

## NATURAL GAS MARKET LICENSING REGULATION

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### PART ONE General Provisions

#### CHAPTER ONE Objective, Scope, Legal Basis, Definitions and Abbreviations

##### **Purpose**

**ARTICLE 1** – The purpose of this Regulation is to designate the procedures and principles regarding the licenses to be granted to legal entities currently or prospectively operating in the natural gas market.

##### **Scope**

**ARTICLE 2** – This Regulation covers the procedures and principles regarding the granting of licenses to legal entities currently or prospectively operating in the natural gas market, the performance of activities within the scope of the license, cancellation, termination, renewal, and amendment thereof, and the rights and obligations of license holders.

##### **Legal basis**

**ARTICLE 3** – This Regulation has been prepared pursuant to the Electricity Market Law no. 4628 and Natural Gas Market Law no. 4646.

##### **Definitions**

**ARTICLE 4** – In the implementation of this Regulation, the following definitions shall apply:

- 1) Law: The Natural Gas Market Law no. 4646 dated 18/4/200;
- 2) Authority: Energy Market Regulatory Authority;
- 3) Board: Energy Market Regulatory Board;
- 4) Chairman: The Chairman of the Energy Market Regulatory Board;
- 5) Idle capacity: The remaining available capacity following the capacity sales of transmission or storage companies;
- 6) Interconnected system: A reciprocally mutually connected, integrated system;
- 7) Distribution: Transportation and retail sale of natural gas through the regional gas pipeline network for delivery to customers;
- 8) Distribution network: The natural gas distribution facilities and pipelines operated by a distribution company in a designated zone;
- 9) Distribution company: A legal entity authorized to carry out the distribution and transportation of natural gas through the regional gas pipeline in a designated city;

- 10) Storage: The storage of natural gas in the form of liquefied natural gas (LNG) or in gaseous state for the purpose of compensating for daily and seasonal fluctuations and remedying natural gas shortage arising from decreases in or suspension of natural gas procurement;
- 11) Storage company: A legal entity authorized to carry out natural gas storage activities;
- 12) Storage facility: A facility assigned to the storage of natural gas as LNG or gas and owned or operated by a legal entity, excluding those utilized in production;
- 13) Natural gas: Natural hydrocarbons in gaseous form that are or can be extracted from underground and the liquefied, pressurized or any other form of those gases subjected to any physical processing (excluding Liquefied Petroleum Gas-LPG) to be supplied to the market;
- 14) Direct line: A natural gas pipeline feeding an eligible consumer in such a way to create an interconnected system, the intercity transportation of natural gas through special vehicles, the sale thereof in places not accessible to the transmission network by lowering its pressure;
- 15) Export company: A legal entity marketing the natural gas it has purchased from production companies, wholesale companies or import companies abroad;
- 16)<sup>1</sup> Transmission: The transportation of natural gas through gas pipeline networks other than through gathering lines assigned to production or distribution networks and through liquefied natural gas (LNG) transportation vehicles excluding the transportation of LNG subject to an export licence;
- 17) Transmission company: Legal entity carrying out transmission activities;
- 18) Relevant legislation: Laws, regulations, communiqués, circulars, Board decisions regarding the natural gas market and the licenses or licenses owned by the relevant legal entity;
- 19)<sup>2</sup>
- 19)<sup>3</sup> Import company: Legal entity carrying out the activities of importing LNG, compressed natural gas (CNG) or natural gas in gaseous form from abroad;
- 20)<sup>4</sup>
- 21)<sup>5</sup> License: The permit granted by the Board/Authority for each market activity in accordance with the Law in order to enable legal entities to engage in market activities;
- 22) Regional gas pipeline: All distribution lines to be built and operated by the distribution company that shall carry out the intra-city natural gas distribution;
- 23) Market activities: Activities comprising of the purchase, sale or service of and commercial transactions regarding natural gas including its transmission, distribution, wholesale, import, export and storage in LNG facilities as liquid or storage in underground or aboveground facilities as gas or condensed gas;
- 24) Eligible consumer: An individual or legal entity free to execute natural gas purchase-sale agreements with any domestic production company, import company, distribution company or wholesale company;
- 25) Captive consumer (subscriber): An individual or legal entity required to purchase natural gas from distribution companies for their own use;
- 26)<sup>6</sup> Certificate: The permit issued by the Board/Authority indicating the adequacy of individuals and legal entities to carry out the design, construction, revision, maintenance, repairs,

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<sup>1</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>2</sup> Repealed pursuant to the Regulation published in the Official Gazette dated 21 July 2004 and numbered 25529.

<sup>3</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>4</sup> Repealed pursuant to the Regulation published in the Official Gazette dated 25 November 2006 and numbered 26357.

<sup>5</sup> Amended pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

<sup>6</sup> Amended pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

inspection, consultancy and similar services of facilities to be included in the system belonging to legal entities who engage in natural gas activities;

27) Compressed natural gas (CNG): Natural gas in pressurized form;

28)<sup>7</sup> Compressed natural gas (CNG) sales, transmission and distribution: Purchase and compression of natural gas from a wellhead, the national transmission network or an intra-city distribution system, filling thereof into pressurized containers and their sale, transportation of compressed natural gas between cities via special vehicles, sale by reducing the pressure of compressed natural gas supplied from a CNG fueling station and/or purchased at the wellhead from wholesale companies engaged in production and compressed with compression equipment in the transportation vehicle and filled into pressurized containers, in places inaccessible to transmission networks;

29) Liquefied natural gas (LNG) facility: Facilities used for liquefying, draining, storing and regasifying natural gas for the purposes of transportation and storage thereof in liquid form;

30) System: The facility and equipment installed in order to carry out the production, transmission, storage and distribution of natural gas;

31) System user: An individual or legal entity purchasing or procuring natural gas to the system or carrying out transit gas transportation through the system;

32)<sup>8</sup> City: The entirety of areas within municipality boundaries and adjacent areas belonging to a municipality or metropolitan municipality;

33) Tariff: Arrangements covering prices, terms and conditions in relation to the transmission, distribution and storage of natural gas in the form of LNG or gas and sale thereof and related services;

34) Transportation agreement: The agreement executed for the transportation of natural gas between system users and transmission companies;

35)<sup>9</sup> Supplier: Import companies selling natural gas to eligible consumers, wholesale companies, import companies, export companies, distribution companies and CNG sales companies, wholesale companies and production companies that sell natural gas to CNG transmission and distribution companies as well as to the foregoing individuals and legal entities;

36) Delivery agreement: The agreement executed for the delivery and transfer of natural gas between system users or their representatives and transmission companies, a storage company and transmission companies, or among transmission companies;

37) Wholesale: Sale of natural gas to distribution companies and eligible consumers;

38) Wholesale company: A legal entity engaged in the wholesale of natural gas without carrying out transmission or distribution activities within or outside the system;

39) Transit line: The pipeline established to transmit natural gas between foreign countries;

40) Legal entity (company): A public law or private law legal entity established in accordance with the provisions of the Law for carrying out the functions of natural gas production, transmission, distribution, wholesale, import, export, trade and storage;

41) National transmission network: High pressure pipelines making up a part of the national transmission system;

42) National transmission system: The system comprising of the national transmission network which enables countrywide natural gas transmission and the facilities for distribution, storage, liquefaction, gasifying of liquefied gas and other similar transmission facilities;

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<sup>7</sup> Amended pursuant to the Regulation published in the Official Gazette dated 24 May 2017 and numbered 30075.

<sup>8</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 November 2016 and numbered 29897.

<sup>9</sup> Amended pursuant to the Regulation published in the Official Gazette dated 30 May 2008 and numbered 26891.

43)<sup>10</sup> Production: Extraction of natural gas from underground deposits in Türkiye to the surface, cleaning, refinement and transmission thereof to transmission lines and/or the distribution network through gathering lines within the scope of the Turkish Petroleum Law No. 6491 and dated 30/5/2013;

44) Production facility (Operator): Legal entity engaged in production activity in Turkey;

45)<sup>11</sup> Ministry: The Ministry of Energy and Natural Resources;

46)<sup>12</sup> Corporate Information System: Computers used by the employees of the organization and the entirety of the files, applications, databases and e-mail servers and the network infrastructure serving them;

47)<sup>13</sup> Industrial Control Systems: Information and communication systems that enable processes such as generating energy, processing crude oil, hard coal and similar raw materials that provide energy and preparing them for consumption, transferring energy through transmission or distribution layers to be monitored and sometimes managed from multiple centers;

48)<sup>14</sup> Compressed natural gas fueling station: Facilities where natural gas is purchased and/or received from a wellhead, the national transmission network or an intra-city distribution system, from suppliers and/or distribution companies and compressed and filled into pressurized containers whose ownership/possession belongs to the license holder or another CNG sales or CNG transmission and distribution license holder;

49)<sup>15</sup> AutoCNG fueling station: Facilities subject to an AutoCNG license issued for the sale of compressed natural gas to be used as fuel in road vehicles;

50)<sup>16</sup> AutoCNG activity: Sale of CNG to be used as fuel in road vehicles;

51)<sup>17</sup> AutoLNG fueling station: Facilities subject to wholesale (AutoLNG) licenses issued for the sale of liquefied natural gas to be used as fuel in road vehicles;

52)<sup>18</sup> Organized natural gas wholesale market (OTSP): The markets where natural gas purchase, sale and balancing transactions are carried out by license holders benefiting from the natural gas system, natural gas markets requiring future physical delivery and the market regulated by the Board where other natural gas market transactions, which are designated by the Board, are carried out;

53)<sup>19</sup> Supply of last resort: Supply of gas by the authorized license holders within the scope of the method determined by the Board to consumers who cannot be supplied gas due to reasons such as bankruptcy of companies supplying natural gas to consumers, cancellation of their licenses and/or their default as a result of failing to fulfill their obligations within the scope of the organized wholesale natural gas market during the agreement term or to consumers who cannot be supplied gas despite qualifying as an eligible consumer.

## CHAPTER TWO

### Licenses and the Obligation to Obtain Licenses, License Types and License Term

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<sup>10</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>11</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 31 January 2013 and numbered 28545.

<sup>12</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 26 December 2014 and numbered 29217.

<sup>13</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 26 December 2014 and numbered 29217.

<sup>14</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 31 October 2017 and numbered 30226.

<sup>15</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 24 May 2017 and numbered 30075.

<sup>16</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 24 May 2017 and numbered 30075.

<sup>17</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 24 May 2017 and numbered 30075.

<sup>18</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>19</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

### **Licenses and the obligation to obtain licenses**

**ARTICLE 5<sup>20</sup>** – A license is the permission granted by the Board/Authority for each market activity for the purpose of enabling legal entities to engage in market activities. Legal entities intending to engage in natural gas market activities must obtain licenses from the Authority.

<sup>21</sup>Licenses cannot be transferred under any circumstances. However, the licenses belonging to a legal entity or entities whose legal personality is terminated as a result of a merger between legal entities shall be transferred to the complete successor legal entity. As a result of the inspection to be made by the Authority within the scope of Article 43, if it is decided by the Board that there is no obstacle for the transferee legal entity to become a license holder, the relevant licenses shall be amended on behalf of the transferee legal entity. This shall not constitute a license transfer. In addition, if limited or non-recourse project financing is provided to the license holder by banks and/or financial institutions, in accordance with the provisions of the loan agreement, the banks and/or financial institutions shall be able to notify the Authority with their justifications in order to request the granting of a license to another legal entity they shall propose within the framework of the conditions stipulated by this Regulation, provided that they undertake all the liabilities within the scope of the license of the license holder. A license shall be given to the proposed legal entity on the condition that it fulfills the obligations under this Regulation.

The rights of the license holder under the license cannot be transferred to third parties without the permission of the Board.

If it is determined that a legal entity is operating in the market without a license, action shall be taken against the relevant legal entity within the framework of the provisions of Article 9 of the Law.

Legal entities shall obtain separate licenses for each market activity and each facility where they perform the same activity.

<sup>22</sup>Following the issuance of the license, a file shall be opened in the electronic document management system for each license and license records shall be kept in accordance with the provisions of the relevant legislation.

<sup>23</sup>Individuals or legal entities who use the compressed natural gas (CNG) or liquefied natural gas (LNG) they receive from the license holder for their own needs and do not engage in any sales activity, as well as legal entities who use the LNG or natural gas in gaseous form they receive from the license holder as fuel for their vehicles by compressing them and do not engage in any sales activity shall not be required to obtain a license, provided that they comply with the technical criteria in the relevant legislation and fulfill their obligations to obtain permits, licenses and approvals arising from all other legislation.

### **License types**

**ARTICLE 6** – The types of licenses that can be granted by the Authority according to the fields of activity are as follows:

- a) Import license,
- b) Transmission license,
- c) Storage license,

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<sup>20</sup> Amended pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

<sup>21</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 March 2015 and numbered 29300.

<sup>22</sup> Amended pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.

<sup>23</sup> Amended pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

- d) Wholesale license,
- e) Distribution license,
- f) Compressed natural gas (CNG) license,
- g) Export license.

#### **License term**

**ARTICLE 7** – Licenses shall be granted for a minimum of ten and a maximum of thirty years at a time.

### **CHAPTER THREE**

#### **License Application, Review and Evaluation, Validity of Licenses, License Fees, and Participation Shares**

#### **License application**

**ARTICLE 8** - If the private legal entities who shall operate in the market are established as joint stock companies or limited liability companies in accordance with the provisions of the Turkish Commercial Code dated 29.6.1956 and numbered 6762, all of their shares must be registered shares.

<sup>24</sup>In order to obtain a license to operate in the market, legal entities shall apply to the Authority by submitting the information, documents, and undertakings requested in Annex-3 in full, together with the "License Application Form" set out in Annex-1 and the "Undertaking" set out in Annex-2. The documents placed in the file prepared for the license application shall be issued as one copy each and a single application file shall be submitted. In the event that multiple license applications are made at the same time, the original or certified copies of the information and documents requested within the scope of the application can be placed in one of the license application files, and other files can be prepared with photocopies in which the authenticity of these documents is confirmed by the license applicant legal entity. The existence of any prior license application files submitted by the license applicant legal entity shall not exempt the applicant from submitting the required documents in the prescribed manner.

