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Norway

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Description of domestic sector

- 1 Describe the domestic natural gas sector, including the natural gas production, liquefied natural gas (LNG) storage, pipeline transportation, distribution, commodity sales and trading segments and retail sales and usage.

Norway's natural gas sector comprises large-scale offshore production of natural gas in excess of 100 billion cubic metres per year from many fields in the North Sea and the Norwegian Sea on the Norwegian Continental Shelf (NCS). The gas is collected for export to the western European market through a sophisticated gas treatment and transportation grid, consisting of 7800km of pipeline with landing points in the UK and Europe. This is the world's largest offshore gas pipeline network. Additionally, gas is produced from sub-sea installations in the Snøhvit field in the Barents Sea and exported as LNG from the field terminal near Hammerfest.

A fraction of the gas produced is used for domestic consumption. Natural gas accounts for under 2 per cent of the total net consumption of energy including offshore fuel and flare, for which a CO₂ emission tax is applicable. Nevertheless, net domestic consumption of natural gas for energy use in the indigenous market is expected to increase.

- 2 What percentage of the country's energy needs are met directly or indirectly with natural gas and LNG? What percentages of the country's natural gas needs are met through domestic production and imported production?

Almost all of Norway's indigenous energy demand is met by hydro-power, while natural gas plays a totally insignificant role. The demand for petroleum products of about 175,000 barrels per day, most of which is for transportation, is met by indigenous refining capacity at the Mongstad and Slagen refinery sites which also have export capacity. Almost all natural gas produced from the NCS is exported, and only a fraction is used for domestic energy consumption, predominantly for industrial energy production, mostly offshore and at treatment plants. Two gas-fired power plants are installed on the west coast of Norway, one at Kårstø and one at Mongstad. The energy supply for both is met through domestic gas production. A small amount of NCS gas is also used for production of methanol and a small amount is distributed to the domestic market as LNG.

- 3 What is the government's policy for the domestic natural gas sector and which bodies set it?

The policy and framework conditions for petroleum activities are determined by the Norwegian parliament and government. Policy is executed by the government, supported by ministries and other government agencies. Broadly speaking, there are three main characteristics of Norwegian petroleum policy and its administration: a requirement for permits at every significant step of exploration

and production activities; wide discretionary powers for the government agencies involved; and, while the practical implementation of government petroleum policy is coordinated under the auspices of the Ministry of Petroleum and Energy (MPE), the significant and increasing role other government ministries and agencies play in the overall petroleum policy decision-making process.

The MPE has overall executive responsibility for managing petroleum resources. This includes determining the many applications for licences and permits required for petroleum activities on the NCS. Resource management and administration issues are also dealt with by the Norwegian Petroleum Directorate (NPD), which is administratively subordinate to the MPE and primarily an advisory body. HSE issues on the NCS are managed by the Petroleum Safety Authority, a government body organised under the Ministry of Labour. The Ministry of Finance and its subordinate administrative body, the Oil Taxation Office, are responsible for state revenues and the Ministry of the Environment and its subordinate administrative body, the Climate and Pollution Agency, is responsible for issues relating to the external environment.

Norway's petroleum revenues are substantial. Revenues in excess of balancing the state budget are allocated to a sovereign wealth fund managed by the Bank of Norway.

Regulation of natural gas production

- 4 What is the ownership and organisational structure for production of natural gas (other than LNG)? How does the government derive value from natural gas production?

The proprietary right to subsea petroleum deposits on the NCS and the exclusive right to manage the petroleum resources is by law vested in the state. Petroleum activities on the NCS require a production licence, which is subject to other approvals and consents required by law. Petroleum exploration and production is based on the equity interest system. Individual companies are awarded equity interests in production licences. All laws, including fiscal legislation and permit requirements, apply equally to all licensees irrespective of government ownership or national origin. The equity interest entitles each licensee to its undivided share of production, obliges it to finance its share of expenditures, and entitles it to treatment on an individual basis for fiscal purposes.

Some fields on the NCS only produce gas, but significant quantities of natural gas are also produced from major fields with primarily oil production. Norway has always had a no-flare policy and has required firm commitments for gas disposal, including transportation and gas sales contracts, to be in place before allowing oil field developments to proceed. Consequently, a large proportion of the gas transportation system is today dedicated to wet gas streams and includes large processing facilities to enable marketable sales volumes.

