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Market Updates – Energy & Natural Resources (October 2010)

Bosnia-Herzegovina

Market Intelligence – Energy Tariffs

The State Electricity Regulatory Commission – SERC is competent for regulation of tariffs in relation to electricity in B&H, the Federation Electricity Regulatory Commission - FERC is competent for regulation of tariffs in relation to electricity in the Federation of Bosnia-Herzegovina, and the Regulatory Commission for Energy of Republika Srpska (hereinafter: the Regulator) is competent for regulation of tariffs in Republika Srpska.

Tariffs in B&H

Tariff procedure in B&H is regulated by the Rulebook on Tariff Procedure (Official Gazette of B&H, number 44/05) and shall be initiated by filing an application for the determination of tariff by a regulated company or on the initiative of SERC. Therefore, the regulated company that is filing the tariff application is obliged to deliver individual announcements on the filed tariff application to all of its buyers. SERC shall approve a tariff application in accordance with the procedure regulated by SERC's Work Rulebook (Official Gazette of B&H, number 45/04), and SERC's procedure related to the public debate provided by the Rulebook on Hearing Procedure (Official Gazette of B&H, number 38/05). The Pricing Methodology for Services of Electricity Transmission, Operation of Independent System Operator and Ancillary Services (Official Gazette of B&H, number 46/05) provides the tariff pricing methodology for services of electricity transmission and tariff pricing methodology system for services of the Independent System Operator and tariffs for ancillary services. Tariffs issued by SERC are the transmission fee, tariffs for the system services of the Independent System Operator and tariffs for ancillary services.

Tariffs in the Federation of B&H

The Electricity Law of the Federation of B&H (Official Gazette of the Federation of B&H, number 41/02) provides that FERC prescribes the methodology for tariff determination with respect to activities of generation, distribution and supply of electricity, determination of tariffs for distribution system users and non-eligible customers, as well as standards for approval of tariffs. Therefore, FERC adopted the Rulebook on Tariff Methodology and Tariff Procedure (Official Gazette of the Federation of B&H, number 45/05) in order to establish the framework for conducting FERC's authorities in relation to the tariffs. The Rulebook on Tariff Methodology and Tariff Procedure provides methodology and standards for tariffs determination, as well as procedures for consideration of a tariff application and all other statements in relation to tariffs beginning with initiation of tariff procedure by filing a tariff application by a regulated company or on the initiative of FERC, application validity, contents of tariff applications, and the method of public notification on filed applications by a regulated company or FERC. The establishment of FERC, and its activities, is part of a reform process of the energy sector in B&H, which is in accordance with the identical processes in all EU countries and transition countries that intend to join the EU.

Tariffs in Republika Srpska

The procedures related to the tariff determination in the energy sector are initiated by filing an application by the regulated company to the Regulator or on the initiative of the Regulator. After that, the Regulator issues the public notice on initiating the tariff procedure and an explanation on how the stakeholders may

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get necessary information and take part in the procedure. After the procedure prescribed by the Regulator in its Rulebook on Tariff Methodology and Tariff Procedure (Official Gazette of Republika Srpska, number 61/05), Rulebook on Methodology for Determination of the Fee for Connection to the Distribution Network (Official Gazette of Republika Srpska, number 123/08), Procedural Rules of the Regulator (Official Gazette of Republika Srpska, number 96/04) and Rulebook on Public Hearing and Settlement of Disputes and Complaints (Official Gazette of Republika Srpska, number 71/05), the Regulator is able to make a decision. Each decision should contain enough evidence and facts that should enable the public to understand the reasons for such a decision.

Market Intelligence - Energy Projects

Current projects – Federation of Bosnia-Herzegovina

- Modernisation of Block 6 of the Kakanj thermoelectric power plant;
- Modernisation of Block 6 of the Tuzla thermoelectric power plant;
- Revitalisation of the Jablanica hydroelectric power plant, increasing its capacity from 150MW to 180MW;
- Revitalisation of the Rama hydroelectric power plant, increasing its capacity to 180MW;
- Revitalisation of the Jajce II hydroelectric power plant.