<sup>25</sup>The evaluation of whether the documents requested from legal entities in the course of the application have been delivered in accordance with the relevant legislation shall be completed within ten business days following the entry date of the submitted documents into the central document system of the Authority and the outcome of the evaluation shall be notified to the relevant legal entity in writing.

<sup>26</sup>If the deficiencies or errors in the license applications that are found not to have been made in accordance with the relevant legislation are not corrected within ten business days from the date of the notice in writing, the application shall be deemed as never having been made and the application file shall be returned.

The applications, qualifications, tenders and evaluations regarding an intra-city natural gas distribution license, as well as transactions for the granting thereof shall be made in accordance with the Distribution and Customer Services Regulation.

<sup>27</sup>License applications can be made electronically. The license types for which electronic applications are permitted and the information and documents to be submitted therein shall be set

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<sup>24</sup> Amended pursuant to the Regulation published in the Official Gazette dated 25 November 2006 and numbered 26357.

<sup>25</sup> Amended pursuant to the Regulation published in the Official Gazette dated 21 July 2004 and numbered 25529.

<sup>26</sup> Amended pursuant to the Regulation published in the Official Gazette dated 21 July 2004 and numbered 25529.

<sup>27</sup> Amended pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.

out through a Board Decision. The requested information and documents shall be submitted to the Authority electronically within the framework of the procedures and principles specified in the Board Decision.

### **Review and evaluation of license applications**

**ARTICLE 9**<sup>28</sup> –In order for the license applications which have been deemed as complete according to the license application principles to be reviewed and evaluated, the applicants shall be notified in writing and one percent of the license fee shall be requested to be deposited into the Authority's account within ten business days from the notice date. If this obligation is not met, the application shall be deemed as never having been made and the application file shall be returned.

<sup>29</sup>After it is shown that one percent of the license fee has been deposited to the Authority's account, the license application shall be reviewed and evaluated. The review and evaluation of the license application shall not constitute a right to obtain the license.

<sup>30</sup>With respect to storage license applications, the opinion of the General Staff of the Turkish Armed Forces shall be sought regarding the area subject to the application in accordance with the Regulation on Prohibited Military Zones and Security Zones following the review and evaluation of the application. If an adverse opinion is received, the license application shall be rejected through a Board decision. If a clear opinion is received, the information on the area subject to the application including its province, district, village, neighborhood, block, parcel, 1/25000 scale section number and coordinate information determined according to the UTM-ED50 (6) system shall be announced on the website of the Authority. In the event that another natural gas storage license application to operate in the area subject to the announcement is made within the period to be designated in the announcement, the applications shall be evaluated according to the provisions of the Regulation on the Selection among Legal Entities Applying for a License to Perform Natural Gas Storage Activities within the Same Area.

<sup>31</sup>However, prior to the announcement of the application regarding the area where underground natural gas storage activities shall be carried out, the approval of the General Directorate of Mining and Petroleum Affairs regarding the petroleum exploration and operation license rights granted in accordance with the Law No. 6491 and petroleum activities shall be sought. If the area subject to the announcement corresponds to an area where crude oil or natural gas is produced, the applications made for this area shall be rejected through a Board decision and shall not be announced. According to Law No. 6491, in the event that an operation license holder legal entity files an application to the Authority after obtaining the approval of the General Directorate of Mining and Petroleum Affairs to use its underground natural gas deposits from which it produces natural gas for storage purposes, the relevant part of the operation license shall be converted to a storage license, provided that it meets the required conditions a storage license, and the remaining part shall be made available for application.

<sup>32</sup>The license applications made for another storage activity in the market, or for a pre-license in the electricity market and/or for refinery or storage activities in the petroleum market in the area subject to the announcement after the expiration of the period specified in the announcement on the storage license application shall be returned or rejected.

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<sup>28</sup> Amended pursuant to the Regulation published in the Official Gazette dated 9 April 2011 and numbered 27900.

<sup>29</sup> Amended pursuant to the Regulation published in the Official Gazette dated 21 February 2012 and numbered 28211.

<sup>30</sup> Amended pursuant to the Regulation published in the Official Gazette dated 21 February 2012 and numbered 28211.

<sup>31</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>32</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 November 2016 and numbered 29897.

In the event that other applications are made for a storage license in the market, or for a pre-license in the electricity market and/or for refinery and/or storage in the petroleum market in the area subject to the announcement from the date of the relevant storage license application until the announcement made under the third paragraph of this article and/or within ten business days from the announcement, evaluation shall be made within the framework of the following principles:

a) Pre-license or license applications made in the market or the electricity or petroleum markets to operate in an area allocated or planned to be allocated pursuant to an international agreement or an area subjected to studies by the Ministry as a nuclear energy based generation facility area in the electricity market shall be rejected all stages.

b) In the event that the area subject to the license application announced within the framework of the third paragraph of this article is not an area allocated or planned to be allocated pursuant to an international agreement nor subjected to studies by the Ministry as a nuclear energy based generation facility area, and applications have been made for a storage license in the market or for a pre-license in the electricity market and/or for refinery and/or storage in the petroleum market to operate in the area subject to the announcement, the Board shall decide the application in relation to which the licensing process shall resume in the area subject to the announcement in accordance with the following procedures and principles:

1) Among the license applications, applications for underground natural gas storage licenses in the market, pre-licenses based on other resources or fuel other than natural gas in the electricity market, storage licenses in liquefied natural gas facilities in the market, refinery licenses in the petroleum market, pre-licenses based on natural gas in the electricity market and storage licenses in the petroleum market shall be prioritized in this order.

2)<sup>33</sup> Applications other than the prioritized license application(s) within the scope of sub-clause (1) shall be returned or rejected.

### **Review and evaluation**

**ARTICLE 10**<sup>34</sup> – The Authority shall fundamentally consider the following issues in its review and evaluation, depending on the relevant license type:

- a) Compliance with the objectives stipulated in the relevant legislation;
- b) Protection of consumer rights and impact on the development of competition and the market;
- c) Financial strength and financial resources of the legal entity and/or its partners;
- d) Experience and performance, if any, of the applicant legal entity and/or its partners in domestic and foreign markets.

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Any additional information and documents required for the conclusion of the review and evaluation process can also be requested from the applicant, and the persons authorized to represent the applicant legal entity can be directly invited to an interview.

<sup>36</sup>If the information and/or documents requested from the applicant during the review and evaluation process are not submitted to the Authority within sixty days from the date of the notice in writing, one percent of the license fee shall be forfeited, the license application shall be deemed to have been rejected, and the application documents shall be returned.

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<sup>33</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 November 2016 and numbered 29897.

<sup>34</sup> Amended pursuant to the Regulation published in the Official Gazette dated 25 November 2006 and numbered 26357.

<sup>35</sup> Repealed pursuant to the Regulation published in the Official Gazette dated 21 February 2012 and numbered 28211.

<sup>36</sup> Amended pursuant to the Regulation published in the Official Gazette dated 9 April 2011 and numbered 27900.



### **Conclusion of the review and evaluation**

**ARTICLE 11**<sup>37</sup> – The Authority shall respond to the license applications it has received from legal entities who shall operate in the natural gas market within a maximum of sixty days from the application date. For import (Spot) licenses, this period shall be thirty days.

<sup>38</sup>License applications for import, export, distribution, storage, and pipeline transmission activities shall be concluded by the Board, while license applications for wholesale, wholesale (AutoLNG), compressed natural gas (CNG) and transmission (LNG) activities shall be concluded by the Authority. The review and evaluation made by the Authority shall be submitted to the Board/Chairmanship and the license application shall be concluded upon a Board Decision/Chair Approval. In the event that the license application is rejected, the reasons for rejection shall be notified in writing to the applicant legal entity within ten business days following the Board Decision/Chair Approval.

<sup>39</sup>The applicant legal entities whose license applications are approved by the Board/Authority as a result of the review and evaluation shall be notified in writing that they shall be granted licenses, provided that documents evidencing that the following obligations have been met are submitted to the Authority within ninety days from the date of written notice:

a) In line with the provisions in Annex-4, amending the company's articles of association if deemed necessary, and submitting documents evidencing that the amendments to the articles of association have been registered to the trade registry;

b) Submitting the document showing that the remaining portion of the license fee has been deposited to the account of the Authority;

c) If the projects for the storage facilities and facilities subject to transmission activities to be carried out through the pipeline network are within the scope of the Environmental Impact Assessment Regulation published in the Official Gazette dated 25/11/2014 and numbered 29186, submitting the resolution taken within the scope of the Regulation for the project or facility subject to the license application.

Provided that other obligations in this paragraph are fulfilled within ninety days, the applicable period in which the Positive Environmental Impact Assessment Decision made for the projects subject to Environmental Impact Assessment within the scope of the Environmental Impact Assessment Regulation must be submitted to the Authority shall be three hundred days. A license shall be granted by the Board/Authority to the legal entity that has fulfilled its obligations. The trade name of the license holder and the license type granted shall be announced on the website of the Authority. The trade name and the license type of the legal entity to whom pipeline transmission, distribution and storage licenses are granted shall be also published in the Official Gazette.

<sup>40</sup>Except for force majeure, in the event that the documents evidencing the fulfillment of these obligations within the periods stipulated in the third paragraph are not submitted to the Authority, the license application shall be rejected by the Board/Authority, one percent of the license fee shall be forfeited, and the application documents shall be returned.

Following the approval of the license application, if any the following becomes applicable, the applicant legal entity shall be notified in writing that any incomplete and/or incorrect

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<sup>37</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>38</sup> Amended pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

<sup>39</sup> Amended pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.

<sup>40</sup> Amended pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

information or documents, or any requests regarding changes must be completed or corrected within sixty days:

a) If it is determined that the legal entity has submitted incomplete and/or incorrect information/documents to the Authority in its license application, or if the information and/or documents submitted in its license application become outdated;

b) If it is determined that the legal entity has submitted incomplete and/or incorrect information/documents to the Authority by during the review and evaluation process, or if the information and/or documents submitted during the review and evaluation process become outdated.

In the event that the incomplete and/or incorrect information or documents are not submitted to the Authority after being completed or corrected within sixty days from the date of written notification, or an impediment to the granting of a license to the applicant legal entity is determined as a result of the additional review and evaluation conducted by the Authority pursuant to the information or documents submitted within the specified period, the license application shall be rejected by the Board/Authority, one percent of the license fee shall be forfeited and the application documents shall be returned.

### **Validity of licenses**

**ARTICLE 12** – Licenses and the rights and obligations of license holder legal entities shall be valid from the date specified in the license.

### **License fees and participation shares**

**ARTICLE 13** – The license, annual license, license renewal, license amendment and copying fees obliged to be deposited into the Authority's account by the legal entities operating in the market shall be designated by the Board by the end of December of each year to be valid for the following year, published in the Official Gazette and announced on the website of the Authority.

License fees shall be fixed according to the type of activity, and the annual license fees shall be proportional in accordance with the type of activity and the volume of natural gas processed and shall be paid according to the provisions of this Regulation.

License renewal, license copying and license amendment fees shall be paid in advance.

Annual license fees shall be calculated over the natural gas volume processed in the previous year. Annual license fees shall be deposited into the Authority's account in three equal installments within the first five working days of February, June and October of each year, starting from the first calendar year following the date on which the remainder of the license fee is paid.

License holder legal entities are obliged to make participation share payments. The participation share shall be calculated by multiplying the net sales revenue amount in the income statements to be prepared by the license holder legal entities for their annual activity period by the participation share rate designated by the Board so as not to exceed 0.2% (two per thousand). The applicable participation share rate for the year shall be announced in December of the previous year.

The license holder is obliged to pay the participation share amount to the Authority until the end of May of the year following the relevant activity year, as well as submitting its income statement.

In the event that the annual license fee and participation fee are not paid within due time, the default interest rate designated in accordance with Article 51 of the Law No. 6183 on the Procedure for the Collection of Public Receivables shall be charged to the unpaid amount.

## **CHAPTER FOUR**

### **Amendment, Renewal, Termination and Cancellation of Licenses**

#### **Amendment of licenses**

**Article 14** – Licenses can be amended at the request of the license holder or when required by the practices within the scope of the relevant legislation, or in cases of legislative changes. In accordance with the foregoing, the following shall apply:

a) Amendments at the request of the license holder shall be permitted if the reasoning provided by the license holder for the relevant amendments to the license are approved;

b)<sup>41</sup> Amendments shall be permitted when the practices within the scope of the relevant legislation render them necessary;

c) Amendments in cases of legislative changes shall be permitted if the need to amend the license provisions in line with the changes to the relevant legislation arises.

The license amendments made at the request of the license holder or when required by the practices within the scope of the relevant legislation cannot contain provisions that violate free competition conditions. License amendments shall be applicable to all relevant license holders in line with the principle of non-discrimination between equal parties and under the same conditions.

If the license holder requires a certain period of time to fulfill the new and/or additional obligations arising from the license amendment, this period shall be designated by a Board decision and included in the amended license.

<sup>42</sup> License amendment fees shall not be charged for amendments made due to factual errors, amendments made *ex officio* by the Authority, and amendments regarding the transfers of the distribution company shares to the municipality or municipal company. In addition, the following amendments shall be concluded by the Natural Gas Market Department:

a) Amendments due to factual errors for all licenses;

b)<sup>43</sup> All amendments to CNG, wholesale, wholesale (AutoLNG) and transmission (LNG) licenses, excluding any amendments to the facility address specified in CNG sales, AutoCNG and wholesale (AutoLNG) licenses;

c) Amendments to all licenses to be made following the approval of the Board regarding share transfers, mergers and changes in the field of activity specified the articles of association;

d)<sup>44</sup> Amendments related to the changes in the trade names and types of license holder legal entities other than import, storage and distribution license holders, and the changes in the trade names and types of legal entities that are direct shareholders of all kinds of license holders;

e)<sup>45</sup> Amendments regarding the share transfer made to the municipality or municipal company in the distribution company.

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<sup>41</sup> Amended pursuant to the Regulation published in the Official Gazette dated 25 November 2006 and numbered 26357.

<sup>42</sup> Amended pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

<sup>43</sup> Amended pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

<sup>44</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 23 November 2016 and numbered 29897.

<sup>45</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

<sup>46</sup>The amendments to be made by the Department Head shall be made provided that the Authority is submitted the document evidencing that the license amendment fee has been deposited to its account within thirty days from the date of notification by the Authority. If this obligation is not fulfilled, the request for license amendment shall be deemed as rejected.