Fifty-eight Norwegian and foreign companies are currently active on the NCS. However, the overall NCS upstream petroleum

business is dominated by Statoil, which is 67 per cent state-owned. Statoil holds significant equity interests in most production licences and operates more than 80 per cent of current NCS oil and gas production. The Norwegian government or the state is a licence holder indirectly through Statoil or directly as equity owner through the state's Direct Financial Interest (SDFI). More than 70 per cent of current natural gas production is controlled by Statoil and managed together with the SDFI equity gas.

SDFI is a uniquely Norwegian legal arrangement for state ownership in national petroleum resources. SDFI is a licensee with equity interest in production licences and basically the same rights and obligations as other licensees, although tax exempt. SDFI equity licence interests are managed by a small, wholly government-owned company called Petoro AS. SDFI has a participating interest in a majority of the more prolific field production and other production licences, although not all. SDFI's interest varies significantly from field to field and generally reflects the expected profitability of the field. SDFI also holds a significant interest in the gas pipeline transportation system described in questions 6 and 7.

The state earns revenue from SDFI's direct ownership in production licenses in the same way as other licensees. It also derives value from natural gas production through dividends from its 67 per cent ownership in Statoil and has considerable revenues through taxation. Petroleum taxation is based on ordinary corporation tax for land activities, where the tax rate is 28 per cent. However, there is also a special tax at a rate of 50 per cent, which is ideologically justified as 'resource rent' on the level of profitability associated with production of limited, non-renewable petroleum resources belonging to the state. There are, however, significant allowances against the 78 per cent marginal tax rate for petroleum revenues. For fiscal purposes there is no distinction between liquid petroleum and dry natural gas. Also, petroleum revenue taxation applies without any field ring-fencing at the same rates for all categories of petroleum production income.

In a macro-economic sense, the petroleum sector is very significant to Norway, which has about 4.8 million inhabitants. In 2008, 33.5 per cent of government revenues (415.8 billion kroner) stemmed from the petroleum sector. 57.6 per cent (239.6 billion kroner) was derived from direct taxes, 37 per cent (153.8 billion kroner) was derived from SDFI, 4 per cent (16.9 billion kroner) was derived from dividends from Statoil. The remaining 1.3 per cent (5.5 billion kroner) was derived from environmental taxes and area fees.

- 5 Describe the statutory and regulatory framework and any relevant authorisations applicable to natural gas exploration and production.

Petroleum activities on the NCS are regulated through a licensing system laid down by law and administered by the MPE in close cooperation with the NPD. Production licences are normally awarded through licensing rounds, where the government announces the areas for which applications may be made. Production licences are awarded to companies which are pre-qualified as upstream petroleum companies and awards are nominally made on impartial, objective, non-discriminatory and published criteria in line with the Licensing Directive (94/22/EC). However, the Norwegian government practices a discretionary award system and a particular award may in reality not be challenged on its merits.

A production licence is usually awarded to a group of companies (partnership), either put together by the MPE or who have submitted a joint application. An operator for the partnership is appointed with responsibility for the day-to-day activities under the terms of the licence. The production licence regulates the rights and obligations of the licensees in relation to the state and supplements legislative provisions. The licence will also require the licensees to enter into agreements with one another with a specified content.

A production licence entails an exclusive right to exploration, exploration drilling and production from petroleum deposits in the area covered by the licence. It is awarded for an initial

(exploration) period on condition of fulfilment of an exploration work programme. The initial period can be up to 10 years but is usually much shorter. The licence-specific work commitment - usually geological or geophysical work or exploration drilling - is set by the government and must be met during the initial licence period. A licensee who has fulfilled the work commitment and other conditions can demand that the licence be extended, but must relinquish about 50 per cent of the licence acreage. The extension period is generally 30 years, but may be up to 50 years or shorter than 30 years.

A licensee who decides to develop a petroleum deposit must submit a plan for development and operation of the petroleum deposit to the MPE for approval. The production schedule and level of production (production profile) must also be approved by the MPE.

A licensee to a production licence becomes the owner of the petroleum that is produced at the production facility and is responsible for transportation, marketing and sale, whether the petroleum is gas or liquid.