Planned capacities – Federation of Bosnia-Herzegovina

- Hydroelectric power plant Mostarsko Blato, installed capacity of 60MW, planned for 2010;
- Wind energy power plant Podveležje-M. Glava Poljice, installed capacity of 30MW, planned for 2010;
- Wind energy power plant Sveta Gora, Mali Grad, installed capacity of 30MW, planned for 2010;
- Wind energy power plant Velika Vljajna, installed capacity of 32MW, planned for 2010;
- Wind energy power plant Mesihovina, installed capacity of 44MW, planned for 2010;
- Wind energy power plant Livno (Borova Glava), installed capacity of 52MW, planned for 2010;
- Wind energy power plant Pločno/Ruište, installed capacity of 45MW, planned for 2012;
- Wind energy power plant Debelo Brdo, installed capacity of 68MW, planned for 2012;
- Wind energy power plant Mokronoge, installed capacity of 70MW, planned for 2012;
- Wind energy power plant Srdani, installed capacity of 30MW, planned for 2012;
- Wind energy power plant Poklecani, installed capacity of 40MW, planned for 2012;
- Wind energy power plant Planinica, installed capacity of 28MW, planned for 2012;
- Wind energy power plant Kamena, installed capacity of 16MW, planned for 2014;
- Wind energy power plant Bahtijarevica/Ratkamen, installed capacity of 69MW, planned for 2015;
- Wind energy power plant Crkvine, installed capacity of 24MW, planned for 2015;
- Wind energy power plant Velja Međa, installed capacity of 18MW, planned for 2015;
- Wind energy power plant Ivan Sedlo, installed capacity of 20MW, planned for 2016;
- Hydroelectric power plant Vrilo, installed capacity of 52MW, planned for 2013;
- Hydroelectric power plant Kablić, installed capacity of 52MW, planned for 2015;
- Hydroelectric power plant Glavatičevo, installed capacity of 28.5MW, planned for 2012;
- Hydroelectric power plant Bjelimići, installed capacity of 100MW, planned for 2012;
- Hydroelectric power plant Bjelimići, installed capacity of 600MW, planned for 2014;
- Hydroelectric power plant Ustikolina, installed capacity of 66MW, planned for 2013;
- Hydroelectric power plant Vranduk, installed capacity of 21MW, planned for 2013;
- Hydroelectric power plant Unac, installed capacity of 72MW, planned for 2012;

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- Hydroelectric power plant Han Skela, installed capacity of 11MW, planned for 2012;
- Hydroelectric power plant Ugar Ušće, installed capacity of 15MW, planned for 2015;
- Hydroelectric power plants Vrpolje and Čaplje, installed capacity of 80MW and 12MW, planned for 2013 and 2012 respectively;
- Hydroelectric power plant Vrletna Kosa, installed capacity of 25MW, planned for 2015;
- Thermoelectric power plant Tuzla, Block 7, installed capacity of 370MW, planned for 2015;
- Thermoelectric power plant Kakanj, Block 8, installed capacity of 250MW, planned for 2015;
- Thermoelectric power plant Bugojno 1, installed capacity of 300MW, planned for 2015;
- Thermoelectric power plant Kongora, installed capacity of 550MW, planned for 2015;
- Thermoelectric power plant Tuzla B-1, installed capacity of 500MW, planned for 2017;
- Thermoelectric power plant Kakanj A kombi, installed capacity of 100MW, planned for 2017;
- Thermoelectric power plant Bugojno 2, installed capacity of 300MW, planned for 2017;
- Thermoelectric power plant Kamengrad 1, installed capacity of 215MW, planned for 2017;
- Thermoelectric power plant Tuzla B-2-Banovići, installed capacity of 500MW, planned for 2023;
- Thermoelectric power plant Kamengrad 2, installed capacity of 215MW, planned for 2023;
- Thermoelectric power plant Kakanj B, installed capacity of 450MW, planned for 2025;
- Thermoelectric power plant Tuzla C kombi, installed capacity of 100MW, planned for 2027.