<sup>47</sup>With respect to the amendments to be made at the request of the license holder, if the request for amendment pertains to the special provisions of the license, the license shall be amended provided that the Authority is submitted the document evidencing that the license amendment fee has been deposited to the its account within thirty days from the date of the written notice on the approval decision in relation to the amendment. If this obligation is not fulfilled, the license amendment request shall be deemed as rejected and the application documents shall be returned.

<sup>48</sup>No license amendment fee shall be charged for license amendments to be made in the event that there is a change in the shareholding ratios of the shareholders with 10% and more shares registered in the license of the individual or legal entity due to the share transfers outside the scope of Article 42 and amendments regarding the address of the facility subject to the license of the license holder due to reasons arising from other legislation and without any changes in the actual address of the facility, and license amendments within this scope shall be finalized by the Natural Gas Market Department.

<sup>49</sup>If requests for amendment are made with respect to different matters within the scope of a single application, separate amendment fees shall be paid for each amendment pertaining to a different matter.

### **Renewal of licenses**

**ARTICLE 15** - Licenses can be renewed upon the request of the license holder for a period of at least ten and at most thirty years, starting from the end of the license.

<sup>50</sup>A license renewal request can be made one year prior to the end of the current license term at the earliest and nine months at the latest, upon the written application of the license holder to the Authority. However, these periods shall be applied for import (Spot), wholesale, wholesale (AutoLNG), transmission (LNG) and CNG licenses at the earliest one year and three months at the latest.

The following factors with respect to the license holder shall be taken into account in the review of the license renewal request:

- a) Whether the license holder works in accordance with the purposes stipulated in the relevant legislation;
- b) Relations of the license holder with its consumers in terms of compensation of damages;
- c) Complaints made about the license holder and rectification periods for complaints;
- d) Sanctions and penalties imposed on the license holder.

<sup>51</sup>The renewal of licenses issued for import, export, storage, distribution and pipeline transmission activities shall be carried out by the Board, whereas the renewal of licenses issued for wholesale, wholesale (AutoLNG), compressed natural gas (CNG) and transmission (LNG)

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<sup>46</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 March 2015 and numbered 29300.

<sup>47</sup> Amended pursuant to the Regulation published in the Official Gazette dated 9 April 2011 and numbered 27900.

<sup>48</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 November 2016 and numbered 29897.

<sup>49</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 November 2016 and numbered 29897.

<sup>50</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 September 2019 and numbered 30893.

<sup>51</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

activities shall be carried out by the Authority. Written applications for license renewal shall be concluded within ninety days. A document showing the current share capital amount of the license holder company shall be submitted within the application. If the application is approved by the Board/Authority, the submission to the Authority of the document indicating that the license renewal fee has been deposited to the Authority's account and, if the deposited amount is insufficient, the document showing that the share capital of the license holder is increased to the minimum share capital specified in the relevant legislation for the relevant year within ninety days from the date of written notice shall be requested. In any case, this period shall be applied in a manner not to exceed the expiry date of the license term. A new license shall be granted to the legal entity who timely fulfills its obligations upon the relevant Board Decision/Presidential Approval.

If the license holder whose license term has expired is a distribution company, in the event that the distribution company requests the renewal of the relevant intra-city distribution license from the Authority one year before the expiry of the license term, the Board may issue a distribution license for the second time with regard to the economic and technical power of the company, service quality, the satisfaction of its subscribers and other matters regulated in the relevant legislation within the framework of subparagraphs (a), (b), (c) and (d). If the license term of the license holder is not extended due to the reasons stated above, the Authority shall hold a tender for the relevant city in accordance with the procedures and principles specified in the Distribution and Customer Services Regulation and grant a license to the legal entity with the most favorable bid.

<sup>52</sup>The trade name of the license holder legal entity whose license is renewed and the type of the renewed license shall be announced on the website of the Authority on the effective date of the license. The trade name of the legal entities with pipeline transmission, distribution and storage licenses and the renewed license types shall be also published in the Official Gazette.

### **Termination of licenses**

**ARTICLE 16** - Licenses shall expire automatically at the end of their term or following the finalization of a bankruptcy decision against the license holder, or with the approval of the Board if the license holder intends to surrender the license.

<sup>53</sup>The license of a transmission or distribution license holder legal entity shall specify that in the event that it is determined that the financial circumstances of the relevant legal entity have deteriorated in such a way as to endanger the safe performance of its activities within the scope of its license and/or the fulfillment of the financial obligations it has undertaken, through inspection reports prepared with regard to the statement of defense submitted by the relevant legal entity within the framework of the relevant legislation and as a result of inspections that have been carried out, the necessary measures shall be taken in accordance with the decisions of the Board in order to ensure that the consumers and market conditions are not adversely affected. If the license holder legal entity intends to terminate its activity within the scope of its license, it must submit a written application to the Authority, together with its grounds, at least one hundred and eighty days before the license expiration date. This application must specify the types of obligations the license holder shall have as of the date on which the license holder legal entity intends to terminate its license and the kinds of measures planned to be taken for the purpose of fulfilling these obligations. Additional information and documents may be requested from the relevant legal entity by the

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<sup>52</sup> Amended pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.

<sup>53</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 March 2015 and numbered 29300.

Authority if required by the Board for its decision with respect to the termination request. Regarding the termination of transmission (LNG) and CNG licenses, if the license holder undertakes that it does not have any activity or obligations within the scope of the license in question, the one hundred eighty-day period specified in this paragraph shall not apply. For other license types, if requested by the legal entity intending to terminate its license, the Board shall decide whether to apply the one hundred eighty-day period specified in this paragraph, as a result of a review by the Authority.

As a result of the evaluation, if the termination request is approved by the Board, the license shall expire on the date specified in the Board decision.

If a distribution license holder intends to terminate its license before the license expires, the license cannot be terminated until a new legal entity who shall resume the activities under the license obtains a license.

### **Cancellation of licenses**

**ARTICLE 17** - Licenses can be canceled in accordance with the provisions of Article 9 of the Law. If a license is cancelled, the Board shall take the necessary measures to ensure that the service provided is not interrupted until the issuance of a new license.

In the event that it becomes compulsory to cancel a distribution license, the provisions accepting the following shall be included in the distribution license and the articles of association of the distribution license holder legal entity:

a) The Authority may temporarily replace, wholly or partially, the board of directors or the managers of the license holder legal entity; or where the license holder is not a joint stock company, the general assembly of shareholders or the managers of the legal entity, with a Board decision to be made prior to the cancellation of the license for the purposes of ensuring the performance of activities under the license and the operation of the distribution network in terms of consumer protection and undisrupted services;

b) The Authority shall hold a tender on behalf and account of the license holder for the sale of the relevant network and designation of the new license holder within one hundred and twenty days and the sales price of the network to the new license holder and the procedures and principles regarding the tender shall be designated by the Board during this process.

## **PART TWO License Provisions**

### **CHAPTER ONE General Principles**

#### **General principles**

**ARTICLE 18** - Licenses shall contain the following general principles according to the applicable license type:

1) Provisions designating the groups and categories relating to individuals and legal entities to whom services shall be provided within the scope of the license and provisions determining the types of activities to be carried out;

2) Provisions stating that the holder of a distribution or transmission license shall provide individuals and legal entities possibility to access to and use of the system without any discrimination between users of the system with the same capacity;

3) Provisions regarding the methods designating pricing principles set out in this Law and pricing principles applicable to natural gas sales to subscribers taking into account the market requirements, and implementing the formulae for inflation adjustments in these prices, and the provisions regarding the audit thereof;

4) Provisions ensuring that the license holder provides the Authority with complete and accurate information and with respect to sales to subscribers, provisions mandating that the distribution license holder purchase natural gas from the most affordable source and where necessary, provide evidence that it has purchased natural gas from the most affordable source;

5) Rules on charging service costs and provisions including the principles regarding the implementation of the measures to minimize operational losses in accordance with the Regulation,

6) Provisions regarding the cancellation, termination and renewal of the license;

7) Provisions regarding the amendment of the license;

8) Provisions regarding fees that the license holder shall be obliged to pay to the Authority and payment conditions;

9) Provisions regarding the conditions for permitting others to use the facility and/or facilities owned or used by the license holder in line with the purposes of the license where necessary;

10) Provisions regarding the obligation of the license holder to comply with all instructions given by the Board;

11) Provisions regarding the activities that are not subject to the Board's permission within the scope of the license;

12) Provisions specifying which disputes concerning the activities under the license shall be resolved by the Board;

13) Provisions regarding the expiration period of the rights and obligations set out in the license, and conditions and circumstances under which they shall be rendered invalid;

14) Provisions aimed to ensure that the services are performed in accordance with the technical requirements;

15) Provisions regarding facilities under license;

16) License term;

17) Other provisions deemed fit to be included in the licenses by the Board.

## **CHAPTER TWO**

### **Import Licenses**

#### **Rights and obligations of import license holder companies**

**ARTICLE 19** - <sup>54</sup>The import company shall carry out the activities of importing LNG, compressed natural gas (CNG) or natural gas in gaseous form from abroad for domestic sale or direct sale to abroad. Import companies must obtain a separate license for each import connection they make and can purchase natural gas from production companies, wholesale companies and among each other.

<sup>55</sup>Import companies may transfer the natural gas they procure through import or domestically to domestic wholesale companies, export companies, distribution companies, CNG sales companies, AutoCNG companies, wholesale (AutoLNG) companies and eligible consumers through sale agreements as well as market it abroad, provided that they obtain an export license.

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<sup>54</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>55</sup> Amended pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.

However, any transfer to export companies shall not affect the undertakings of the import company within the scope of its license.

The annual natural gas volume imported by any import company within the scope of one or more import licenses may not exceed twenty per cent of the national gas consumption estimation for the relevant year as published by the Authority in January each year.

Import companies cannot sell more than twenty percent of the national gas consumption estimation for the relevant year as published by the Authority in January each year within the scope of one or more import licenses. This rate shall be calculated by subtracting the volume of gas consumed by the company directly or through companies of which it is majority shareholder, from the net national consumption volume remaining after deducting losses.

<sup>56</sup>If import companies have submitted a preliminary agreement or a letter of undertaking stating that within five years, they shall enable the underground storage of a portion of the natural gas volume they import in each calendar year, which shall be designated by the Board, they are obliged to submit the lease agreements they shall subsequently conclude with license holder storage companies in order to fulfill this storage obligation to the Authority.

<sup>57</sup>Import companies shall notify the Authority of the changes in the matters specified in the sub clause (v) of the clause (a) of Article 10 of Annex-3 and their obligations concerning the security of the system specified in import agreements or extensions thereof and shall submit the information and documents requested by the Authority pertaining to all import agreements they have concluded to the Authority.

If import companies make natural gas sales to distribution companies and the storage capacity provided according to the fifth paragraph is insufficient, a five-year period from the issuance date of the license shall be granted for taking the required storage measures, and this period may be extended for two years pursuant to a Board decision if the storage facilities in Turkey have not reached the sufficient level. If sales are made to eligible consumers and the storage capacity provided pursuant to the fifth paragraph is insufficient, a five-year period from the issuance date of the license shall be granted for taking the required storage measures. This period may be extended for two years pursuant to a Board decision if the storage facilities in Turkey have not reached the sufficient level.

<sup>58</sup>Legal entities that shall engage in the import of spot liquefied natural gas (LNG), spot pipe gas, and compressed natural gas (CNG) are obliged to obtain an import (Spot) license. Companies that shall engage in spot liquefied natural gas (LNG), spot pipe gas, and compressed natural gas (CNG) import activities shall obtain a single import (Spot) license for the import connections subject to these activities. CNG procured from abroad within the scope of the import (Spot) license can be supplied to other license holders and consumers. Import (Spot) license holders can carry out their domestic CNG activities by obtaining the relevant CNG licenses or by purchasing services from legal entities holding these licenses. The implementation method for spot pipe gas imports and the implementation method for CNG imports shall be designated in the procedures and principles to be issued by the Board. Import (Spot) license holders are obliged to submit the amount, source (seller company/country) and delivery point information pertaining to their import activities to the Authority within the scope of the provisions of the Energy Market Notification Regulation published in the Official Gazette dated 27/5/2014 and numbered 29012.

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<sup>56</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 November 2016 and numbered 29897.

<sup>57</sup> Amended pursuant to the Regulation published in the Official Gazette dated 25 November 2006 and numbered 26357.

<sup>58</sup> Amended pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.



<sup>59</sup> The volume equivalent to the ratio determined by the Board in the relevant procedures and principles pertaining to the volume of the imported spot pipeline gas shall be sold in the OTSP within the period determined in the relevant procedures and principles. Collateral may be obtained from the license holders who will apply to a tender to guarantee the capacity entitled within the framework of the Procedures and Principles determined by the Board regarding spot pipe gas import, use of the capacity, and/or fulfilment of the sales obligations in the OTSP.

<sup>60</sup> Depending on whether the underground natural gas storage capacity in Turkey is sufficient to enable all import companies to fulfil their obligations regarding the storage of annual natural gas import volumes, the Board shall be authorized to determine the ratio of the annual natural gas imported by import companies to their five-year domestic storage obligation, so as not to be exceed twenty per cent of the current underground storage capacity in Turkey. The procedures and principles regarding storage obligations of import companies shall be determined by the Board.

### **Granting of import licenses to wholesale companies**

**ARTICLE 20** – In order to import natural gas, wholesale companies must obtain an import license by meeting the required conditions. An import license shall be granted upon the acceptance of the import license application by the Board. Following the request of the legal entity applying for the import license to surrender its wholesale license and upon the approval of this request by the Board, the existing wholesale license shall be converted into an import license. The license fee for the import license shall be deposited to the Authority's account. However, the license fee paid for the wholesale license shall not be refundable.

## **CHAPTER THREE Transmission Licenses**

### **Rights and obligations of transmission license holder companies**

**ARTICLE 21** - The transmission license holder shall be responsible for making the necessary adjustments regarding natural gas flow and system operation and the provision of all other services with respect to the parts under its ownership. In addition, the license holder shall be obliged to take all kinds of precautions to ensure the safe, efficient and cost-effective gas transmission on the lines under its responsibility, and to carry out other matters stipulated in the relevant legislation.

The transmission license holder shall be responsible for the planning, projecting, construction, and operation of the transmission system in accordance with the procedures and principles specified in the legislation and the stipulated standards.