The MPE is the main executive authority for the petroleum legislation and lays down rules for production and transport of natural gas. Certain tasks are assigned to administratively subordinate bodies, see question 3. In general, however, the regulator function is performed by the MPE. Responsibility for distribution of gas within Norway, however, is delegated to the Norwegian Water Resources and Energy Directorate, see question 9.

The decisions of subordinate administrative bodies may be appealed to the relevant ministry (eg, decisions of the NPD may be appealed to the MPE). Decisions of the ministries, except for decisions on appeal from a subordinate body, may be appealed to the king in council. Administrative decisions may also be challenged before the courts. Generally, the courts may only review the procedure and application of law, and not the administrative authority's application of the discretion that is granted to it by legislation. A challenge can normally only be made to the courts after all administrative rights of appeal are exhausted.

Regulation of natural gas pipeline transportation and storage

- 6 Describe in general the ownership of natural gas pipeline transportation and storage infrastructure.

Most of the infrastructure for transporting and processing Norwegian gas, including all pipelines and processing facilities for rich and dry gas that are currently in use or planned to be used to any significant degree, is owned by Gassled, a joint venture between some of the oil and gas companies on the NCS. Petoro AS, SDFI's administrator, is the main shareholder with a 38.5 per cent interest. New pipelines and transport facilities are included in Gassled from the time they are put to use by third parties. Pipelines and processing facilities are operated by Gassco (see questions 7 and 9).

There is no gas storage onshore in Norway. Storage requirements are largely dealt with through lifting agreements for the individual field. However, StatoilHydro operates cavern facilities at Etzel near Emden, Germany and at Adbrough near Easington, UK.

- 7 Describe the statutory and regulatory framework and any relevant authorisations applicable to the construction, ownership, operation and interconnection of natural gas transportation pipelines, and storage.

Construction and installation of natural gas transportation pipelines and other facilities are subject to the licensing system described in question 5. The right to install and operate facilities will normally follow from an approved plan for development and operation of a petroleum deposit. If it does not, for example because it is not part of a particular field development, the MPE may grant a specific licence.

Pipelines and processing facilities are operated by the state-owned company Gassco, which is intended to be an independent system operator working under the EU Gas Market Directives. Gassco is

responsible for planning, monitoring, coordinating and administering transport of gas from the offshore fields to receiving terminals, and for allocating capacity and developing the gas transport system. As mentioned in question 5, the regulator function is generally performed by the MPE. However, Gassco has limited regulatory functions in its capacity as system operator in case of unforeseen events and in connection with its responsibility for further development of the upstream pipeline.

- 8** How does a company obtain the land rights to construct a natural gas transportation or storage facility?

Ownership of the NCS is vested in the state and is not transferable. The right to lay pipelines and build or place structures on the NCS is subject to the licensing system described in question 5. The portions of the Norwegian trunk line system that pass the continental shelves of other European countries have necessitated a number of bilateral treaties. Land rights onshore can be acquired through private acquisition or public compulsory purchase.

- 9** How is access to the natural gas transportation system and storage facilities arranged? How are tolls and tariffs established?

Access to the Norwegian upstream gas transportation system and related onshore facilities is governed by a regulated access regime in accordance with the principles on third-party access in the second EC Gas Market Directive (2003/55/EC). Implementation of the third EC Gas Market Directive (2009/73/EC), which will repeal Directive 2003/55/EC from March 2011, does not require any amendment to the current upstream regulation. Natural gas undertakings and eligible customers with a duly substantiated reasonable need for transport or processing of natural gas are entitled to access to the transport system on objective and non-discriminatory terms.

The access regime is operated and managed by Gassco. This includes determining whether the conditions for access are satisfied and reserving and allocating capacity. The access regime consists of a primary market and a secondary market. In the primary market, the owners of the upstream network make spare capacity available to Gassco, which makes it available collectively. The owners do not have capacity rights either for their own needs or for third parties, and agreements are entered into with Gassco on behalf of the owners. Gassco is required to act neutrally and non-discriminatorily, and to safeguard commercially sensitive information. If the demand for capacity exceeds the available spare capacity, actual available capacity is distributed according to a formula determined by Gassco. However, the owners enjoy certain preferential rights when capacity is scarce. An owner has relative priority for its needs up to twice its equity interest in the network.

