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## RECENT DEVELOPMENTS IN THE GREEK HYDROCARBONS SECTOR

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The recent international tender relating to hydrocarbon deposits issued by the Greek Ministry of Environment, Energy and Climate Change (YPEKA) has once again brought forward Greece's efforts to exploit its mineral wealth. These efforts were procedurally redefined by Law 4001/2011, which amended the rather outdated Law 2289/1995 and was intended to modernize the legal framework governing the licensing process for the prospecting, exploration and exploitation of hydrocarbons. Interestingly, Law 4001/2011 introduced the Greek Hydrocarbons Management Company SA (EDEYA S.A) which, in line with EU legislation, set out to manage "the exclusive rights of the Greek Government in the prospecting, exploration and exploitation of hydrocarbons that exist in both onshore and offshore areas in which the Greek State exercises sovereign rights in accordance with the provisions of the UN Convention on the Law of the Sea" (Article 2 of Law 2289/1995, as amended by article 156 of Law 4001/2011).

### **The Legal Framework**

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exploration and exploitation of hydrocarbons consists of two distinct parts. The first relates to the procedures for allocating rights granted by the Greek State regarding the procedure for (a) prospecting, (b) exploration and (c) exploitation for hydrocarbons. The second part relates to the granting of the licenses and the conclusion of the relevant contract. In particular:

### **Procedures for granting rights**

Rights for the prospecting (involving any suitable method other than drilling) and exploration (involving any suitable method including drilling) for hydrocarbon deposits are granted by way of International Public Tenders, following which the successful bidder signs a contract (in the case of exploration this contract being a lease contract).

Rights for exploitation may be granted by any of the following three processes:

(a) Under a tender approved by the Minister of Environment, Energy and Climate Change and published in the Government Gazette and the Official Journal of the European Union. The deadline for the submission of bids is



specified in the tender and cannot be less than ninety (90) days from the publication in the Official Journal.

(b) At the request of any interested person for an area not included in a tender. If the request is accepted, EDEYA S.A. will issue a tender, as approved by the Minister of the Environment, Energy and Climate Change and published in the Government Gazette and the Official Journal of the European Union. The deadline for the submission of bids by any other interested party is specified in the tender and cannot be less than ninety (90) days from the publication in the Official Journal.

(c) With an international open door process for expressions of interest, when the region for which a concession is requested is available on an ongoing basis or has been the subject of prior tendering proceedings which did not result in the signing of a lease or of a production distribution contract or relates to an area which has been abandoned by a contractor in cases of rescinding or terminating such contracts. By a notice published in the Government Gazette and in the Official Journal of the European Union, the Minister of Environment, Energy and Climate Change announces

the areas that fall under an open door regime together with the minimum terms for such concessions. Applicants may tender for concession in more than one areas. Bids must be submitted by the last working day of the first and second half of each calendar year. Within (30) thirty days of the end of the semester the Minister announces that the area is no longer available for an expression of interest if the process for concession is under way.

#### **Licensing – Award of Contracts**

In the lease contract the contractor undertakes to study and prospect for deposits while assuming both the cost and the financial risk. The duration of the contract is seven years for onshore and eight years for offshore areas. In addition, the contractor, as the lessee, is entitled to exploit, produce and sell products, but is obliged to pay royalties either in kind (as a percentage of the production) or in cash. On the contrary, in the distribution – production contract the concessionaire has the role the contractor. Thus, part of the production covers the operating costs and the remainder is distributed at the agreed proportions. The duration of the contract

is 25 years plus two, with the possibility of 5-year extensions.

#### **Health, Safety and the Environment**

At all stages of activities involving the prospecting, exploration and exploitation of hydrocarbons, it is likely that adverse effects on the health of workers and on the environment may arise. In light of this, Law 4001/2011 has introduced articles 11 and 12A, which have established a new strict environmental policy to ensure sustainable exploitation of the natural resources, as well as the safety and environmental protection in compliance with the new guidelines of the European Union following the incident in the Mexico Bay in 2010.

Indeed, provisions are being made for the introduction of (a) best-practice regulations relating to the prospecting, exploration, exploitation, storage and transportation of hydrocarbons and (b) environmental regulations for the protection of flora and fauna, fisheries, navigation, antiquities, historical sites, and places of outstanding natural beauty. It is also provided that until the adoption



of such regulations, the contracts may provide that the works be performed in accordance with the provisions of similar regulations of other Member States or even third countries.

Additionally, the Minister may request a security deposit for the proper execution of the works, the protection of the environment, and for the safety and health of workers. The amount of the deposit is determined by the Minister following a recommendation of EDEYA S.A. or, alternatively, in accordance with the reserve envisaged in article 10 (3) of Law 4001/2011 for meeting the costs for the removal of the facilities and for restoring any environmental effects.

Interestingly, article 12A (6) of Law 4001/2011 reinforces the so-called Green Energy Fund. To this end, 20% of the annual rent or share of production to which the Greek State or EDEYA S.A. is entitled is deposited with a dedicated bank account of the Green Energy Fund. This account is made available for financing any marine pollution caused by activities of prospecting and production of hydrocarbons and for the protection of the environment from activities

associated with any kind of exploitation or use of energy resources.

### **Recent Initiatives**

In January 2012 the Greek Government announced a tender for bidding for hydrocarbon deposits in the areas of the Patra Bay, Ioannina and Katakolo and the conclusion of lease contracts for these areas. In May 2013, contracts were awarded to the consortium of ENERGEAN OIL and GAS/Petra for Ioannina, to the consortium of EDISON PETROCELTIC for the Patra Bay, and to the consortium of ENERGEIAN OIL and GAS TRAJANOIL and GAS LTD for the Katakolo area. A few weeks ago, in September 2014, the Greek Parliament ratified these contracts and had them published in the Greek Government Gazette.

Moreover, in the summer of 2014 two new international tenders were launched for the concession of hydrocarbons exploration and exploitation.

The first tender relates to 20 off-shore areas in Western Greece (Ionio) and South of Crete through the open door process. The second relates to the onshore areas of Arta-

Preveza, northwestern Peloponnissos and Aitolokarnania and follows the procedure of the expression of interest by other interested parties. This latter tender resulted from the interest expressed by the Italian energy company Enel in April 2014 for these particular areas. As required by law, the Minister has published the map with the coordinates of interest together with any tendering and contractual requirements and has invited other interested investors. The three sites will be available for bidding for 90 days after the tender's publication in the Official Journal of the European Union. If no other investor is interested, then the contract will be signed with Enel.

Both international tenders are still incomplete, as the ministerial decisions have been published in the Greek Government Gazette but their publication in the Official Journal of the European Union is still pending. Once this is done, it will trigger the deadline for the submission of proposals by interested parties. It is projected that a period of six months for the submission of proposals will be given.