

TABOGLU, ATES & DEMIRHAN

Newsletter

ENERGY MARKET UPDATES

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- The Energy Market Regulatory Board has announced a “*support system*” to decrease adverse effect of loss-runaway in certain regions. Accordingly, the system will provide contributions of certain regions where loss-runaway is respectively less in comparison to other regions to the regions having extreme loss-runaway. It has been asserted that the system has been developed as an alternative to regional tariffs system, which has attracted many companies’ objection. Therefore, there will be a standard tariffs implementation but a contribution system shall be applicable.
- Pursuant to the dailies, after Iran’s cutoff of natural gas, BOTAS has stated that natural gas will be purchased from spot market such as Malaysia and the amount of natural gas to be obtained from Russian Blue Line will be increased by 300 million m³ per month. Furthermore, the Minister of Energy and Natural Sources has stated in a press conference that the Ministry will take necessary measures for preventing damages arisen by cutoff and there will not be any energy problem for the residential premises.
- The Regulation on Supply Continuity, Commercial and Technical Quality of Electricity Energy in the Distribution System, which was published on 12 September 2006, has come into effect as of 1 January 2007. The Regulation sets forth the principles and procedures on supply continuity, commercial and technical quality of electricity energy to be obtained by distribution companies. The Regulation shall be effective between 2007 and 2010. In accordance with the Regulation, distribution companies failing to distribute more than 14 hours per year shall indemnify their customers. Furthermore, distribution companies are required to inform their customers through media 48 hours prior to any cutoff. The limitations for the cutoff will descent to 11 hours as of the year 2011.

- The Energy Market Regulatory Authority has started national marker application, which was prepared by the Scientific and Technological Research Council, on 1 January 2007 without prospects for an extension or a transition process. The application is aiming to prevent fuel oil smuggling and the traffic of unqualified oil and to determine the origin thereof. The application intends to create an effective market discipline and help to prevent unfair competition and tax losses amounting approximately TRY 10.7 billion in 2 years. The Chairman of the Energy Market Regulatory Authority has stated that they have delivered (i) 8,117 liters of marker to TUPRAS, (ii) 3,610 liters of marker to the fuel oil distribution companies and (iii) 30 national marker control equipments to companies.
- According to the dailies, the Regulation on the Formulation of Distribution System Investments and Audit of Realizations in Plans has been published in the Official Gazette on 7 January 2007. The Regulation sets forth the principles on the preparation and approval of investment plans of the distribution license owners in the electricity sector in addition to the standards on the examination of the realizations with respect to such plans.

PRIVATIZATION HIGHLIGHTS

- Pursuant to the dailies, the Savings Deposit Insurance Fund has opened a tender for the sale of the printing facilities of Sabah Gazetesi located at Samandira. The tender will be realized on 12 February 2007 with an estimated value of US\$ 41,600,000. Furthermore, bidders shall pay US\$ 4,160,000 as a guarantee. It has been also stated that a mortgage has been established on behalf of Halkbank on 50% of the facilities.

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Highlights

a. Energy Market Updates

b. Privatization Highlights

c. Other News

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- According to the dailies, the Prime Minister of Turkey has stated that privatizations related to electricity distribution regions have been put on hold currently. The statement has been assessed to have an important impact in the sector two weeks prior to the deadline for bidding in the first tender for electricity distribution companies through block sale. The Prime Minister has mentioned that possible increases in the prices upon privatization may put the Government into an undesirable position. Upon such statement the sector has questioned the upcoming tenders. Pursuant to the dailies, the Minister of Finance has stated that the Prime Minister will inform the cabinet regarding privatizations on 8 January 2007. Among others Enka, Aksa Elektrik, Enerjisa, Alsim Alarko, Zorlu, Koc and Ciner Groups are noteworthy pre-qualified interested bidders.
- It has been reported in the dailies that in the electricity distribution company privatizations, the pricing issue is firmly defined within the scope of the privatization program. After the completion of 2 year lasting studies, the Energy Market Regulatory Authority has approved electricity tariffs for the period between 2006 and 2010. According to the tariffs, the prices shall remain stable until 2010 by the exception of obligatory cost increases.

OTHER NEWS

- As per the dailies, Citigroup has become the owner of 200 million new shares of Akbank for US\$ 1.3 billion on 4 January 2007. Accordingly, Citigroup has become a shareholder of Akbank with 8.33% stake. Moreover, Citigroup shall pay US\$ 1.8 billion to certain shareholders of Akbank to increase its share ratio in Akbank to 20%. In total, Citigroup shall be the owner of 20% stake in Akbank for US\$ 3.1 billion.

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- As per the announcement made by Is Bank to the Istanbul Stock Exchange, a mandate has been signed between Is Bank and Is Yatirim Menkul Degerler for the sale of 97.53% shares of the Bank in Asmas Agir Sanayi Makinalari. The price of the sale shares is estimated as TRY 6,437,003.38.
- As per the dailies, the Regulation on Determination of Telecommunications Operators Having Effective Market Power has been published in Official Gazette on 7 January 2007. Within the scope of the Regulation, the Telecommunications Authority shall realize a market analysis for the determination of such operators having effective market power. If the Authority determines that there exist one or more operators having effective market power, then it will be deemed that there is no effective competition in that market. The Authority is entitled to demand any information from the operators with respect to pursuing such analysis. The Authority may apply standards such as transparency, announcement of interconnection proposals, application of non-discriminating principles and implementation of cost accounting to the companies having such power in the market.

The aim of this weekly newsletter is to highlight mainly the regulatory changes made by the Turkish Government during the relevant week. The content of this bulletin is limited to those areas Taboglu, Ates & Demirhan advises its clients. It contains a general summary of the changes and the areas it covers are broader. Thus, one should not rely on it for specific advice. For further information or advice please contact Taboglu, Ates & Demirhan, a full-service law firm based in Istanbul.

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