Current projects – Republika Srpska

- Concession awarded for the construction of thermoelectric power plant Stanari, expected to be commissioned in 2015/2016;
- Concession awarded for the construction of thermoelectric power plant Toplana Kotor Varoš;
- Concession awarded for the construction of hydroelectric power plant Ulog, expected to be commissioned in 2015/2016;
- Concession awarded for the construction of hydroelectric power plant Krupa;
- Concession awarded for the construction of hydroelectric power plant Banja Luka Low;
- Larger number of concessions awarded for the construction of small hydroelectric power plants, total installed power of 210MW.

Planned projects – Republika Srpska

- Construction of hydroelectric power plants Buk Bijela and Foča, planned until 2020;
- Construction of hydroelectric power plants Dabar, Nevesinje and Bileća, planned between 2016 and 2020;
- Project documentation drafting for hydroelectric power plants Sutjeska, Paunci, Mrsovo, Middle Drina and Dubrovnik II;
- Reconstruction and modernisation of thermoelectric power plants Gacko 1 and Ugljevik 1, with the construction of a new block for each power plant of 300MW and 400MW respectively, planned between 2020 and 2025;
- Reconstruction and expansion of the power grid.

Deal Portfolio – Energy Snapshot

Electrical/Renewables

- Legal services and counsel to a major international corporation constructing and equipping a wind energy power plant;

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- Corporate structuring and acquisition of a power generation company operating small hydroelectric power plants;
- Advising BOT operators and lenders in various small hydroelectric power plant projects.

Gas

Bosnia-Herzegovina (hereinafter referred to as BiH) does not have its own natural gas resources and therefore, the entire supply of natural gas is exclusively based on import of this energy product from the Russian Federation through one transport route.

- Construction of transport gas line Sarajevo-Mostar-Ploče in order to connect the natural gas transport system of BiH with the gas transport system of Croatia;
- Construction of transport gas line Bosanski Brod-Doboj-Maglaj-Zenica in order to connect the natural gas transport system of BiH with the gas transport system of Croatia;
- Construction of transport gas line Tržac (entry from Croatia)-Cazin-Bosanska Krupa-Sanski Most-Ključ with a connection to the gas line towards Bihać, Velika Kladuša and Bosanski Petrovac as the realisation of the third connection on the west of BiH with the gas transport system of Croatia;
- Gasification of Visoko, Kreševo, Kiseljak and Fojnica;
- Implementation of natural gas into the Kakanj thermal power plant;
- Gasification of Zenica and Kladanj;
- Construction of a transport gas line between Zenica and Travnik;
- Development of a plan on expanding the gas transport and distribution system in the Republika Srpska entity.

Mining & Minerals

- Privatisation of the coal mine “Miljevina” Foča;
- Privatisation of the limestone mine “Vijenac” d.o.o. Lukavac;
- Formation of the Elektroprivreda BiH concern on September 9th, 2009, consisted of the public company Elektroprivreda BiH as the dominant company and seven coal mines as subsidiary companies;
- Privatisation of the iron mine Ljubija;
- Opening of new surface mines at Gacko and Ugljevik and reconstruction of the mining machinery.

Oil & Petroleum

- Modernisation project of the Oil refinery in Bosanski Brod (2010-2015);
- Invitation tenders for concessions for oil and gas exploration on the territory of the Republika Srpska entity, with the Oil refinery in Bosanski Brod having exclusive rights to research and explore oil and gas until 2012.

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About Maric & Co

Marić Law Office has a long-standing reputation over more than 50 years having been the largest and one of the leading law practices in Bosnia & Herzegovina. Since the amendments to the Law on Advocacy from year 2010 made it possible, the law office continues its activities from this year on as a law firm under the name Marić & Co providing services with six partners and eighteen associates.

Although Marić & Co has the capacity to satisfy all kinds of requests for legal services of the investors that are doing business in Bosnia and Herzegovina, the firm's practice is mostly focused on Corporate Law, M&A, Banking and Financial Services, Competition, Real Estate, Energy, Public Procurement, Labour Law, IP, Consumer Protection, Product Liability and Litigation.