Capacity rights acquired in the primary market may be transferred by agreement in the secondary market to natural gas undertakings or eligible customers with a duly substantiated reasonable need for transport or processing of natural gas. Transactions in the secondary market can be bilateral or contracted in a marketplace established and operated by Gassco. The price in the secondary market is the market-clearing price and is initially not subject to control from the MPE.

The principles for tariffs in the primary market are laid down in regulations. The tariff shall be based on the capacity reserved by a shipper, irrespective of whether it is actually used or not (ship-or-pay). A tariff shall consist of a capital element and an operating element. The capital element is fixed by the MPE with due regard for resource management, a reasonable return on investments and other special circumstances. The operating element must be so that neither the owner nor the operator has any loss or profit other than the return determined by the capital element.

Exact tariffs are laid down by the MPE in the Tariff Regulation, which divides the upstream network into four zones and determines

the tariff formula for each zone. Zone D covers the major export pipelines to final landing terminals in the UK and the Continent. The tariff in zone D is for transport of dry gas.

Gassled only delivers transport and processing services according to its standard conditions of transport. Balancing and adjustment services must be dealt with in bilateral agreements or through line pack in the pipelines.

- 10** Can customers, other natural gas suppliers or an authority require a pipeline or storage facilities owner or operator to expand its facilities to accommodate new customers? If so, who bears the costs of interconnection or expansion?

No.

- 11** Describe any statutory and regulatory requirements applicable to the processing of natural gas to extract liquids and to prepare it for pipeline transportation.

Processing facilities are subject to the licensing system described in question 5. The two major gas processing facilities at Kollsnes and Kårstø are controlled by the tariff regulation described in question 9. The right to third-party access described in question 9 also applies to processing facilities.

- 12** Describe the contractual regime for transportation and storage.

Transportation of gas produced on the NCS is performed pursuant to standard terms and conditions for Transportation of Gas in Gassled. Gassled offers transportation and processing services. Processing services, however, are not part of the transportation service and take place at a processing facility at Kårstø (zone C) and must be booked and paid for separately.

Gassled's transportation and processing obligations are limited to the capacity booked by the shipper. The shipper's daily capacity nomination is also limited by the booked capacity. The shipper's daily capacity nomination determines Gassled's transportation obligation on the day in question. Gassled terms and conditions do not impose a throughput obligation on the shipper. However, due to the need to plan operation of the transport system, the shipper is obliged to deliver and receive according to its nomination.

Gassled does not offer other services, such as title transfer services, pursuant to its standard terms and conditions.

The tariff for Gassled's services is fixed by the MPE. The main principles, the detailed tariff formula and the rates for the different elements are set out in regulations.

Regulation of natural gas distribution

- 13** Describe in general the ownership of natural gas distribution networks.

As only a very small amount of natural gas is consumed in Norway, local distribution networks are limited. A small distribution network associated to the Kårstø processing facility on the west coast of Norway is owned by private investors and regulated by the Natural Gas Act and appurtenant regulations.

- 14** Describe the statutory and regulatory structure and authorisations required to operate a distribution network. To what extent are gas distribution utilities subject to public service obligations?

The Second EC Gas Market Directive (2003/55/EC) insofar as it relates to downstream gas distribution networks was implemented through the Natural Gas Act 2002 and appurtenant regulations. The third EC Gas Market Directive (2009/73/EC), which will repeal the Second EC Gas Market Directive from March 2011, is not considered to require legislative amendments (but see question 14).

A concession is required to construct or operate facilities for production, transmission, distribution, supply, purchase or storage of natural gas, including LNG. Small-scale facilities for transmission or distribution of natural gas and small LNG installations are exempt and only require approval from the local authority. Concessions are granted on the basis of non-discriminatory, objective and published criteria. The concession may include public service obligations relating to security, including security of supply, regularity, quality and price of supplies, and environmental protection, including energy efficiency and climate protection. Additional obligations can be included if these are considered necessary to protect public or private interests.

Authority to grant a concession is given to the MPE, which has delegated this authority to the Norwegian Water Resources and Energy Directorate.

