

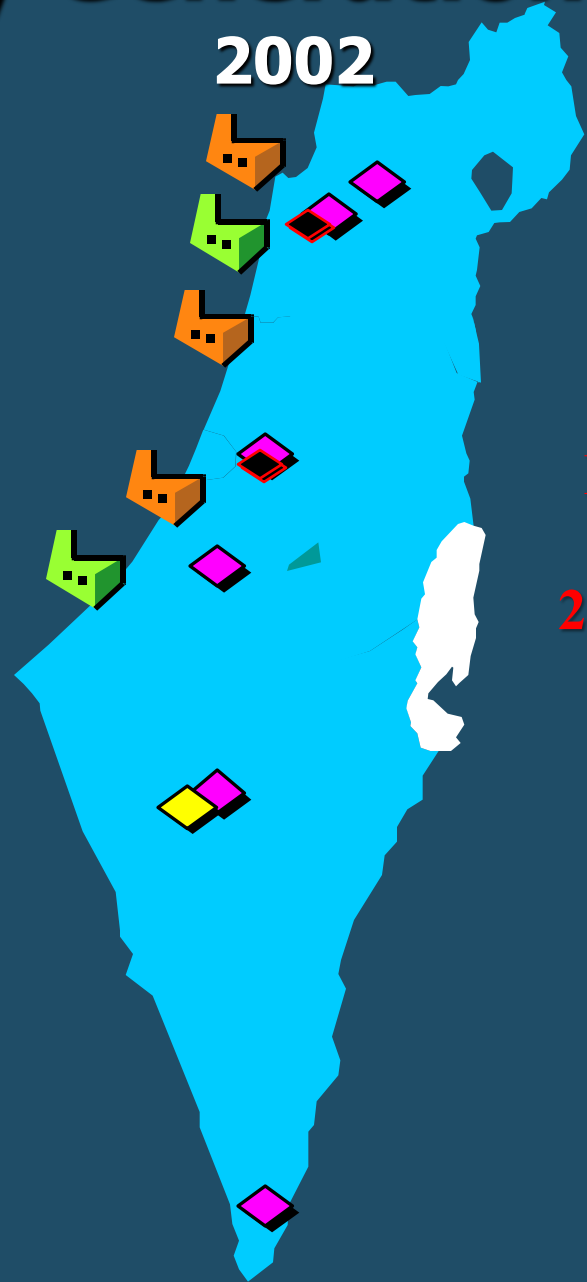
REGULATION IN THE ISRAELI PETROLEUM SECTOR: FINDING THE RIGHT BALANCE FOR INVESTORS