The firm is recommended by the Legal 500, Chambers, Martindale-Hubbell, IFLR1000 and PLC Which Lawyer, especially for its corporate and M&A work. The firm is always ranked as the first one or between the first three firms in the state. Legal 500 says it “is the largest player in the market and its competency is demonstrated by the calibre and profile of the work it wins”.

Marić & Co represents a large number of major investors in the market and helps in realising their investments in Bosnia and Herzegovina in the most efficient manner. Chambers Europe 2009 market sources say Branko Marić is “truly outstanding - a legend among foreign investors on the market”. They add that he is “well able to handle the most complicated issues, and advises clearly and with great authority”. Clients value the fact that the firm “knows the local market inside-out and can effectively guide international businesses on legal issues”.

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Croatia

Market Intelligence - Energy Projects

Current projects

- BEWAG/IWP - the biggest national wind-plant project portfolio due diligence and conveyance;
- Legal review of WPD ENERSYS project for the purposes of plant financing by an international bank.

Upcoming projects

- Preneal (Spain) local project company counselling in upcoming projects.

Prospective projects

- Financing and construction of a liquefied natural gas pipeline on the island of Krk;
- Several thermo and hydro power plants to be built as part of the state's energy strategy;
- Potential route of the South Stream to be built through Croatia.

Divjak, Topic & Bahtijarevic Deal Portfolio – Energy Snapshot

Electrical/Renewables

- Wind farm project on the Adriatic coast for a leading European energy company;
- Total track record of 700MW capacity in past projects on which DTB advised;
- Crossroads Capital development of the largest biomass-fuel plant in Croatia.

Gas

- GDF Suez acquisition of regional gas distributors in Croatia;
- E.ON's investment in local gas-distribution.

Oil & Petroleum

- OMV's operation in Croatia;
- Croatian Government's concession of an oil terminal in the Adriatic Sea.

About Divjak, Topic & Bahtijarevic

Divjak, Topic & Bahtijarevic is a full-service law firm based in Zagreb, Croatia. Widely regarded as one of the leading Croatian corporate and commercial firms, the firm is one of the largest in its jurisdiction and provides a full range of services to prominent businesses, business owners, executives, and investors from around the world. As a result of our in-depth understanding of client needs, Divjak, Topic &

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Bahtijarević has built teams of industry-focused lawyers, who are innovative in providing solution-driven products and services. Our lawyers are members of international associations of lawyers including International Bar Association and International Union of Advocates. The firm participates in the legal networks SEE Legal, Ius Laboris and E-Iure. Please visit www.dtb.hr for further information.

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Greece

Greece Energy Update

The energy market in Greece is experiencing a powerful forward momentum: the RES market is flourishing, with thousands of MWs in line to be developed and connected to the system; the natural gas market is reaching more final consumers while more supply and distribution companies and projects are developed; the petroleum market is looking to upcoming oil pipeline projects and exploration activities, and the production of electricity is further boosted by thermoelectric stations and the diversification of units run by the Public Power Company.

Currently, a newly enacted RES law has brought forth an increase in the applications for power generation licenses from RES activities and has also removed some of the road bumps, which caused delays in the completion of RES projects. This shall expedite their review process and cause more projects to be completed quicker. This RES law focuses on improving investment stability by placing a focus on projects, which can realistically be materialized, and lends its support to a fast-track process for large scale energy investments, which currently bring the planned total to over 4.500MW of RES project. In addition, it continues to provide a safe investment environment by offering a high tariff system for a period of 20 years.

The natural gas market, which has consistently been expanding to serve more and more consumers, is about to go into another surge: a tender for 3 new regional gas supply companies is in the works, to further expand the reach of natural gas into areas covering an additional 25% of the Hellenic State. These companies will partner with the state-owned gas company DEPA S.A., and according to a derogation decision granted by the EU Commission, will be exempt for a number of years from third party access and unbundling requirements.

In terms of the oil and petroleum market, oil reserves are explored and exploited both onshore and offshore, and further oil exploration is considered to be a possible and profitable activity, as estimates of Greece's oil reserves often reach the ten million barrel mark. In addition to oil exploration, Greece is primed to be a key player in the supply of oil into the European market through the Burgas-Alexandroupoli pipeline to be constructed jointly by Russia, Bulgaria and Greece. In addition, a 1.010MW LPG plant, with an investment from Qatar, is scheduled to be constructed, using the fast-track process mentioned above.