An environmental impact assessment pursuant to the Planning and Building Act must be performed prior to construction of large pipelines and other infrastructure involving investments in excess of 50 million kroner (approximately €5.59 million). All land constructions also require local permits pursuant to the Planning and Building Act. Gas power plants and pipelines also require permits pursuant to the Greenhouse Gas Emission Trading Act and possibly also other permits pursuant to environmental and preservation regulations, such as the Pollution Protection Act, the National Heritage Act and the Nature Diversity Act. The Directorate for Civil Protection and Emergency Planning is responsible for safety and security issues related to gas distribution networks.

- 15** How is access to the natural gas distribution grid organised? Describe any regulation of the prices for distribution services. In which circumstances can a rate or term of service be changed?

Norway is an emergent market in the terms of article 28(2) of the second EC Gas Market Directive (2003/55/EC) and has availed itself of the right to derogate from the rules in the directive on third-party access to natural gas distribution networks. The MPE has also expressed the view that implementation of the third EC Gas Market Directive (2009/73/EC) should take into consideration that the downstream gas market in Norway remains an emergent market. The Natural Gas Act authorises the government to issue regulations on third-party access for natural gas enterprises and qualified customers to transmission networks, distribution networks, LNG facilities and storage facilities owned or operated by a natural gas undertaking, but no such regulations have been issued. The authorities may also demand access on behalf of a third party on a case-by-case basis. Furthermore, a natural gas undertaking can grant access to third parties on a voluntary basis. The government has stated that it will continually assess the situation and that it will adopt regulations when the market is sufficiently mature. The Natural Gas Act obliges the MPE to reassess the Act and the need for more detailed regulation no later than 2014.

- 16** May the regulator require a distributor to expand its system to accommodate new customers? May the regulator require the distributor to limit service to existing customers so that new customers can be served?

There are no specific provisions whereby a distributor can be required to expand its system to accommodate new customers or to limit services to existing customers. However, such conditions could be included in the concession to construct or operate downstream gas infrastructure described in question 14.

- 17** Describe the contractual regime in relation to natural gas distribution.

The Norwegian market for natural gas distribution is immature and there is no developed contractual practice.

Regulation of natural gas sales and trading

- 18** What is the ownership and organisational structure for the supply and trading of natural gas?

Licensees on the NCS own the petroleum that is produced and are responsible for marketing and selling their own gas. SDFI's equity gas, however, is marketed and sold by Statoil together with its equity gas in a commingled sales pool and as one economic entity. SDFI and Statoil's share accounts for 70 per cent of all gas sales.

Norwegian gas exports supply approximately 16 per cent of European gas consumption. The main buyers are in Germany, France, Belgium and the UK, where Norwegian gas accounts for 25 to 35 per cent of consumption. Other buyers are in the Netherlands, Italy, Spain, Czech Republic, Austria and Denmark. Norway also supplies LNG to the USA and Asian-Pacific LNG markets from the Snøhvit field.

- 19** To what extent are natural gas supply and trading activities subject to government oversight?

Previously, gas sales agreements had to be submitted to the MPE for approval, although the MPE rarely intervened. Today, licensees are only required to submit a quarterly report summarising the volumes sold and the main terms of agreements concluded within the reporting period.

- 20** How are physical and financial trades of natural gas typically completed?

Gas sales are negotiated bilaterally.

Between 80 and 90 per cent of natural gas from the NCS is sold on long-term contracts (20 years or more) to European buyers. Most long-term contracts are on take-or-pay terms with price formulas that relate price to the value of competing sources of energy other than natural gas. Due to the development towards a more liquid gas market, more recent long-term contracts are of shorter duration and have different price formulas.

Excess capacity, for example due to seasonal swing, is available for short-term sales and in recent years increasing volumes are sold under short-term contracts, generally under bilateral framework agreements with local market standard terms, typically NBP 97, EFET and ZBT 2004. However, the standard wording is often modified when framework agreements are entered into.

There is very little financial trading in natural gas in Norway.

- 21** Must wholesale and retail buyers of natural gas purchase a bundled product from a single provider? If not, describe the range of services and products that customers can procure from competing providers.

Domestic consumers must purchase natural gas from distribution companies as a bundled product, unless third-party access is granted by the MPE or the gas undertaking as described in question 15.

Regulation of LNG

- 22** What is the ownership and organisational structure for LNG, including liquefaction and export facilities and receiving and regasification facilities?