**Israel Energy and Business
Convention 2016**



Electricity Generation System -

2002



Steam Turbine
Coal



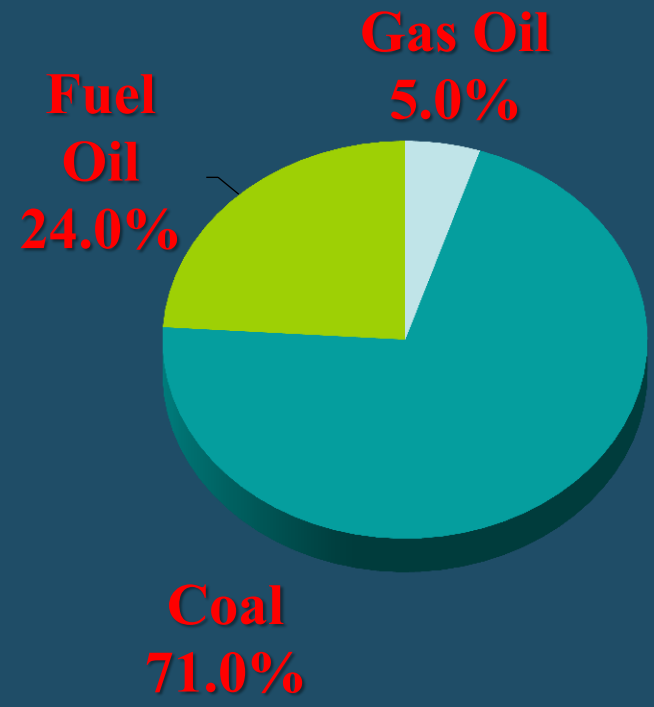
Steam Turbine
HFO



GT-**GO**



CCGT -**GO**



The Israeli Transmission Network

נתיבי הגז הטבעי לישראל בע"מ
מערכת ההולכה הארצית לגז טבעי

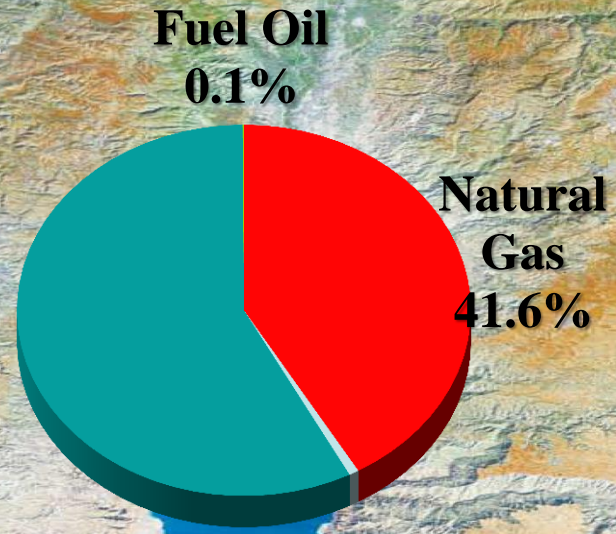


- מקרא**
- תחנת גז / תחנת גז PRMS
 - תחנת גז
 - שדות גז
 - תוואי פעיל
 - תוואי עתידי
 - קו הולכה מספק
 - תחנת קבלה



דלית

LNG - המצוף הימי



REGULATION HAD TO CATCH UP FAST



**CATCH UP!!!
CATCH UP!!!**



The Regulatory Status Prior to the Tamar Discovery: **Under-Regulation**

Licensing regime	The Petroleum Law, 1952 set out basic rules. "drill or drop" principle.
Transfer of rights	No detailed rules regarding transfer of rights. No limitations on indirect transfers.
Requirements for acquisition of rights	Basic requirements regarding professional experience and financial capacity of license holders.
Environmental Regulation	Basic provisions in the Petroleum Law.
Guarantees	PT Law requires a guarantee for damages.
Taxes	Royalties (of 12.5%) as per the PT Law
Export	The PT Law allows export. No detailed regulation.
Local regime outside of EEZ	No laws or regulation.

The Regulatory Status during 2009-2015:

Chaos

Licensing regime	Update of PT Law by means of draft Guidelines or Regulations, subject to frequent changes.
Transfer of rights	Several draft guidelines and regulations. Detailed limitations imposed on indirect transfers.
Requirements for acquisition of rights	Several draft guidelines and regulations. Detailed requirements for professional experience of the Operator and financial capacity of license holders.
Environmental Regulation	Draft environmental and work safety guidelines
Guarantees	Draft guidelines regarding a guarantee for damages and a performance guarantee – “drill or pay” principle.
Taxes	New taxation : the Petroleum Profit Taxation Law (2011).
Export	New Limitations imposed by Gov on the export of gas (2013)
Local regime outside of EEZ	An opinion by the Deputy Attorney General (2013). Introduction of the Marine Areas Bill (2014)

The Regulatory Status Today: **Stability and Over-Regulation?**

Licensing regime	Final Guidelines and Regulations.
Transfer of rights	Final guidelines and regulations. Detailed limitations imposed on indirect transfers.
Requirements for acquisition of rights	Final detailed regulations regarding the experience of the Operator and financial capacity of license holders.
Environmental Regulation	Final detailed environmental and work safety guidelines– for petroleum and natural gas offshore exploration and production activities.
Guarantees	Final guidelines which added a performance guarantee .
Taxes	PT Law and the Petroleum Profit Taxation Law. No change
Export	Government decision on the export of gas by Gov. No change
Local regime outside of EEZ	An opinion by the Deputy Attorney General. The Marine Areas Bill (2014) – still pending

The Current Regulatory Status – Gas Contracts

Gas sales: to date not regulated, but:

- ❑ Price control. Lease holders and natural gas marketing companies must submit reports regarding profits from sale of natural gas.
- ❑ GSPAs subject to approval of Anti-trust Commissioner.
- ❑ New Contracts with Tamar/Leviathan are subject to the prices alternatives stipulated in the Natural Gas Framework for a certain period of time.
- ❑ Sales for Export of gas: subject to conditions of Export Decision.
- ❑ **Interference in gas allocation between consumers.**
- ❑ **Indirect interference by electricity regulator in gas price provisions and terms: Frequent changes to EA decisions regarding recognition of gas prices, changes in recognised indexation, changes in regulation.**

