ege Gaz A.Ş. and commissioned in 2006, are the onshore terminals. The Etki Floating LNG Terminal, owned by Etki Liman İşletmeleri Doğal Gaz İthalat ve Ticaret A.Ş., the Dört Yol FSRU, commissioned by BOTAŞ in 2021, and the Saros FSRU commissioned by BOTAŞ in 2022, are the floating terminals.

To support the mobility of FSRUs, the Draft Law introduces certain exceptions to the obligations regarding storage activities, such as the requirement for continuity of service at the same location, as well as obligations concerning capacity expansions in existing facilities and the entry of new storage facilities into the system, subject to certain conditions.

Natural gas liquefaction activities

The activity of liquefaction of natural gas itself is not regulated as a stand-alone activity in the existing legislation. The Draft Law addresses this and introduces liquefaction as a stand-alone market activity to enhance the commercial benefits that can be derived from LNG. The Draft Law’s preamble sets forth Türkiye’s aspiration to become a hub for natural gas and notes that recent energy crises resulted in the surge in demand for exportation of LNG to the EU and

other countries. It is further emphasized that, for both domestically produced natural gas and natural gas imported from different sources to be marketed as LNG in global markets after liquefaction in Türkiye, it is imperative to regulate liquefaction activities as a stand-alone market activity.

As with other market activities, liquefaction is to be conducted under a license to be issued by EMRA. The technical and economic capacities of license applicants are foreseen to be the primary assessment criteria.

Novelties regarding exportation activities

With the Draft Law, to facilitate the timely utilization of export opportunities, the requirement for separate export licenses for each country will be abolished, thereby enabling trade with multiple countries under a single export license.

Conclusion

The natural gas reserves discovered in the Black Sea towards the end of 2020, and the global energy crisis have once again brought Türkiye's position in the regional natural gas market to the agenda. To strengthen its position, it is crucial for Türkiye to monitor the technological developments and to adjust the legislation to provide the necessary flexibility. In this regard, the proposed amendments to the Natural Gas Market Law, as set forth in the Draft Law, are expected to be accompanied by corresponding changes to the secondary legislation.