The transmission license holder shall be obliged to connect the users wishing to connect to the system to the most suitable network point within twelve months, within the framework of the criteria designated by the Authority, subject to the availability of the system.

The user may inform the Authority in the event that the transmission company refuses the system entry request. If it is determined by the Authority that the transmission company has violated the network operation regulation, the transmission company shall carry out the system entry connection of the user in line with the Board's decision. The license holder must respond to system entry applications within a maximum of sixty days. In the event that the request in question is rejected, the applicant shall be informed of the rejection together with the grounds of rejection.

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<sup>59</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>60</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 November 2016 and numbered 29897.

If the applicants whose requests are rejected apply to the Authority within sixty days, the Board shall make a decision within three months at the latest and notify the parties. In its decisions on this matter, the Board shall pay the utmost attention to ensure that transmission activities are not interrupted and the functioning of the system is not disturbed. In case of failure to comply with the decisions of the Board on this matter, the provisions of Article 9 of the Law shall be applicable.

Transmission license holders must demonstrate to the Authority that they provide economical, efficient and safe operating services.

<sup>61</sup>Transmission license (LNG) holders shall transport the liquefied natural gas (LNG) they own pursuant to their licenses via LNG transportation vehicles within Turkish territorial waters and/or within Turkish territory. Transmission license (LNG) holders shall be responsible for conducting LNG fueling, transportation and delivery activities under their license within the framework of the procedures and principles specified in the relevant legislation and planning, projecting, constructing or procuring, and operating the transportation vehicles and facilities for these activities in accordance with the prescribed standards. No system user can transmit LNG without obtaining a transmission license (LNG). These provisions, other than the requirement to obtain a transmission license shall also apply to export companies, to whose license the information on LNG transportation activity is annotated, provided that they do not engage in domestic delivery activities.

<sup>62</sup>The transmission license holder shall be obliged to operate the installed corporate information system and industrial control systems in accordance with the TS ISO/IEC 27001 Information Security Management System standard, certify its systems by proving to a certification body accredited to the Turkish Accreditation Authority that it operates in accordance with the TS ISO/IEC 27001 standard, ensure the validity of the documents in question and refer to the ISO/IEC TR 27019 guide document in addition to the TS ISO/IEC 27002 Implementation Guide in the Information Security Management System they will establish according to TS ISO/IEC 27001.

### **Preparation and approval of investment programs**

**ARTICLE 22<sup>63</sup>** - Transmission companies shall also take into account transit natural gas transmission request in their investments. For this purpose, the prepared investment programs shall be submitted to the Authority for approval within 30 days at the latest after the approvals required by other legislation are obtained. The Board shall examine and approve the national transmission network investment programs prepared by the license holder with regard to the transit natural gas transmission requests within two months or notify its opinions and suggestions to the transmission company. Transmission companies shall also take into account the suggestions made by the Authority in their investment programs and re-submit their revised investment programs to the Board in line with these opinions and suggestions. Following the approval of the investment programs, the license of the transmission company shall be amended according to the approved investment programs if necessary. Investment programs that are not approved by the Board shall not be implemented.

## **CHAPTER FOUR**

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<sup>61</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>62</sup> Amended pursuant to the Regulation published in the Official Gazette dated 24 May 2017 and numbered 30075.

<sup>63</sup> Amended pursuant to the Regulation published in the Official Gazette dated 25 November 2006 and numbered 26357.

## **Storage Licenses**

### **Rights and obligations of storage license holder companies**

**ARTICLE 23** – The license holder shall be responsible for the planning, design, construction, and operation of the underground and aboveground storage facilities and LNG facilities in accordance with the procedures and principles specified in the relevant legislation.

In the event that there is not sufficient capacity to allocate the user requesting entry to the system, the system entry of the requesting user cannot be denied if it is physically possible to increase the capacity, provided that the relevant user bears the necessary expenses in relation thereto.

In the event that requests made to the storage company are refused and system users inform the Authority thereof, the Authority may require the company to provide the requested service if it determines that the storage company is in violation of the existing procedures and principles and license conditions after carrying out examinations and inspections. Penal sanctions set out in this Law shall be applicable for these violations.

The storage companies must respond to system entry applications of suppliers to procure storage services within thirty days. In the event that the request in question is rejected, the applicant shall be informed of the rejection together with the grounds of rejection. If the applicants whose requests are rejected apply to the Authority within sixty days, it shall be mandatory to comply with the decision of the Board, which shall be made within three months at the latest from the date of application.

The license holder shall be responsible for the operation, maintenance, safety, balancing and natural gas supply security of the system under its ownership.

Separate licenses shall be obtained for each of the storage facilities in areas not directly connected with each other or physically constitute a whole. The license is amended for expansion in existing storage facilities.

License holders must demonstrate to the Authority that they provide economical, efficient, and safe operating services.

### **Storage activities of production companies**

**ARTICLE 24<sup>64</sup>** – According to Law no. 6491, in the event that operation license holder companies file an application to the Authority after obtaining the approval of the General Directorate of Mining and Petroleum Affairs to use the underground natural gas deposits from which they produce natural gas for storage purposes, the relevant part of the operation license shall be converted to a storage license, subject to the approval of the Board. However, the production company must evidence in its application that it meets the requirements for storage licenses. In the event that the company commences storage activities, it shall maintain separate storage activities from the production activity by separating the accounting thereof.

## **CHAPTER FIVE Wholesale Licenses**

### **Rights and obligations of wholesale license holder companies**

**ARTICLE 25** – Wholesale companies can purchase natural gas from production, import, and other wholesale companies.

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<sup>64</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>65</sup>Wholesale license holder legal entities may sell the natural gas they purchase to export companies, eligible consumers, CNG sales companies, AutoCNG companies, wholesale (AutoLNG) companies, import companies, distribution companies and other wholesale companies throughout the country. Matters related to sales to be made to meet the fuel needs of carriers in Turkish territorial waters shall be regulated by the decision of the Board.

No single wholesale company can sell more than twenty percent of the national gas consumption estimation for the relevant year as published by the Authority in January each year within the scope of one or more import licenses. This rate shall be calculated by subtracting the volume of gas consumed by the company directly or through companies of which it is majority shareholder, from the net national consumption volume remaining after deducting losses.

If wholesale companies have submitted a preliminary agreement or a letter of undertaking stating that they shall provide underground storage, they shall be obliged to submit the lease agreements they shall subsequently conclude with license holder storage companies in order to fulfill this storage obligation to the Authority. However, if they make natural gas sales to distribution companies, a period of five years shall be granted from the effective date of their license to take the necessary storage measures, this period can be extended up to two years with the decision of the Board if the storage facilities in the country do not reach the sufficient level. Although it is mandatory to take storage measures with respect to natural gas to be sold to eligible consumers within five years after the issuance date of the license, this period may be extended for a period designated by the Board if the storage facilities in the country do not reach a sufficient level.

<sup>66</sup>Wholesale (AutoLNG) license holders can sell LNG to be used as fuel in road vehicles at a facility they shall establish at a specific address. Wholesale (AutoLNG) license holders can only sell LNG in the facility subject to their license. If other wholesale companies selling natural gas throughout the country wish to sell LNG to be used as fuel in road vehicles at a certain address, they must obtain a separate license.

<sup>67</sup>The license holder shall be responsible for the planning, projecting, construction, and operation of the AutoLNG fueling station in which it will operate in accordance with the procedures and principles specified in the relevant legislation and the stipulated standards. License holders operating within this scope shall be obliged to extend the duration of the Service Adequacy Certificate issued for the facility subject to their license as long as they sell LNG for use in road vehicles and submit the renewed certificate to the Authority.

### **Production companies engaging in wholesale activities**

**ARTICLE 26** -<sup>68</sup> Natural gas exploration and production activities shall be carried out in accordance with the Law No. 6491. Exploration and operation licenses shall be issued by the General Directorate of Mining and Petroleum Affairs. Production activity shall not be regarded as market activity.

<sup>69</sup>Production companies may market natural gas produced to wholesale companies, import companies, export companies, distribution companies, CNG sales companies, CNG transmission and distribution companies or eligible consumers, provided that they obtain a wholesale license.

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<sup>65</sup> Amended pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.

<sup>66</sup> Amended pursuant to the Regulation published in the Official Gazette dated 24 May 2017 and numbered 30075.

<sup>67</sup> Amended pursuant to the Regulation published in the Official Gazette dated 24 May 2017 and numbered 30075.

<sup>68</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>69</sup> Amended pursuant to the Regulation published in the Official Gazette dated 30 May 2008 and numbered 26891.

Production companies may sell natural gas directly to eligible consumers, provided that the sale volume does not exceed twenty per cent of the national consumption estimation for the relevant year to be determined by the Authority, and the remaining natural gas volume may be supplied to the market through import companies, distribution companies or wholesale companies. Production companies with export licenses may export the gas they produce.

Production companies shall be required to meet the wholesale and export license conditions to obtain wholesale and export licenses.

<sup>70</sup>The produced natural gas shall be transported in accordance with the transportation and delivery agreements to be executed with transmission companies. In the event that the production center is remote to the interconnected system, the produced natural gas may be transmitted with a direct line and sold to the eligible consumers by the production companies without being subject to the requirement of forming an interconnected system. However, this shall be subject to the decision of the Board in consideration of economic and technical conditions. Provided that the Board decides that the transmission of the produced natural gas through the transmission network is not technically and economically feasible, and that the wholesale company engaged in production fulfils its obligations, the produced natural gas shall be primarily purchased by the distribution company through establishment of a connection to the distribution network by the production company. The Board shall determine the price of natural gas to be purchased within this scope when necessary. Additionally, production companies may sell the natural gas they have produced to other consumers without carrying out intra-city distribution activities, where the production capacity of their produced natural gas is lower than the amount referred to in subparagraph (1) of paragraph (a) of Article 8 of the Law. The transmission and storage rights of production companies in the existing facilities shall be reserved. The exercise of these rights shall be subject to subparagraphs (c) and (d) of paragraph (4) of Article 4 of the Law.

Production companies are obliged to comply with the regulations to be issued by the Authority regarding matters such as tariffs, delivery rules, gas quality, gas supply, and seasonal changes.

## **CHAPTER SIX**

### **Distribution Licenses**

#### **Granting of a distribution license**

**ARTICLE 27** – Without prejudice to the provisional articles of the Law, the company entitled to obtain an intra-city natural gas distribution license shall be designated through a tender held by the Authority.

The procedures and principles regarding the distribution license and the tender to be held shall be set forth in the Distribution and Customer Services Regulation and other relevant regulations and communiqués. The company awarded a Distribution License shall be granted a distribution license following the fulfillment of the procedures in the relevant regulations and the bid documents.

#### **Rights and obligations of distribution license holder companies**

**ARTICLE 28** - Distribution companies shall be responsible for the planning, projecting, construction, expansion, and operation of the distribution network in accordance with the procedures and principles specified in the legislation and the stipulated standards.

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<sup>70</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

Distribution companies shall perform services related to the sale and delivery of natural gas to the subscribers and eligible consumers within their area of responsibility by enabling these consumers to access the distribution network according to the procedures and principles in the relevant regulations and communiqués published by the Authority.

Distribution companies shall be obliged to connect the consumers within their zone of responsibility to the system, upon their request. However, the obligation to connect depends on whether the system under the disposal of the company has the capacity enabling connection and whether the consumer fulfills the actions under its obligation, which are specified in the Distribution and Customer Services Regulation, and the technical and economic feasibility of making the connection according to the procedures and principles regulated in the relevant legislation. In the event of a dispute on this matter, the technical and economic feasibility of making the connection shall be decided by the Board. Users whose connection requests have been refused shall inform the Authority thereof. If it is determined that principles referred to in this article are violated after the distribution company submits its statement of defense to the Board, the company shall comply with the decision of the Board on the matter.

In accordance with the principles and procedures specified in the Distribution and Customer Services Regulation, a legal entity with a distribution license may sell the distribution network under its ownership to another legal entity prior to the expiry of the license term, subject to the approval of the Board.

<sup>71</sup>Distribution zones can be merged under a single license, or existing distribution zones can be divided into multiple license areas, if requested by the distribution license holder legal entities and deemed economically and technically appropriate by the Board. While evaluating the merging requests of distribution companies, the integrity of the network and regional proximity in terms of operational productivity shall be taken into account.

Distribution companies shall provide natural gas transportation and ancillary services to eligible consumers and their chosen suppliers upon their request.

In order to fulfill the demands of the users who purchase natural gas from the intra-city distribution network and ensure the reliability of the system, distribution license holder legal entities shall carry out natural gas supply programming, system balancing, and ensure the natural gas supply security of those who purchase natural gas from them.

Natural gas distribution companies shall establish delivery control centers for distribution networks. However, this shall not be a condition in the cities that are determined by the Authority as having insufficient consumption capacity.

The distribution company shall grant certificates to individuals or legal entities in accordance with the relevant legislation within the scope of the authority to be obtained from the relevant Authority regarding interior installation and service lines, and inspect the individuals or legal entities to whom it has granted certificates.

The distribution company shall submit the information and documents evidencing that it procures the natural gas offered to the subscribers from the most affordable source to the Authority.

Unless otherwise agreed by the Board, the license holder may purchase a maximum of fifty percent of the gas it will distribute within a year from a single legal entity.

The license holder cannot mix any substance to the natural gas delivered to the distribution network, save for the odorizing agent to be added to for safety.

The license holder must prove to the Authority that it operates in a safely and efficiently.

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<sup>71</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 November 2016 and numbered 29897.

The distribution company shall provide its subscribers who acquire the right to become an eligible consumer according to the eligible consumer limits to be designated by the Board for each year with the information necessary to change their supplier.

The Authority shall direct, supervise and monitor the distribution activities of the property owner distribution company and, when necessary, may purchase these services from individuals and legal entities at the cost of the distribution company.

Distribution companies are permitted to hold distribution licenses in only two cities throughout the country. However, this number can be increased through a Board decision, with regard to matters such as the level of development of the cities, their consumption capacity, and their user numbers. The Board may divide a city into multiple defined distribution zones and hold separate tenders for each distribution zone.

The rights and obligations in addition to the provisions of this article of the license holders selected through tenders shall be specified in their licenses, with regard to the bid documents and offers.