Furthermore, two new thermoelectric plants (both currently in operation and in the construction phase) further diversify the Greek energy balance sheet, while some of the operations of the Public Power Company are likely to be privatized in the near future in compliance with the relevant European Regulations on the liberalization of the energy market. This process expects that a significant number of private investors will seek to invest in many of the operations, which the PPC will spin off.

Finally, but of major significance and importance, will be the legal and regulatory separation of entities involved in the production and transmission of electricity. This is also required for the liberalization of the energy market, and is going to leave room for interested stakeholders to take advantage of this liberalization and enter the electricity market in various capacities.

Energy Projects in Greece

Upcoming Projects

Renewables (Wind, Solar & Hybrid)

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- Électricité de France (EDF) wind projects in the Dodecanese;
- Iberdrola-Rokas wind projects in the Prefecture of Lesvos;
- Kopelouzos wind projects in the Cyclades (400MW) and in Crete;
- Enteka wind projects on the island of Skyros;
- Terna wind projects in Crete;
- Offshore wind parks based on a tender mechanism provided in the new RES law (the above projects fall under the fast-track scheme and are investments of more than EUR 200 million and/or 150MW);
- Public Power Company Renewables 120MW wind project on the island of Andros;
- EUR 1-1.5 billion investment in a 200MW Public Power Company solar park in Kozani (which will include a PV panel production unit);
- Tens of thousands of MWs at different stages of the licensing process;
- Électricité de France 100MW hybrid project in Crete.

Natural Gas & Petroleum

- Interconnector pipelines for Greece-Bulgaria, Greece-Italy and Greece-Turkey;
- The Trans Adriatic Pipeline project (TAP);
- Involvement in and construction of part of the South Stream pipeline;
- Establishment of three new gas supply companies;
- EUR 800 million investment in a 1.010MW LPG project in Astakos.

Electricity

- Underwater interconnection cables connecting Attica (Nea Makri) with the island of Evoia and Atiiki with the island of Andros.

KGDI Energy, Utilities and Infrastructure Portfolio

Renewables & Electricity

- Advising the Hellenic Transmission System Operator (HTSO) on a tender launched in relation to the Olympic Games of 2004;
- Representing the HTSO in arbitration proceedings;
- On behalf of the Hellenic State, advising the financial advisor of a Public Power Company gas-fired combined-cycle power plant;
- Advising financing institutions on the licensing, development and financing of a 430MW thermoelectric power plant;
- Mediated the sales and acquisitions of multiple RES projects at various licensing stages;
- Project financing for large PV projects by Landesbank Baden – Württemberg;
- Advising a subsidiary of Deutsche Bank on the licensing, development, financing, construction and operation of several renewable projects;
- Advising EDF Energie Nouvelles on the licensing, development, financing, construction and operation of several wind parks;
- On behalf of CEZ A.S. and HSE of Slovenia, acquiring Electricity Supply Licenses;
- Performing due diligence on numerous solar, wind and hydro projects for numerous clients (buyers, sellers, financing banks and equity funds etc.).

Natural Gas

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- Advising the state-owned gas company (DEPA S.A.) on the privatization of the current and future regional gas supply and distribution companies, including on issues relating to derogation from the EU Gas Directive;
- Drafting, on DEPA's behalf, the legal and contractual framework for this privatization;
- Advising multiple major domestic and international investors on the gas sector Codes;
- Advising a consortium of companies (EGL, Statoil, E.ON Ruhrgas) for the establishment of the first independent natural gas system;
- Drafting the first tolling agreement for EGL.

Petroleum & Oil

- Negotiating in and drafting the first-ever explorations and production concession agreement by the Hellenic State;
- Advising TNK-BP on various issues relating to the Bourgas-Alexandroupoli oil pipeline;
- Advising OMV A.G. on participating in a tender for Hellenic Petroleum S.A.;
- Advising several independent E&P companies on licensing for such activities in Greece.