There are no significant receiving and regasification facilities in Norway, although some small-scale facilities on the west coast of Norway deliver LNG to domestic buyers. The only full-scale LNG facility is the new Snøhvit facility processing gas from the Snøhvit gas field in the Barents Sea off the coast of northern Norway. The pipeline connecting the Kårstø gas plant with the Stavanger area enables small-scale local distribution and an LNG plant outside Stavanger serves as a hub for LNG distribution by coastal LNG tankers. A number of

other smaller LNG storage facilities to be supplied by coastal vessels allowing local distribution of LNG by trucks are being planned or are under construction.

Upstream LNG facilities fall within the scope of the petroleum legislation and the ownership and organisational structure is the same as for upstream natural gas facilities.

23 Describe the regulatory framework and any relevant authorisations required to build and operate LNG facilities.

Onshore LNG facilities that constitute an integrated part of production or transportation of petroleum are subject to the licensing system described in question 5.

Smaller LNG facilities and receiving and regasification facilities that fall outside the petroleum legislation are governed by the Natural Gas Act and appurtenant regulations and are subject to the concessions and other provisions outlined in question 14.

24 Describe any regulation of the prices and terms of service in the LNG sector.

There is no right of third-party access to downstream LNG facilities unless ordered by the MPE on a case-by-case basis (see question 15).

The Snøhvit facility described in question 22 falls outside the scope of the third-party access provisions described in question 9, and third-party access to the facility is regulated by separate third-party regulations. These entitle a user with a need to use the facility a right of negotiated access to the facility on objective and non-discriminatory terms and contain the principles for negotiations, agreements and tariffs. Negotiations shall be held between the undertakings concerned, with a right to submit disputes to the MPE.

Mergers and competition

25 Which government body may prevent or punish anti-competitive or manipulative practices in the natural gas sector?

Competition law is enforced by the Competition Authority. The individual decisions of the Authority may be appealed to the Ministry of Government Administration, Reform and Church Affairs, whose decisions may be brought before the ordinary courts.

The EFTA Surveillance Authority (ESA) and the European Commission are responsible for enforcing the competition rules of the EEA Agreement against undertakings operating under Norwegian jurisdiction. Rights of appeal lie to the EFTA Court and the European Court of First Instance or European Court of Justice respectively.

The Competition Authority has power to apply and enforce articles 53 and 54 of the EEA Agreement (see question 26). However, the Authority's competence is secondary to that of ESA and it cannot deal with a case that has been referred to or is being dealt with by ESA.

26 What substantive standards does that government body apply to determine whether conduct is anti-competitive or manipulative?

The Norwegian rules on anti-competitive and manipulative practices are broadly in line with and implement the competition rules and regulations of the EEA Agreement, which mirror those of the EC treaty.

Broadly speaking, section 10 of the Competition Act and article 53 of the EEA Agreement prohibit agreements between undertakings, decisions by associations of undertakings and concerted practices that have as their object or effect the prevention, restriction or distortion of competition within Norway, including the NCS, or between the EU and one or more EFTA states, or between the EFTA states respectively.

Broadly speaking, section 11 of the Competition Act and article 54 of the EEA Agreement prohibit abuse by one or more undertakings of a dominant position if it is undertaken, has effect or is liable

to have effect in Norway, including the NCS or between the EU and one or more EFTA states, or between the EFTA states respectively.

27 What authority does the government body have to preclude or remedy anti-competitive or manipulative practices?

The Competition Authority has power to enforce the provisions of the Competition Act and articles 53 and 54 of the EEA Agreement. This includes power to investigate suspected infringements, require information, order interim measures, make cease and desist orders, impose administrative fines and report infringements to the public prosecuting authorities.

ESA and the European Commission may issue cease-and-desist orders and impose fines on undertakings operating under Norwegian jurisdiction.

28 Does any government body have authority to approve or disapprove mergers or other changes in control over businesses in the sector or acquisition of production, transportation or distribution assets?

Approval of the MPE is required for all transfers of a licence or participating interest in a licence for petroleum activities on the NCS, including assignment of shareholdings and other ownership shares which may give decisive control of a licensee possessing a participating interest in a licence. Similarly, approval of the MPE is required for all transfers of a group of licensees' right of ownership to fixed facilities on the NCS. Pledges over interests in a licence also require the approval of the MPE.