<sup>72</sup>The distribution license holder obliged to establish a delivery control center must operate the installed corporate information system and industrial control systems in accordance with the TS ISO/IEC 27001 Information Security Management System standard, certify its systems by proving to a certification body accredited to the Turkish Accreditation Authority that it operates in accordance with the TS ISO/IEC 27001 standard, ensure the validity of the documents in question and refer to the ISO/IEC TR 27019 guide document in addition to the TS ISO/IEC 27002 Implementation Guide in the Information Security Management System they will establish according to TS ISO/IEC 27001.

## **CHAPTER SEVEN**

### **Compressed Natural Gas (CNG) Licenses**

#### **Rights and obligations of CNG license holder companies**

**ARTICLE 29** – Legal entities who shall purchase and/or take delivery of natural gas from the wellhead, national transmission network or intra-city distribution system, or suppliers and/or distribution companies and carry out the following activities must obtain a separate compressed natural gas license from the Board for each of these activities:

- a) Compression and filling of natural gas into pressurized containers and sale thereof;
- b) Inter-city transportation of compressed natural gas through special vehicles, sale of compressed natural gas by lowering the pressure in places where transmission networks are unable to access, which has been procured from a CNG fueling station and/or from wholesale companies engaged in production at the wellhead and compressed by the compression equipment in the transportation vehicle and filled into pressurized containers;
- c) Sale of AutoCNG to be used as fuel in road vehicles.

CNG license holder companies shall domestically carry out the activities of compression and filling of natural gas into pressurized containers and sale thereof, inter-city transportation of compressed natural gas in pressured containers through special vehicles and its sale by lowering its pressure in the places where transmission networks are unable to access, and the sale of natural gas to be used as fuel in domestic or foreign carriers in Turkish territorial waters and road vehicles, in accordance with their licenses.

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<sup>72</sup> Amended pursuant to the Regulation published in the Official Gazette dated 24 May 2017 and numbered 30075.

Except for the refueling of vehicles, natural gas cannot be compressed in facilities subject to AutoCNG licenses issued for the sale of compressed natural gas for as fuel in road vehicles, it cannot be filled into pressurized containers or be delivered to be transported through special vehicles. The license holder may obtain the compressed natural gas for sale from other CNG sales and CNG transmission and distribution license holders, as well as perform the compression thereof in the facility subject to its license.

CNG activity within the scope of CNG sales and AutoCNG licenses cannot be performed without obtaining a Service Adequacy Certificate issued by the Turkish Standards Institute in accordance with the condition of the facility. License holders operating in this context shall be obliged to extend the duration of the Service Adequacy Certificate issued for the facility subject to their license as long as they sell CNG and submit the renewed certificate to the Authority.

CNG license holders shall be responsible for the planning, design, construction or procurement, and operation of the CNG filling, transportation, discharge and storage facilities in accordance with the procedures and principles specified in the legislation and the stipulated standards.

Activities in the facilities of CNG license holder legal entities shall not be considered as storage activities.

<sup>73</sup> CNG may be delivered by legal entities holding CNG transmission and distribution license to the facilities where CNG fueled vehicles are produced in order to ensure that the tests pertaining to such vehicles can be conducted and that they can delivered to the delivery point.

## **CHAPTER 8**

### **Export Licenses**

#### **Rights and obligations of export license holder companies**

**ARTICLE 30** – Export company can purchase natural gas from production companies, wholesale companies or import companies.

Production and import companies can make exports in accordance with the provisions of sub-clause (f) of paragraph (4) of Article 4 of the Law, provided that they obtain an export license.

<sup>74</sup>It is essential to refrain from disrupting the operation of the system or the national demand due to the exports. The export activity to be carried out through a pipeline shall be carried out within the framework of the procedures and principles designated by the Board regarding the use of export exit points and other matters, with regard to the technical capacity of the transmission network.

<sup>75</sup>Legal entities intending to export LNG may engage in LNG transportation activities, provided that this is annotated to their export license and that they do not engage in domestic delivery activities. Upon the request of the export license holder, a statement that LNG transportation activity may be carried out shall be added to the special provisions of the export license, provided that it does not carry out domestic delivery activities and complies with all obligations arising under the relevant legislation. In such case, an undertaking shall be obtained from the applicant stating that the transportation vehicles will be operated in accordance with the relevant standards and obligations arising under other relevant legislation. License holders who

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<sup>73</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>74</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.

<sup>75</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.



deliver LNG to the export license holder shall check that the transportation vehicles hold the necessary documents within the scope of the relevant legislation.

**PART THREE**  
**Miscellaneous Provisions**

**CHAPTER ONE**

**Further Obligations, Non-Discrimination between Equal Parties and Entry to the System**

**Further obligations of license holder legal entities**

**ARTICLE 31** – The rights and obligations of the license holder companies in addition to those specified in the relevant legislation are as follows:

a) In the event that an application is made to the Authority due to disputes on system entry, the parties must comply with the decisions of the Board.

b) License holders cannot put the transmission, distribution, and storage facilities up as security, mortgage, or pledge them without the permission of the Authority.

c) License holders cannot amend the field of activity set out in their company articles of association without the permission of the Authority.

d)<sup>76</sup> If the persons authorized to represent and bind the license holders as specified in their license applications are replaced, the license holders shall submit the original or certified copy of the registration certificate and/or the power of attorney showing the newly appointed authorized persons to the Authority within ten days.

e) License holders providing storage and transmission services may request the natural gas volume to be used for the operation of transmission and storage facilities and minimum stock from the system users. System users shall be obliged to provide the requested volume, which shall be determined at least depending on the natural gas rate they give to the system, for a fee.

f) License holders cannot engage in non-market activities other than those specified as activities permitted to be carried out without the permission of the Board in their licenses. The Board shall take into account the type of license requested, the nature of the non-market activity and its relationship with the energy market during the authorization phase. Legal entities shall be obliged to keep separate accounts for each activity specified in their licenses and refrain from cross-subsidizing between accounts.

g)<sup>77</sup> Legal entities may engage in multiple activities in the market provided that they obtain separate licenses for each market activity and each facility operated. However, a legal entity engaged in the wholesale activity of natural gas cannot engage in transmission or distribution activity, or acquire shares in a legal entity engaging in transmission or distribution activities.

h) The matters related to freedom of competition, abuse of dominance and mergers and acquisitions regulated in the Law No. 4054 on Protection of Competition dated 7.12.1994 shall also apply to legal entities operating in the natural gas market.

i) License holders shall carry out their market activities by acting as reasonable and prudent businesspersons.

k) Except for the expiration of distribution, transmission and storage licenses at the end of their term, the Authority shall take all kinds of measures regarding the facilities at the cost of the

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<sup>76</sup> Amended pursuant to the Regulation published in the Official Gazette dated 1 April 2021 and numbered 31441.

<sup>77</sup> Amended pursuant to the Regulation published in the Official Gazette dated 21 July 2004 and numbered 25529.

former license holder, for the purposes of avoiding any disruption in the operation of the system until the new license holder starts its activities.

l)<sup>78</sup> In case the license of the license holder is terminated or cancelled, the license holder shall return the license to the Authority within fifteen days at the latest from the expiration date of the license or the written notification date of the cancellation decision. Trade names and license types of legal entities whose licenses have expired or have been cancelled shall be announced on the website of the Authority. The trade names and license types of the legal entities whose pipeline transmission, distribution and storage licenses are terminated or canceled shall also be published in the Official Gazette.

m) Legal entities who have been granted licenses from the Authority shall be obliged to comply with the provisions of other legislation according to the relevant legislation and activity types.

n)<sup>79</sup> The Board may authorize one or multiple license holders as supplier of last resort in order to supply gas to consumers who cannot be supplied gas due to reasons such as bankruptcy of license holder companies supplying natural gas to the consumers, cancellation of their licenses and/or their default as a result of failing to fulfill their obligations within the scope of the OTSP during the agreement term or to consumers who cannot be supplied gas despite qualifying as an eligible consumer. The procedures and principles regarding the determination of the supplier of last resort and the supply of last resort fee shall be determined by the Board.

### **Non-discrimination between equal parties**

**ARTICLE 32** – Legal entities holding distribution, transmission, and storage licenses cannot discriminate between equal parties in their services, give preferential treatment, or act or behave in violation of free competition conditions. For this purpose, license holder legal entities shall be obliged to comply with the following rules to the extent applicable according to their license types:

a) Without prejudice to the provisions of Article 38, license holder legal entities shall notify information that needs to be disclosed to all system users receiving services simultaneously.

b) License holder legal entities cannot give false or misleading information to the system users and those wishing to use the system regarding used and idle capacities.

c) License holder legal entities cannot give false or misleading information regarding increases, disruptions, or cuts in natural gas for balancing purposes and their implementation results.

d) License holder legal entities cannot discriminate between users regarding capacity transfers and capacity allocations.

e) License holder legal entities cannot give preferential treatment in gas lending and gas holding.

f) License holder legal entities cannot direct their eligible consumers to a legal entity operating in the same field as the license holder legal entity under its license, or other license holder legal entities.

### **Entry to the system**

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<sup>78</sup> Amended pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.

<sup>79</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

**ARTICLE 33** – Legal entities engaged in transmission, distribution and storage activities may decline the requests of other legal entities and eligible consumers to enter the system only if they do not have sufficient capacity or they cannot fulfill their obligations if they enter the system; or they may incur serious financial and economic compensation liability due to their existing contracts.

In case the system entry request is rejected due to serious economic difficulties arising due to lack of capacity or service obligations or existing contracts, the rejection shall be immediately reported to the Authority with its grounds.

The Board shall investigate whether there is a lack of capacity or connection or any other obstacle according to the criteria specified in the relevant legislation, and notify the parties of its decision within three months.

System entry cannot be refused if the necessary expenses to eliminate the lack of capacity or connection are incurred by the user requesting access to the system.

If entry to the system is refused due to serious economic and financial difficulties arising from the existing contractual provisions of legal entities operating in the market, the transmission company may request the Board to temporarily lift the system entry obligation upon the application of the other legal entity in difficulty due to the contract it has signed, and shall submit the measures planned to solve the problem to the Board. The Board shall decide on the action to be taken on the request within two months.

However, if the request for the temporarily lifting of the system entry obligation is rejected by the Board, the transmission company shall be obliged to connect the requesting individuals and legal entities to the system.

## **CHAPTER TWO**

### **Insurance, Accounting Separation and Cross-Subsidization Ban**

#### **Insurance requirement**

**ARTICLE 34<sup>80</sup>** – License holder legal entities shall be obliged to insure the assets related to their activities according to their activity types, in order to protect them against possible risks.

In this context, legal entities holding transmission, distribution, CNG, wholesale (AutoLNG) and storage licenses, shall secure their facilities with an "asset all risk" insurance covering risks such as natural disasters, fires and accidents.

#### **Accounting separation and cross-subsidization ban**

**ARTICLE 35** – License holder legal entities engaging in multiple activities in the market and/or conducting the same activity in multiple facilities shall be obliged to keep separate accounts and records for each activity subject to license or each facility in which they operate, refrain from cross-subsidizing between accounts. Distribution companies shall keep separate accounts for their sales activities to eligible and captive consumers and the transportation services provided to system users, and cannot cross-subsidize between these accounts.

## **CHAPTER THREE**

### **Notices, Disclosure of Information and Scope, Confidentiality, Dispute Resolution, Reporting, Sanctions and Auditing**

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<sup>80</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

## **Notices**

**ARTICLE 36** – In accordance with this Regulation, all the notices between the license holders and the Authority shall be made in accordance with the provisions of the Notification Law No. 7201.

<sup>81</sup>In the event of a change in the notification address, the license holder must notify the Authority in writing within three business days of the change of address.

## **Disclosure of information and scope**

**ARTICLE 37** – Legal entities operating in the natural gas market are obliged to disclose information about matters related to their activities. The scope of the information to be provided and the authorities to be informed are set out below.

a) Transmission companies carrying out natural gas transmission and delivery control, storage companies operating LNG facilities and underground storage facilities, distribution companies engaged in intra-city natural gas distribution activities, production and import companies supplying natural gas shall be obliged to provide sufficient information to other companies operating in the same field in order to ensure the safe and efficient operation of the gas system.

b) License holders who receive services from distribution, transmission and storage companies are obliged to provide adequate and accurate information to transmission, distribution and storage companies in order to ensure the safe and efficient operation of the natural gas system.

c) Transmission license holders are obliged to give each other the required information designated by the Authority in order to coordinate with other transmission companies engaged in transmission activities for a safe and efficient operation.

## **Confidentiality**

**ARTICLE 38** – The Authority cannot disclose any information or documents designated by the Board decision that, if published, could harm the commercial relations of the license holder unless requested by any court decision.

Parties operating in the natural gas market are obliged to keep commercially sensitive information and documents confidential. However, they cannot be held liable for the information they give to the Competition Authority and the Authority for the purposes of their audits and investigations. Legal entities operating in the natural gas market cannot use in any way confidential information they have directly acquired during natural gas trading or confidential information they have acquired through auditor, audited or affiliated legal entities for their own interests or for the interest of their affiliated companies. Such information shall be given to the Authority only if requested by the Authority.

A legal entity whose license has expired or whose license has been revoked shall be obliged to keep the trade secrets of other legal entities it has acquired due to commercial relations confidential for five years.

## **Dispute resolution**

**ARTICLE 39** – Any disputes among legal entities or between legal entities and consumers regarding the implementation of the law shall be resolved by the Authority. Licenses shall stipulate that the decisions on these matters, which shall be taken by the Board within a maximum of thirty days, shall be binding for the parties.

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<sup>81</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 November 2016 and numbered 29897.

<sup>82</sup>A lawsuit can be filed against administrative sanction decisions in the competent administrative court. All kinds of lawsuits filed against the decisions of the Board are considered as priority.

### **Reporting**

**ARTICLE 40**<sup>83</sup> – License holder legal entities shall make notifications to the Authority regarding their activities in accordance with the provisions of the Energy Market Notification Regulation.

License holder legal entities shall keep their facilities, legal books and records ready for inspection by the Authority, submit those for inspection when so requested by the Authority, keep the records and reports required by the Authority, and timely provide any kind of information and documentation that the Authority may request in the course of carrying out its activities.