Regulatory

- Submission of one of the first electricity supply license applications to the Regulatory Authority for Energy (RAE);
- Drafting the first Power Purchase Agreement (PPA) concluded in Greece;
- Advising the Ministry of Environment, Energy and Climate Change, RAE, HTSO on issues arising from the application of energy legislation;
- Advising DEPA on various gas issues and DESFA on the drafting of several regulations on the natural gas system.

About KGDI

Kyriakides Georgopoulos & Daniolos Issaias was established as a law firm in 2006, merging historic law offices in Greece together, and bringing over 75 years of experience in commercial law and 85 years of maritime law under the same roof. With three offices and more than 100 lawyers, KGDI is a full-service law firm at the forefront of legal assistance for Greece and South-East Europe. Please visit www.kgdi.gr for more information.

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Montenegro

Market Intelligence – Energy Tariffs

Gas

Montenegro has not yet developed any natural gas infrastructure, and the current Energy Strategy does not envisage any developments on this front before 2020.

Electric Energy

In May 2010, Montenegro adopted the new Energy Law aimed at further regulatory liberalization of the electric energy market. The national incumbent EPCG (recently partly privatized) is still the only supplier on the electric energy market. The new Energy Law, however, provides that all buyers on the energy market will be free to choose suppliers by 1 January 2015. Besides low price of electric energy supplied to tariff buyers, the fact that EPCG is still performing distribution and supply of electric energy may be considered as an impediment to factual liberalization of the electric energy market. The Energy Law provides for functional separation of the distribution from other activities but this falls short of full unbundling.

The Regulatory Agency for Energy is in charge of adopting tariff methodologies and approving energy tariffs. All prices (generation, transmission, distribution and supply) with respect to energy delivered to tariff consumers are regulated.

Renewables

Special feed-in tariffs are in place for electric energy produced in wind farms and small HPP's (up to 10MW). Price of electric energy produced in wind farms is 9.59 eurocents per kWh, whereas the price of electric energy from HPP's is 7.9277 eurocents per kWh. Feed-in tariff for HPP's will remain valid until the total quantity of electric energy produced in small HPP's will have amounted to 3.5 % of total electric energy needs of Montenegro. Feed-in tariff for wind farms is guaranteed for a period of 12 years from the start of commercial operation of the facility.

The New Energy Law provides for the obligation of suppliers (currently, only EPCG) to have in their portfolio a certain minimum percentage of renewable energy. However, the Government has not yet determined this minimum. Therefore, in order to assure prospective concessionaires in recent tenders for the award of concession for construction of small HPP's and two wind farms, the Government had to give a warranty that all produced energy will be purchased by EPCG at guaranteed prices over a certain period of time (e.g. 12 years for energy produced in wind farms).

Market Intelligence - Energy Projects

Current projects

- DBOT Concession for 240MW hydro-power plant on the Morača river;

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- JV between Montenegrin and Italian TSOs for construction of undersea interconnection between Montenegro and Italy, additional network infrastructure in Montenegro and interconnector between Montenegro and Serbia and/or Montenegro and Bosnia & Herzegovina.

Prospective projects

- Construction of HPP Komarnica with envisaged installed power of 168MW;
- Concession for exploration of oil and gas from Adriatic.

Bojović·Dašić·Kojović Deal Portfolio – Energy Snapshot

- **IFC and Government of Montenegro:** Advisory on the project for DBOT concession for 240MW hydro-power plants on the Morača river;
- **Montenegrin TSO “Cronogorski elektroprenosni sistem”:** JV with Italian Terna for acquisition of minority stake in Prenos and construction of undersea interconnection between Montenegro and Italy, additional network infrastructure in Montenegro and interconnector between Montenegro and Serbia and/or Montenegro and Bosnia & Herzegovina;
- **Fersa:** Advisory on the first wind-farm project in Montenegro (46MW capacity) and long term lease agreement with the Government of Montenegro;
- **Government of Montenegro:** Attempted privatisation of Thermal Power Plant Pljevlja and Coal Mine Pljevlja;
- **Government of Montenegro:** Advising on DBOT concessions for small hydro-power plants;
- **SENCAP:** Representation in tender for concessions for construction of small hydro-power plants in Montenegro.