In other respects, transactions on the NCS are subject to merger control rules in the Competition Act, which are enforced by the Competition Authority. A merger or acquisition that has a Community or EFTA dimension will also be subject to the merger control rules in article 57 of the EEA Agreement, which mirror the provisions of the EC Merger Control Regulations. These rules are enforced by the European Commission or ESA respectively.

The Competition Authority has power to intervene against anti-competitive mergers and other acquisitions (concentrations) through a system of notification. Concentrations over a certain size must submit a standardised notification to the Authority. The Authority may then order a complete notification, normally within 15 working days. The time limit is preclusive so that a transaction is cleared if a complete notification is not ordered before the time limit expires. If the Authority intends to intervene, it must within statutory time-limits give notice of the possibility of intervention, provide reasons and give the parties the opportunity to respond. The time-limits imply that the Authority must generally intervene within 100 working days after receipt of the complete notification. The Authority can prohibit the concentration, grant conditional approval and order divestiture of shares or holdings acquired as part of a concentration. It cannot intervene if there is a well-functioning Nordic or European market and the concentration or acquisition does not adversely affect Norwegian customers. A decision to intervene may be appealed to the Ministry of Government Administration, Reform and Church Affairs within 15 working days. The Ministry must decide on the appeal within 60 working days.

29 In the purchase of a regulated gas utility, are there any restrictions on the inclusion of the purchase cost in the price of services?

No.

30 Are there any restrictions on the acquisition of shares in gas utilities? Do any corporate governance regulations or rules regarding the transfer of assets apply to gas utilities?

No.

International

- 31** Are there any special requirements or limitations on foreign companies acquiring interests in any part of the natural gas sector?

A production licence will normally only be awarded to a legal person that is incorporated and registered in accordance with Norwegian law. All licensees on the NCS must have a company organisation that is able to run its petroleum activities independently from Norway. A foreign company will therefore be required to register a company and establish operations in Norway in order to participate in activities on the NCS. Subject to this, there are no statutory rules or limitations on foreign companies acquiring interests in the natural gas sector in Norway.

- 32** To what extent is regulatory policy affected by treaties or other multinational agreements?

Norway is not a member of the EU, but as a member of the EEA Agreement has agreed to enact legislation similar to that passed in the EU. Consequently, regulatory policy for the natural gas sector is constrained by the requirements of EC law. In particular, Norway has implemented the Licensing Directive (94/22/EC) and the Second Gas Market Directive (2003/55/EC). The Third Gas Market Directive (2009/73/EC) has not yet been implemented (see questions 9 and 14).

Norway is also a member of international environmental treaties which influence regulatory policy.

- 33** What rules apply to cross-border sales or deliveries of natural gas?

There are no special rules regarding cross-border sales or deliveries of natural gas.

Transactions between affiliates

- 34** What restrictions exist on transactions between a natural gas utility and its affiliates?

Norwegian companies and tax legislation requires transactions between affiliates to be made at arm's length. The legislation is general and not particular to the natural gas sector.

Update and trends

Norwegian gas deliveries to Europe in 2009 grew compared to 2008. Increased deliveries to European buyers reflects increased production from the gas fields on the NCS and an increased demand for Norwegian gas. The Norwegian pipeline operator Gassco reported that it transported 99.8 billion cubic metres of Norwegian gas in 2009 – up by roughly 2.3 billion cubic metres from 2008.

The Gassled joint venture (see question 6) has so far comprised the largest producers on the NCS, with shareholdings substantially proportional to their own transport needs. This may however change. In 2009, ExxonMobil announced that it was considering selling its 9.428 percent stake in the joint venture. This has led to a low-key public debate over whether or not financial institutions may be viable owners in Gassled. Any sale would be subject to approval by the MPE.

- 35** Who enforces the affiliate restrictions and what are the sanctions for non-compliance?

The arm's-length principle is keenly enforced by the Norwegian tax authorities and, ultimately, the courts. A deemed gas sales revenue represents a business risk in intercompany transactions for gas. There are also sanctions for non-compliance. Surtax and criminal sanctions can be levied against both the taxable entity and its officers. The tax base will also be readjusted in accordance with the arm's length principle. The board and management of the taxable entity may be subject to civil claims from shareholders and creditors.

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