Upstream activities in Turkey

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LEGAL OVERVIEW

Petroleum Law of 2013

- Introduced in 2013 to liberalize the market with implementation regulation introduced in 2014
- Petroleum resources of Turkey remains under possession and rule of the Turkish state (i.e. no private ownership rights)
- GDPA (under the Ministry) in charge of implementation and only deals with upstream since 2001
- Term of an exploration license limited to a maximum of 9 years for onshore activities and 14 years for offshore activities
- Production lease valid up to 40 years

- Financial obligations and restrictions remained in place:
  - royalty corresponding to 12.5% of the oil and gas produced
  - charged monthly based on market price for oil and wholesale price for gas
- Environmental concerns addressed under the law and implementation regulation
- Certain incentives offered to make the exploration and production activities more attractive to foreign investors
Turkey – Exploration and Production Activities

- Turkish Petroleum Company (TPAO) still the dominant player as it has preferential rights in production and exploration activities

- Operates alone or through joint ventures with other companies (foreign involvement limited to JVs with TPAO)

- 250 companies engaged in upstream activities (77% of them foreign), but production and drilling activities dominated by TPAO (over 70%)

- Turkey at the top of Baker Hughes’ active Rig Counts Table among European countries as of March 2018, however production levels far from meeting domestic consumption needs
  - 7% of domestic need for oil
  - Only 2% for natural gas
Turkey – Exploration and Production Activities

- Activities focused to southeastern region and Thrace – mostly onshore rigs with one operational offshore rig in western region of Black Sea
- Proven oil reserves at 312 million barrels
- Proven natural gas reserves at 177 billion cubic feet
- Low level of proven reserve and production quality still big concerns in the upstream market of Turkey
Turkey – Recent Focus on Offshore Drilling

– **Black Sea**
  - Borders of Exclusive Economic Zones defined
  - Joint operations of TPAO and Shell in western Black Sea
  - Only operational field in Akçakoca (natural gas), but more expected in near future

– **Mediterranean Sea**
  - Disputed borders of Exclusive Economic Zones
  - First deep sea drilling expected to take place this year upon acquisition of first drilling ship of Turkey (Deepsea Metro II)
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