### **Sanctions and audits**

**ARTICLE 41** – The Authority may audit all and any business or transactions of the license holder legal entities related to their activities within the scope of their licenses or arrange the audit thereof. Within the framework of the regulations made by the Board regarding sanctions and inspection, in the event that the license holder legal entities violate the provisions of the relevant legislation, the sanctions stipulated in Article 9 of the Law shall be applicable, depending on the nature of the violation.

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## **CHAPTER FOUR**

### **<sup>85</sup>Share Transfers, Mergers, Market Share, and Affiliate Relationships**

#### **Share transfers**

**ARTICLE 42**<sup>86</sup> – The purchase of shares representing ten percent or more of the share capital of a license holder legal entity (five percent in publicly traded companies) directly or indirectly by an individual or a legal entity, and any share purchase by a shareholder which results in a more than ten percent shareholding in the legal entity's share capital, and/or a share transfer that results in the shareholder's shares falling below the above ratios shall be subject to Board approval for each instance. However, any shareholding changes of ten percent or more (five percent in publicly traded companies) occurring in the partnership structure of natural gas storage license holder legal entities for any reason shall be subject to Board approval even if such changes do not result in the shares of a shareholder exceeding or falling below ten percent of the legal entity's share capital. This provision is also valid in cases where voting rights are acquired and shares are pledged. For natural gas wholesale, wholesale (Auto LNG), transmission (LNG) and CNG license holders, the approval for the acquisition of voting rights and the pledge of shares shall be granted by the Natural Gas Market Department.

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<sup>82</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 March 2015 and numbered 29300.

<sup>83</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 March 2015 and numbered 29300.

<sup>84</sup> Repealed pursuant to the Regulation published in the Official Gazette dated 19 March 2015 and numbered 29300.

<sup>85</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 March 2015 and numbered 29300.

<sup>86</sup> Amended pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

<sup>87</sup>The provisions of the first sentence of the first paragraph of this article shall not be applicable for the transfer of shares in the distribution company to be made to a municipality or municipal company and shareholding changes resulting from the share capital increase of a legal entity who is an indirect shareholder of the license holder. The license holder shall be obliged to notify the Authority of these changes and make a license amendment request as a result of the share transfer made to the municipality or municipal company.

Board approval shall be granted on the condition that the transferee individual or legal entity meets the conditions sought for the shareholders of the legal entity during the license application. If the shares which determine the management and control of the legal entity shareholder are held by another legal entity, the provisions of this paragraph shall be applicable on the individual partner or partners of this legal entity.

<sup>88</sup>Even if no share transfer takes place, the establishment and removal of any privileges and the issuance of dividend certificates over existing shares, and the transfer of the privileged shares directly in the partnership structure of the license holder legal entity shall be subject to the approval of the Board regardless of the proportional limits specified in the first paragraph. However, the following shall not be subject to Board approval:

a) The transfer of a privileged share by an individual and/or legal entity directly holding a privileged share in the license holder company to another individual or legal entity who already holds a privileged share in the company, regardless of share percentage, excluding the transfers that shall result in leaving the company partnership;

b) Transfer of privileged shares in legal entities holding direct/indirect shares in the license holder company, except for share transfers covered by the provisions of the first paragraph of this article.

The license holder is obliged to notify the Authority within sixty days following the share transfer. The Board shall be authorized to take all kinds of precautions if any matters in violation of the relevant legislation are detected.

Individuals or legal entities who own, directly or indirectly, ten percent (five percent in publicly traded companies) or more of the share capital of a license holder legal entity, or the shares granting the privilege to appoint members to the management or supervisory boards, regardless of the shareholding percentage, or individuals or legal entities who hold usufruct rights on these shares must meet the conditions required for the partners of the relevant legal entity.

<sup>89</sup>In the implementation of this article, the following shall be deemed as being held by a single person:

a) The shares and other rights belonging to an individual who is a partner of the license holder legal entity or their spouse and minor children, and companies in which they are on the board of directors or the supervisory board or are unlimited liability partners;

b) Except for public legal entities, shares and other rights of a legal entity or partnerships in the persons listed in subparagraph (a) directly or indirectly own twenty-five percent or more of their capital,

In the event that the minor children specified in the license become of age, the license holder must request a license amendment by making the necessary notification to the Authority. The license amendment process shall be carried out free of charge.

The following information and documents shall be requested for share transfer applications:

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<sup>87</sup> Amended pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

<sup>88</sup> Amended pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

<sup>89</sup> Amended pursuant to the Regulation published in the Official Gazette dated 17 April 2018 and numbered 30394.

- a) If the transferee is a legal entity,
- 1) The registration certificate obtained within the month prior to the application date regarding the registration of the legal entity to the trade registry and the original or copy of the Trade Registry Gazette in which the registration was announced;
  - 2)<sup>90</sup>
  - 3) A copy of the share transfer agreement;
  - 4) Information and documents stipulated in Article 6 of Annex-3, within the scope of documents showing the financial status of the legal entity;
  - 5) In the event that the shares designating the management or control of the legal entity and, if any, the legal entities who have direct or indirect shares of ten percent or more in the legal entity, and the legal entity shareholder belong to another legal entity; the information and documents specified in Article 4 of Annex-3 of the legal entity in question;
- b) If the transferee is an individual,
- 1) A copy of the share transfer agreement;
  - 2) Information and documents showing the financial status of the individual;
  - 3)<sup>91</sup>

<sup>92</sup>The obligations imposed through this article shall be included in the articles of association and related licenses of the license holder legal entities, except for production companies that hold exploration and operation licenses according to the Law No.6491 and engage in production activities in Turkey as branches of their foreign headquarters.

The Authority may request additional information and documents it may require during the review and evaluation required for Board approval from individuals or legal entities who are parties to the share transfer.

<sup>93</sup>Persons who become shareholders in license holder legal entities through inheritance due to the death of individuals who directly or indirectly hold more than 10 percent of the shares in the relevant legal entities, shall not be required to obtain the approval of the Board. Following the completion of the transfer to the inheritors, the license holder legal entity shall notify the Authority within thirty days.

<sup>94</sup>Public offering or trading on a stock exchange of the shares of a license holder legal entity and/or the direct or indirect legal entity shareholders of a license holder legal entity shall not be subject to Board approval, unless this reduces the share ratio of any individual or legal entity shareholder within the direct or indirect shareholding structure of the license holder legal entity below ten percent. If the direct or indirect share ratio of any shareholder in the license holder legal entity is to fall below ten percent as a result of the initial public offering or increase of the ratio of the publicly traded shares, the approval of the Board shall be required.

<sup>95</sup>The shares of a license holder legal entity may be publicly traded or traded on a stock exchange under the following conditions:

- a) All of its shares shall continue to be registered shares;
- b) The ratio of the publicly traded shares to total shares shall not exceed forty nine percent;

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<sup>90</sup> Repealed pursuant to the Regulation published in the Official Gazette dated 7 January 2017 and numbered 29941.

<sup>91</sup> Repealed pursuant to the Regulation published in the Official Gazette dated 7 January 2017 and numbered 29941.

<sup>92</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>93</sup> Amended pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.

<sup>94</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>95</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

c) The prohibitions and limitations on participation specified under the Law and the secondary legislation shall not be breached and the letter of undertaking included in Annex-5 shall be submitted to the Authority within this scope;

ç) The following provision shall be inserted to its articles of association: "The regulations of the Capital Markets Board and the Energy Market Regulatory Board shall be complied with in respect of the registered shares of the Company which are publicly traded or traded on a stock exchange.";

Within one month following the completion of the public offering of its shares, the license holder shall apply to the Authority for license amendment together with the information and documents showing the latest shareholding structure, the letter of undertaking within the scope of sub-paragraph (c) of this paragraph and the document showing the amendment of the articles of association specified in sub-paragraph (ç). In public offering transactions relating to the direct or indirect legal entity shareholders of the license holder legal entity, the Board shall be notified by the license holder together with the information and documents showing the latest shareholding structure of the relevant legal entity within the same time period.

<sup>96</sup>The shares traded on a stock exchange shall not be acquired by another licensed company operating in the natural gas market in violation of the limitation and prohibition of participation specified in the Law and secondary legislation; failing which, such issue shall be evaluated as a breach of the relevant legislation.

<sup>97</sup>Obligations imposed through this article shall be applied excluding the shares traded on the stock exchange of license holder legal entities and their direct and indirect legal entity shareholders.

For foreigners, the provisions of this article shall be applied to the extent applicable.

### **Merger of legal entities**

**ARTICLE 43<sup>98</sup>** – In the event that the license holder wishes to merge with the following entities, together with all of its assets and liabilities, the approval of the Board shall be required prior to the merger:

- a) Another license holder; or
- b) A legal entity without licenses.

If the merger is authorized with the approval of the Board, this authorization shall be announced on the website of the Authority. If the merger is not completed within six months from the merger authorization date, the authorization shall be rendered invalid. In this case, the merger transaction cannot be resumed without the approval of the Board and a new authorization.

The merger agreement cannot contain provisions that violate the rights and receivables of consumers and remove the liabilities of the license holder. In a merger agreement, the following issues shall be specified at minimum:

- a) Planned merger stages;
- b) The legal entity or entities whose legal personality shall cease following the merger;
- c) If the share capital of the purchaser legal entity following the merger is less than the minimum share capital stipulated in this Regulation; a commitment that the difference will be paid by the purchaser legal entity within a hundred days after the completion of the merger;

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<sup>96</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>97</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>98</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 March 2015 and numbered 29300.



ç) The specification that the purchaser legal entity is the complete successor of other legal entities or individuals acquired as a result of the merger.

The following information and documents shall be requested for the applications made to the Authority for merger authorization:

- a) Draft merger agreement;
- b) Copies of the resolutions on the draft merger agreement, taken by the competent bodies of the legal entities within the framework of the provisions of the Turkish Commercial Code regarding mergers;
- c) Draft post-merger articles of association of the purchaser legal entity;
- ç) A report assessing the objectives expected from the merger.

If the legal entity whose legal personality shall be terminated is a license holder, the review in relation to the amendment of the license or licenses owned by it in the name of the purchaser legal entity shall be made within the framework of the following principles, before the merger request is submitted to the Board for approval:

a) The purchaser legal entity shall be obliged to meet the essential conditions for holding the license or licenses in question within the scope of the relevant legislation. Within this framework, the purchaser legal entity must submit the following in the application to be made to the Authority:

- 1) The information/documents specified in the first 9 articles of Annex-3 of this Regulation;
- 2) A letter of undertaking stating that they shall comply with the relevant legislation regarding their activity/activities within the scope of the license/licenses they shall acquire through complete succession and that they shall fulfill the obligations arising from other legislation, such as obtaining permits, licenses and approvals, and otherwise they shall be held liable.

b) As the articles of association of the purchaser legal entity must include all of the conditions stipulated in this Regulation, before the merger transaction is approved, the deficiencies identified as a result of the review and evaluation made by the Authority and the obligations to be fulfilled, if any, shall be notified to the purchaser legal entity in writing. The information/documents indicating that the relevant deficiencies have been remedied and the obligations have been fulfilled by the purchaser legal entity shall be submitted to the Authority, together with the license amendment request and the receipt showing that the license amendment fee has been deposited into the Authority's account.

c) The review and evaluation made by the Authority shall be submitted to the Board. The request to amend the licenses held by the legal entity whose legal personality shall be terminated in the name of the purchaser legal entity shall be concluded with regard to the following matters, together with the merger approval request:

- 1) Compliance with the objectives stipulated in the relevant legislation;
- 2) Protection of consumer rights and impact on the development of competition and the market;
- 3) Financial strength and financial resources of the legal entity and/or its partners;
- 4) Experience and performance, if any, of the applicant legal entity and/or its partners in domestic and foreign markets.

ç) In case the requests in question are rejected by the Board, the license amendment fee shall be refunded to the relevant legal entity.

The obligations imposed through this article shall be included in the articles of association and the related licenses of the license holder legal entities.

### **Market share and affiliate relationships**

**ARTICLE 44<sup>99</sup>** – License holder legal entities must carry out their activities within the market share limitations stipulated in the relevant legislation. If it is determined that the market share limits set forth in the relevant legislation have been exceeded, action shall be taken in accordance with Article 9 of the Law.

<sup>100</sup>Any legal entity engaged in natural gas market activities may acquire shares in only one of the legal entities operating outside of its field of activity; however, it cannot establish a separate company. It cannot have the right to directly or indirectly use more than half of the capital or commercial assets or more than half of the voting rights of the affiliate legal entity, or the right to appoint more than half of the members of the supervisory board, board of directors or organs authorized to represent the legal entity or to manage their affairs. It cannot participate in any legal entity operating in its own field of activity and cannot establish a company. However, distribution license holders may participate in only one of the legal entities operating in their own field of activity if deemed appropriate by the Board with regard to their technical and economic grounds, provided that the following conditions are met:

- a) Submission of the request letter with grounds;
- b) Fulfilment of the obligations under the Law No. 4054 on the Protection of Competition;
- c) Submission of information and documents within the scope of the provisions of Article 42;
- ç) Submission of other information and documents requested by the Authority.

The provision of this article shall not be applicable to the existing subsidiaries of BOTAŞ, the companies of BOTAŞ to be established for international projects and its future participations.

## **CHAPTER FIVE**

### **Governance, Force Majeure, Minimum Share Capital Amount**

#### **Consulting the Board and governance**

**ARTICLE 45** – Applications may be made to the Authority for the purposes of eliminating any uncertainties or differences in interpretation that arise during the enforcement of the relevant legislation.

In the event that multiple legal entities apply to the Authority on the same or a similar issue, an evaluation report shall be prepared by taking the commentary of other legal entities operating in the market on the subject. In accordance with the Board's decision on the evaluation report, the required actions shall be taken.

The Authority shall prepare a governance report by taking the commentary and evaluations of the relevant legal entities in the market with respect to future regulations aiming to ensure a more efficient market operation. The governance report shall be published on the website of the Authority for thirty days. During this period, comments received from legal entities regarding the report shall also be published on the website of the Authority. The governance report finalized by taking into account the commentary and suggestions received shall be submitted to the Board within ten business days following the end of this period. In accordance with the Board decision on the report, the required actions shall be taken.

#### **Force majeure**

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<sup>99</sup> Amended pursuant to the Regulation published in the Official Gazette dated 21 July 2004 and numbered 25529.

<sup>100</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 November 2016 and numbered 29897.