THE RIGHT BALANCE FOR PROMOTING INVESTMENT IN THE UPSTREAM PETROLEUM SECTOR

- ❑ Regulation in the E&P Sector – Clear and not too cumbersome
- ❑ Maintaining a stable regulatory framework;
- ❑ Sanctity of contracts;
- ❑ Encouragement/ incentives for owners of small reservoirs
- ❑ Development of the local market and of the export market
- ❑ Multilateral investment treaties, such as the Energy Charter or bilateral investment treaties



Thank you
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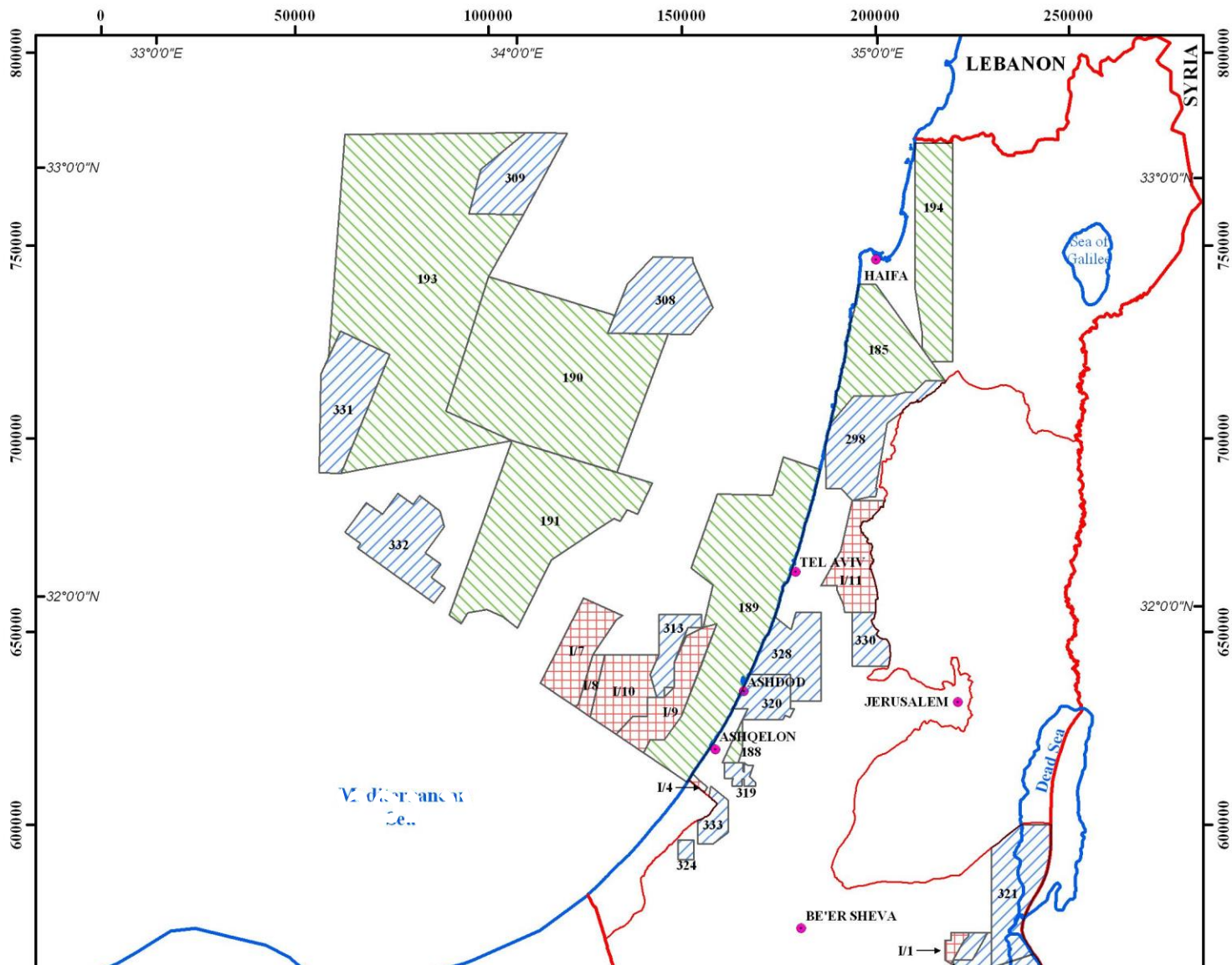
Ministry of National Infrastructures

State of Israel

Oil and Gas Section

Petroleum Rights

Updated February 20, 2007





State of Israel

Ministry of National Infrastructures,
Energy and Water Resources

Petroleum Rights

Oil and Gas Department

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