**ARTICLE 46** – In order for an event to be considered as force majeure, it must be an event that could not be prevented, avoided or remedied despite the party affected by the incident having taken the due care and attention and the necessary measures and this event must prevent the affected party from fulfilling its obligations under the relevant legislation.

In the event of force majeure, the obligations of a license holder legal entity arising from the relevant legislation may be postponed through a Board decision to the extent they are affected until the effects of the force majeure are remedied. In cases where it is understood that the obligations in question cannot be fulfilled, the Board may also decide to lift the relevant obligations of the legal entity. In order for a decision to be made on the postponement or cessation of obligations, the license holder must make an application to the Authority in writing within fifteen days from the occurrence date of the force majeure, which includes the occurrence date of the force majeure, its nature, its effects on the license holder's obligations and, if possible, the estimated recovery period of its effects.

The removal of the obligations regarding transmission and distribution activities cannot be requested.

#### **Minimum share capital amount**

**ARTICLE 47** – The applicable minimum share capital amounts specified in Annex-4 to be valid from the beginning of each calendar year shall be increased by the revaluation rate designated and announced for the relevant year in accordance with the provisions of the Tax Procedure Law.

## **CHAPTER SIX**

### **Provisional Articles and Final Provisions**

**PROVISIONAL ARTICLE 1** – The applicable license fees, annual license payments, fees for license renewal, license amendment, and license copying for the year 2002 shall be designated by the Board, published in the Official Gazette by the end of September 2002 and announced in the website of the Authority.

#### **Existing applications**

**PROVISIONAL ARTICLE 2<sup>101</sup>** – With respect to the existing storage license applications, the first applicant requiring the announcement shall be asked to complete the necessary information and documents within the scope of clause (c) of Article 10 of Annex-3 of this Regulation. In case any changes occur with respect to the information and documents subject to the application, the said information and documents shall be revised pursuant to these changes and submitted to the Authority.

Existing storage license applications shall be evaluated within the scope of Article 9 of this Regulation. An announcement shall be made within the framework of the information provided by the first applicant for the area subject to the application.

After this announcement, the storage license applications made pursuant to the first announcement for the area subject to the announcement shall remain valid. The applicants in question shall revise their information and documents within the framework of the changes specified in the latest announcement. Otherwise, the existing license applications shall be deemed to be withdrawn.

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<sup>101</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 21 February 2012 and numbered 28211.

### **License applications for operating in the same area**

**PROVISIONAL ARTICLE 3<sup>102</sup>** – Prior to the effective date of this article, if any license applications in the market, electricity market and petroleum market have been made for operating in the same area and the announcement period of which has expired, an evaluation shall be made within the framework of the following principles:

a) License applications made in the market or the electricity or petroleum markets to operate in an area allocated or planned to be allocated pursuant to an international agreement or an area subjected to studies by the Ministry as a nuclear energy based generation facility area in the electricity market shall be rejected all stages.

b) In the event that the area subject to the license application announced within the framework of the third paragraph of Article 9 is not an area allocated or planned to be allocated pursuant to an international agreement nor subjected to studies by the Ministry as a nuclear energy based generation facility area, and applications have been made for a storage license in the market or for a license in the electricity market and/or for refinery and/or storage in the petroleum market to operate in the area subject to the announcement, the Board shall decide the application in relation to which the licensing process shall resume in the area subject to the announcement in accordance with the following procedures and principles:

1) Among the license applications, applications for underground natural gas storage licenses in the market, licenses based on other resources or fuel other than natural gas in the electricity market, storage licenses in liquefied natural gas facilities in the market, refinery licenses in the petroleum market, licenses based on natural gas in the electricity market and storage licenses in the petroleum market shall be prioritized in this order.

2) Applications other than the prioritized license application(s) within the scope of sub-clause (1) shall be rejected or returned.

**PROVISIONAL ARTICLE 4<sup>103</sup>** – The obligations specified in the seventh paragraph of Article 21 and the eighteenth paragraph of Article 28 of this Regulation shall enter into force on 31/12/2017.

### **Import (Spot LNG) license amendments**

**PROVISIONAL ARTICLE 5<sup>104</sup>** – If legal entities who have been granted a 10-year import (Spot LNG) license by the Board despite having applied for an import (Spot LNG) license for a term exceeding 10 years apply until 31/12/2015, their existing licenses shall be amended by the Natural Gas Market Department to be valid for their requested term during their initial license application, without charging any license amendment fees.

### **Business and operating licenses**

**PROVISIONAL ARTICLE 6<sup>105</sup>** – CNG sales license holder legal entities, who have not engaged in any sales activities since the issuance date of their license nor obtained a Business and Operating License for the facility subject to their licenses must submit the original or notarized copy of their Business and Operating License granted in accordance with the Regulation on Business and Operating Licenses and with regard to the condition of the facility subject to the

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<sup>102</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 31 January 2013 and numbered 28545.

<sup>103</sup> Amended pursuant to the Regulation published in the Official Gazette dated 24 May 2017 and numbered 30075.

<sup>104</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 19 March 2015 and numbered 29300.

<sup>105</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 19 March 2015 and numbered 29300.

license, which includes the CNG sales activity, to the Authority within six months from the effective date of this article.

**TSI Service Adequacy Certificate**

**PROVISIONAL ARTICLE 7<sup>106</sup>** – CNG sales license holder legal entities must submit the original or notarized copy of the Service Adequacy Certificate obtained from the Turkish Standards Institute according to the condition of the facility subject to their license, within one year from the effective date of this article.

**Registered Electronic Mail (KEP) address**

**PROVISIONAL ARTICLE 8<sup>107</sup>** – License holder legal entities must notify their Registered Electronic Mail (KEP) addresses to the Authority within three months from the effective date of this article.

**Transmission (LNG) license amendments**

**PROVISIONAL ARTICLE 9<sup>108</sup>** – Transmission (LNG) licenses issued prior to the effective date of this article shall be amended by the Authority if the license holder requests a license amendment to carry out transmission activities via vessels.

**CNG sales license amendments**

**PROVISIONAL ARTICLE 10<sup>109</sup>** – Conversion of the compressed natural gas sales licenses issued by the Board prior to the effective date of this article into AutoCNG licenses shall be carried out via amending these licenses without changing the license date or term, in exchange for an amendment fee.

**Electronic notification address**

**PROVISIONAL ARTICLE 11<sup>110</sup>** – License holder legal entities must notify the Authority of the Electronic Notification Addresses that they shall obtain in accordance with the electronic notification legislation within three months from the effective date of this article.

**Import (Spot LNG) license amendments**

**PROVISIONAL ARTICLE 12<sup>111</sup>** - Import (Spot LNG) licenses shall be amended as Import (Spot) licenses within six months from the effective date of this article *ex officio*.

**License renewal procedures**

**PROVISIONAL ARTICLE 13<sup>112</sup>** – The applicable terms for each license type specified in Article 15 of this Regulation shall be considered with respect to the conclusion of license renewal requests made to the Authority prior to the effective date of this article.

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<sup>106</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 24 May 2017 and numbered 30075.

<sup>107</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 March 2015 and numbered 29300.

<sup>108</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 23 November 2016 and numbered 29897.

<sup>109</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 24 May 2017 and numbered 30075.

<sup>110</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.

<sup>111</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.

<sup>112</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 19 September 2019 and numbered 30893.

**Enforcement**

**ARTICLE 48** - This Regulation shall enter into force on the date of its publication, effective from 2/11/2002.

**Execution**

**ARTICLE 49** - The provisions of this Regulation shall be executed by the President of the Energy Market Regulatory Board.

ANNEX-1<sup>113</sup>

**LICENSE APPLICATION PETITION  
TO THE PRESIDENCY OF  
ENERGY MARKET REGULATORY AUTHORITY  
OF THE REPUBLIC OF TURKEY**

We request to obtain a license for the natural gas market activity specified below for a term of  
..... years.

We kindly request the approval of our license application and the granting of a license to our  
legal entity.

**Annex:** (The undertaking in ANNEX-2 and the documents specified in ANNEX-3 shall be  
attached.)

Name-Surname of the Authorized Representative(s) of the Legal Entity  
Signature  
Stamp  
Date

- |   |  |
|---|--|
| <input type="checkbox"/> Transmission License                 | <input type="checkbox"/> Transmission (LNG) License                |
| <input type="checkbox"/> Import License                       | <input type="checkbox"/> Import (Spot) License                     |
| <input type="checkbox"/> Wholesale License                    | <input type="checkbox"/> Wholesale (AutoLNG) License               |
| <input type="checkbox"/> Storage License                      | <input type="checkbox"/> Export License                            |
| <input type="checkbox"/> Distribution License                 |  |
| <input type="checkbox"/> Compressed Natural Gas (CNG) License |  |
| <input type="checkbox"/> CNG Sales License                    | <input type="checkbox"/> CNG Transmission and Distribution License |
| <input type="checkbox"/> AutoCNG License                      |  |

Trade name of the legal entity :  
Trade registry number of the legal entity :  
Registered tax office and tax identification number :  
Notification address of the legal entity :  
Telephone :  
Registered e-mail (KEP) Address :  
Electronic Notification Address :

<sup>113</sup> Amended pursuant to the Regulation published in the Official Gazette dated 6 April 2019 and numbered 30737.

## ANNEX-2<sup>114</sup>

### LETTER OF UNDERTAKING (\*)

#### TO THE PRESIDENCY OF THE ENERGY MARKET REGULATORY AUTHORITY OF THE REPUBLIC OF TURKEY

We accept and undertake the following:

1) The information and documents we have submitted within the scope of our license application are correct and complete;

2) We shall comply with the relevant legislation;

3) We shall fulfill the obligations arising from other legislation regarding the activity within the scope of the license we request, such as obtaining permits, licenses and approvals, and we shall be held liable otherwise;

4) In the event that our license application is approved, our application shall become invalid if we do not deposit one percent of the license fee to the account of the Energy Market Regulatory Authority within ten working days;

5) In the event that we withdraw our license application during the review and evaluation process, or we fail to submit the information and/or documents to be requested by the Authority within the period specified as of the written notification date, or our license application is rejected as a result of the review and evaluation to be made by the Authority, the amount paid by us as one percent of the license fee shall be collected by the Authority and we shall not claim any right or compensation in this regard.

Name-Surname of the Authorized Representatives of the Legal Entity

Signature

Stamp

Date

(\*) The content of this undertaking cannot be changed by the license applicant under any circumstances.

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<sup>114</sup> Amended pursuant to the Regulation published in the Official Gazette dated 9 April 2011 and numbered 27900.



## ANNEX-3<sup>115</sup>

### INFORMATION AND DOCUMENTS REQUIRED TO BE SUBMITTED BY LEGAL ENTITIES IN THEIR LICENSE APPLICATIONS

1<sup>116</sup>- The original copy of the registration certificate received from the Chamber of Commerce and/or the Chamber of Industry, of which the legal person is a member, within the month prior to the application date, or a copy thereof approved by the Authority;

2<sup>117</sup>- If an application is made by the persons to whom a power of attorney has been granted to represent the legal person, the original or certified copies of the power of attorney granted to these persons;

3<sup>118</sup>- A copy of the final version of the legal entity's Articles of Association incorporating all amendments thereto, approved by the Trade Registry Office or the Authority, or the original copy or copies approved by the Authority or the Trade Registry Office of the Turkish Trade Registry Gazette in which the legal entity's Articles of Association and amendments thereto that are announced;

4- In order to determine the share percentages and amounts of individuals and legal persons who hold direct or indirect shares in the license applicant legal entity, the following documents with respect to the relevant legal entity, the legal entities who directly or indirectly hold shares of ten percent or more in the legal entity, and if the shares granting the management or control of the legal entity belong to another legal entity, this legal entity:

a) <sup>119</sup>The chart showing the share percentages and amounts, and the lists showing the privileged shares, if any, in the legal entity (in case there are no privileged shares in the company, it must be declared that the company does not have any privileged shares);

b) The original copy of the Turkish Trade Registry Gazette evidencing the latest partnership structure, together with the share amounts, or a copy thereof approved by the Authority or approved by the Trade Registry Office, or the registration document approved by the Trade Registry Office, or the partnership confirmation document obtained from the Trade Registry Office, or a copy approved by the Authority or by the Trade Registry Office, or the notarized share ledger of the company;

5-<sup>120</sup>

6-<sup>121</sup> Year-end and interim balance sheets and income statements pertaining to the year in which the application is made, which demonstrate the financial status of the legal entity and the legal entity partners holding direct shares of ten percent (five percent in publicly traded companies) or more and approved by a certified Public Accountant or an Independent Accountant and Financial Advisor or Tax Office in the year prior to the license application;

7-<sup>122</sup>

8- Domestic and foreign market experience, if any, of the legal person and/or its partners;

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<sup>115</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>116</sup> Amended pursuant to the Regulation published in the Official Gazette dated 01 April 2021, numbered 31441

<sup>117</sup> Amended pursuant to the Regulation published in the Official Gazette dated 01 April 2021, numbered 31441

<sup>118</sup> Amended pursuant to the Regulation published in the Official Gazette dated 03 March 2012, numbered 28253

<sup>119</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 March 2015, numbered 29300

<sup>120</sup> Repealed pursuant to the Regulation published in the Official Gazette dated 23 November 2016, numbered 29897

<sup>121</sup> Amended pursuant to the Regulation published in the Official Gazette dated 09 April 2011, numbered 27900

<sup>122</sup> Repealed pursuant to the Regulation published in the Official Gazette dated 23 November 2016, numbered 29897

9- Information on the affiliates of the legal entity and their activities (if none, it must be declared that the company does not have any affiliates.);

10- Information, documents and undertakings on the following subjects according to the types of activities:

a) For import licenses:

i) Precise information and guarantee about the source, reserve, production facilities, and transmission system of the natural gas to be imported, in order to ensure the security of natural gas supply;

ii) Natural gas volume to be imported for each calendar year and the identity of the seller, for the duration of the term stipulated for the requested license;

iii)<sup>123</sup> Lease agreements enabling the storage of a portion of the natural gas volume to be imported for each calendar year, which shall be designated by the Board, in underground storage facilities in Turkey, or preliminary agreements concluded with or undertakings received from legal entities who shall carry out storage activities in relation to the provision of underground storage facilities for these volumes within five years;

iv) The declaration by the applicant stating that it has the capacity to contribute to the development and security of the national transmission system, it shall provide reasonable economic support to the investments of legal entities enabling development of the system, to the extent made possible under its financial conditions;

v) Information and documents regarding the contract terms and time extensions, natural gas properties (chemical composition, upper calorific value, etc.), limit values, and the annual and seasonal import volumes stipulated in the existing or future import agreements;

b) For transmission licenses:

1) With respect to the transmission activity to be carried out through the pipeline network:

i) Properly scaled map showing areas and routes;

ii) Design and operational capacity;

iii) Design and maximum operating pressure;

iv) Measurement, control and data acquisition systems;

v) Compressor station locations and capacity;

vi) Telecommunication systems;

vii) An undertaking to guarantee that the facilities and equipment shall be in compliance with the standards specified in the Natural Gas Market Facilities Regulation and shall be secure;

2) With respect to the transmission activity to be carried out by means of transport:

i) Number and design capacity of transportation vehicles (m<sup>3</sup>);

ii) Operating pressure of transportation vehicles (bar);

ix) An undertaking to guarantee that the facility, transportation vehicles and equipment shall be in compliance with the standards specified in the Natural Gas Market Facilities Regulation and shall be secure;

c)<sup>124</sup> For storage licenses:

1) For the storage activity to be carried out at the liquefied natural gas storage facility;

i) The province, district, village, neighborhood, block, parcel, 1/25000 scale section number, coordinate information determined according to the UTM-ED50 (6) system and the area (m<sup>2</sup>) of the place subject to the license application;

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<sup>123</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 November 2016, numbered 29897

<sup>124</sup> Amended pursuant to the Regulation published in the Official Gazette dated 21 February 2012, numbered 28211

- ii) Storage capacity (m<sup>3</sup> liquefied natural gas (LNG));
- iii) Number and capacity of tanks (m<sup>3</sup> liquefied natural gas (LNG));
- iv) Dispatch capacity (m<sup>3</sup>/hour);
- v) 1/5000 or 1/25000 scale layout plan showing the location and layout of the storage facility;
- vi) The undertaking to manage the entirety of the storage capacity at their disposal in a way that shall assist in the coordinated and safe operation of the system and, subject to system conditions, to provide services in an impartial and equitable manner;
- vii)<sup>125</sup> In case the license holder wishes to operate in a floating LNG terminal, it shall be guaranteed with an undertaking that the floating liquefied natural gas storage (LNG) facility shall operate in coordination with the transmission company during the license term without infringing upon the operation of the national transmission network, and it shall be guaranteed that the facility shall always be present and in operation at the location specified in the storage license, except for circumstances approved by the Board and force majeure events,
  - 2) For storage activities to be carried out in an underground natural gas storage facility:
    - i) The province, district, village, neighborhood, block, parcel, 1/25000 scale section number, coordinate information determined according to the UTM-ED50 (6) system of the area subject to the license application, which includes the aboveground facilities and the aboveground projection of the storage area to be used underground, and the separately specified surface areas (m<sup>2</sup>) thereof;
    - ii) Total storage capacity (m<sup>3</sup>);
    - iii) Injection and remanufacturing capacity (m<sup>3</sup>/day);
    - iv) 1/5000 or 1/25000 scale layout plan showing the location and layout of the storage facility;
    - v) The undertaking to manage the entirety of the storage capacity at their disposal in a way that shall assist in the coordinated and safe operation of the system and, subject to system conditions, to provide services in an impartial and equitable manner;
  - d) For wholesale licenses:
    - 1) For the wholesale of natural gas procured from suppliers;
      - i) Information and documents regarding the source of the natural gas and under which transportation conditions it shall be sold;
      - ii) In order to demonstrate the availability of the necessary storage capacity to assist the safe operation of the system; the lease agreements concluded with storage companies or the preliminary agreements or undertakings to acquire the necessary storage capacity;
    - 2) For the wholesale of produced natural gas:
      - i)<sup>126</sup> Exploration and/or operation licenses of the production sites and the table regarding the production sites, to be prepared in accordance with the format below:
 

|     |                        |           |           |           |
|-----|------------------------|-----------|-----------|-----------|
| No: | Production Site Names: | Province: | District: | Right No: |
|-----|------------------------|-----------|-----------|-----------|
      - ii) Information and documents on the transportation conditions and sales of the produced natural gas;
      - iii) In order to demonstrate the availability of the necessary storage capacity to assist the safe operation of the system; the lease agreements concluded with storage companies or the preliminary agreements or undertakings to acquire the necessary storage capacity or a declaration to use the production facilities in order to supply natural gas to their customers within the seasonal, daily and hourly flexibility limits and help the system operate safely and that they, as the production

<sup>125</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 November 2016, numbered 29897

<sup>126</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 March 2015, numbered 29300

company, have sufficient storage capacity in their production facilities for these purposes and an undertaking to take all necessary measures in this regard,

e) For distribution licenses:

Information, documents and undertakings specified in the Distribution and Customer Services Regulation,

f) For CNG licenses:

1) With respect to CNG licenses (sale):

i) The layout, block and plot numbers of the facility and the full address of the facility;

ii) The source of the natural gas;

iii) The inlet and compression pressure of the facility (bar);

iv) Design capacity of the facility (m<sup>3</sup>/hour);

v) An undertaking to guarantee that the facilities and equipment related to the CNG sales activity shall be in compliance with the standards specified in the Natural Gas Market Facilities Regulation and shall be secure;

vi)<sup>127</sup> The original or notarized copy of their Business and Operating License of the facility subject of the license application, granted in accordance with the Regulation on Business and Operating Licenses and with regard to the condition of the facility subject to the license, which includes the CNG sales activity;

vii) The original or notarized copy of the TSI Service Adequacy Certificate granted by the Turkish Standards Institute.

2)<sup>128</sup> With respect to AutoCNG licenses:

i) The layout, block and plot numbers of the facility and the full address of the facility;

ii) The source of the natural gas;

iii) Supply capacity (m<sup>3</sup>/hour);

iv) An undertaking to guarantee that the facilities and equipment related to the AutoCNG activity shall be in compliance with the standards specified in the Natural Gas Market Facilities Regulation and shall be secure;

v) The original or notarized copy of their Business and Operating License of the facility subject of the license application, granted in accordance with the Regulation on Business and Operating Licenses and with regard to the condition of the facility subject to the license, which includes the AutoCNG activity;

vi) The original or notarized copy of the TSI Service Adequacy Certificate granted by the Turkish Standards Institute;

vii) In case the natural gas is to be purchased and/or received and compressed from the wellhead, national transmission network or intra-city distribution system, suppliers and/or distribution companies in the facility subject to the application, the inlet and compression pressure of the facility (bar) and the design capacity of the facility (m<sup>3</sup>/hour).

3) With respect to CNG licenses (transmission and distribution):

i) Number and design capacity of transportation vehicles (in m<sup>3</sup>/vehicle and cylinder/vehicle)

ii) An undertaking to guarantee that the facilities, transportation vehicles and equipment related to CNG transmission and distribution activities shall be in compliance with the standards specified in the Natural Gas Market Facilities Regulation and shall be secure.

g) For export licenses:

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<sup>127</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 19 March 2015, numbered 29300

<sup>128</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 19 March 2015, numbered 29300

i) Information on the destination country of natural gas exports and the transportation vehicle type,

ii) Excluding transmission companies operating transit lines, an undertaking to refrain from disrupting the operation of the system and the needs of the country due to exports, as well as to indemnify the damage and loss that may occur in cases where it violates the security of the system, and to take out compulsory insurance to cover the loss and damage that may occur in this regard;

iii)<sup>129</sup> Natural gas volume to be exported for each calendar year during the requested license period,

Note<sup>130</sup>: 1- In case the company applying for a license (including branches of foreign companies) or its partners are foreign companies or foreign nationals, equivalents of all information and documents included in this Annex and/or requested by the Authority are required. Documents to be obtained from abroad regarding foreign partners shall be issued in accordance with the provisions of the "Convention Abolishing the Requirement of Legalization for Foreign Public Documents" prepared within the framework of the Hague Conference on Private International Law if the relevant country is a party thereto. If the relevant country is not a party to the mentioned convention, the information and documents issued by the competent authorities of the relevant country shall be approved by the Turkish consulate in the country in question. In addition, notarized translations of documents to be obtained from abroad, prepared by sworn translation offices, shall be attached to the application.

2<sup>131</sup>- In the license applications of public legal entities, only the information and documents stipulated for the relevant license in Articles 1, 3, 4 and 10 of this Annex are required.

3- Information and documents in Article 6 of this Annex are not required for CNG license applications.

4<sup>132</sup>- The information and documents stipulated in Articles 5 and 7 and paragraph (b) of Article 4 of this Annex are not required in the wholesale license applications of production companies that have exploration and operation licenses in accordance with the Law No. 6491 and carry out production activities in Turkey as branches of their foreign headquarters.

5- Information and documents stipulated in subparagraph (a) of Article 10 of this Annex are not requested for import (Spot) license applications.

6<sup>133</sup>- In license applications, the above-mentioned information and documents regarding the partners are submitted by excluding shares traded in the stock exchange.

7<sup>134</sup>- The information and documents to be submitted in the license application and/or the review and evaluation process shall be evaluated within the framework of the relevant provisions of the Regulation on the Procedures and Principles to be Followed in the Provision of Public Services, which came into force after being published in the Official Gazette dated 31/7/2009 and numbered 27305.

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<sup>129</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 19 March 2015, numbered 29300

<sup>130</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 March 2015, numbered 29300

<sup>131</sup> Amended pursuant to the Regulation published in the Official Gazette dated 19 March 2015, numbered 29300

<sup>132</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>133</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 April 2019, numbered 30737

<sup>134</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 09 April 2011, numbered 27900

## ANNEX-4<sup>135</sup>

### PROVISIONS REQUIRED TO BE INCLUDED IN THE ARTICLES OF ASSOCIATION OF LEGAL ENTITIES LICENSED TO OPERATE IN THE MARKET

The articles of association of joint stock companies must be drafted to satisfy the following conditions at minimum:

- a) The conditions required by the relevant legislation must be met;
- b) All of the shares must be registered shares;
- c)<sup>136</sup> The legal entity must have a minimum share capital in the amounts specified below:

| <u>License Type</u>   | <u>Capital (for the year 2017) (TRY)</u>  |
|---|---|
| Import  | 5,410,000   |
| Storage   | 27,100,000  |
| Storage (for liquefied natural gas facilities with a maximum capacity of 75,000 m <sup>3</sup> liquefied natural gas (LNG)) | 6,500,000   |
| Wholesale (For production companies, 50% of this figure shall be applicable)  | 5,410,000   |
| Wholesale (AutoLNG)   | 1,000,000   |
| Export  | 2,850,000   |
| CNG sales   | 541,000   |
| CNG transmission and distribution   | 541,000   |
| Transmission  | 27,100,000  |
| Transmission (LNG)  | 1,360,000   |
| Distribution  | The capital amount determined by the Board in the tender announcement according to the specifications of the city where the tender is held. |

d) If multiple licenses are requested, the amount found by adding up the capital amounts stipulated for each license must have been paid free of any collusion,

e) In the event that it becomes compulsory to cancel a distribution license in order to ensure consumer protection and undisrupted service, the provisions accepting the following must be included in the articles of association:

1) The Authority may temporarily replace, wholly or partially, the board of directors or the managers of the license holder legal entity; or where the license holder is not a joint stock company, the general assembly of shareholders or the managers of the legal entity, with a Board decision to be made prior to the cancellation of the license for the purposes of ensuring the performance of activities under the license and the operation of the distribution network in terms of consumer protection and undisrupted services;

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<sup>135</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

<sup>136</sup> Amended pursuant to the Regulation published in the Official Gazette dated 31 October 2017 and numbered 30226.

2) Since the Authority may hold a tender on behalf and account of the license holder for the sale of the relevant network and designation of the new license holder within one hundred and twenty days on behalf of the license holder, the Board may determine the sale price of the network to the new license holder and the procedures and principles regarding the tender.

f)<sup>137</sup> For any amendment to the field of activity specified in the articles of association, the approval of the Board must be obtained;

g) The provisions stipulated in Article 42 regarding share transfers must be incorporated;

h)<sup>138</sup> The provisions stipulated in Article 43 regarding the merger of legal entities must be incorporated.

It is mandatory that the articles of association of corporations other than joint stock companies contain all of the stipulated conditions save for the provisions of subparagraph (b).

<sup>139</sup>Sub-paragraphs (b), (f), (g) and (h) of this Annex do not apply to public legal entities excluding distribution companies.

<sup>140</sup>Sub-paragraphs (b) and (g) of the first paragraph of this Annex do not apply to production companies holding exploration and operation licenses in accordance with the Law No. 6491 and carry out production activities in Turkey as branches of their foreign headquarters. However, the companies in question are obliged to submit a list showing the names and addresses of shareholders who hold 5% or more of its shares to the Energy Market Regulatory Authority as of 31 December each year, starting from the issuance date of the license.

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<sup>137</sup> Amended pursuant to the Regulation published in the Official Gazette dated 21 July 2004 and numbered 25529.

<sup>138</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 21 July 2004 and numbered 25529.

<sup>139</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 21 July 2004 and numbered 25529.

<sup>140</sup> Amended pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.

**ANNEX 5<sup>141</sup>**

**LETTER OF UNDERTAKING (\*)**

**TO THE PRESIDENCY OF THE ENERGY MARKET REGULATORY  
AUTHORITY OF THE REPUBLIC OF TURKEY**

We hereby accept and undertake that:

- 1) We will not act in violation of the limitation and prohibition on participation specified in the Law and the secondary legislation until the termination date of the license(s) granted to our Company to engage in natural gas market activities within the scope of the Natural Gas Market Law No. 4646 (Law);
- 2) In the event that another license holder company operating in the natural gas market acquires our shares in breach of the limitation and prohibition on participation specified in the relevant legislation, we will notify the Energy Market Regulatory Authority thereof within 3 (three) business days;
- 3) Until the expiration date of our license(s), all of the shares of our company will remain registered shares.

Authorized Representative(s) of the Legal Entity

Name-Surname

Signature

Stamp

Date

(\*) The content of this letter of undertaking cannot be amended by the license holder under any circumstances.

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<sup>141</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 23 September 2022 and numbered 31962.