About Bojović·Dašić·Kojović

Bojović·Dašić·Kojović (BDK) is a dynamic law firm providing a full range of legal services to corporate, private equity and public authority clients in Serbia and Montenegro.

We have significant experience as legal advisers in key industries such as telecommunications, financial services, energy, mining, information technology, the automobile industry, tourism, pharmaceuticals, construction and agriculture. Parallel to our transactional group, which focuses on mergers and acquisitions and real estate, we handle the needs of foreign and domestic clients in general corporate counseling, finance, commercial agreements, dispute resolution, competition matters, employment law, tax, capital markets, public private partnerships and intellectual property.

BDK’s growing team currently boasts 17 fee earners who understand the needs of sophisticated clients and are capable of managing complex transactions. Our international capacity includes multi-lingual lawyers who speak Serbian, English, Russian, French and German. Please visit www.bdklegal.com for more information.

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Romania

Market Intelligence – Energy Tariffs

Tariffs for transmission/system and distribution services

The distribution, transmission and system service related tariffs are regulated in Romania. The methodologies for determining said tariffs are established by Romanian Energy Regulatory Authority (“ANRE”). The tariff calculation methodology for the electricity transmission/system services is based on a price cap-type methodology, while the methodology for establishing the electricity distribution tariffs is based on a tariffs basket cap methodology. The calculation of the tariffs takes into account the justified costs of the transmission/system and distribution activities, the expenses related to development and environmental protection, as well as a reasonable profit margin.

ANRE may limit the tariffs by establishing a maximum limit or by limiting the revenue of the regulated activity, for the purpose of avoiding an uncontrolled increase of the prices for customers.

The overrunning of the regulated costs for transmission/system services and distribution services may be made only with the approval of ANRE and only in special circumstances (in case of force majeure events or legislative changes). The tariffs for the transmission/system services are differentiated based on geographical areas and cannot be subject to an annual increase of more than 7 per cent, while the tariffs for the distributions services are established annually for each distribution network operator through a specific order approved by the president of ANRE.

Further to the full liberalisation of the electricity market in July 2007, the electricity sale prices are no longer regulated, except for prices applicable to consumers, which have chosen not to exercise their eligibility right and continue to act as captive, where the prices are differentiated depending on certain categories of consumers.

Market Intelligence - Energy Projects

Current projects

Pursuant to information available from the Ministry of Economy, Trade and Business Environment, 53 investment projects are contemplated to be performed by 9 of the major state-owned electricity companies in fields such as: electricity generation, electricity transportation, reducing environmental impact of electricity generation/transportation activities:

- 12 hydroelectric projects;
- 24 thermal projects;
- 12 electricity transportation projects;
- 2 cogeneration projects;
- 3 nuclear projects.

6 more hydroelectric power plant projects are contemplated:

- Tarnita-Lapustesti Pump-Storage Hydropower Plant – PSHP 4x250MW;
- Hydropower plant Olt River on Cornetu – Avrig stretch – “Lotrioara” HPP 25MW;
- Hydropower development of Buzau River on Buzau – Nehoiasu stretch 110,27MW;
- Hydropower development of Mures River on “Rastolnita” 38,89MW;
- The Aries River’s HPP on the “Garda de Sus – Buru” stretch;

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- The Somes River's HPP on "Parva – Jibou" stretch.

5 thermo power plant projects are contemplated:

- Braila (Termoelectrica) 800MW;
- Brazi (Romgaz) 800MW;
- Borzesti (Termoelectrica) 400MW;
- Galati I (Termoelectrica) 400MW;
- Green Brown Field Isalnita project (CEN Craiova) 500MW.

Potential upcoming projects

- The Romanian Government's major initiative to create two national state-owned energy companies (Electra and Hidroenergetica) by restructuring current state-owned companies acting in the field;
- Construction of nuclear power generation units 3 and 4 by EnergoNuclear together with several strategic investors, a project company established in this respect;
- Sale on the capital market of some of the shares in Transelectrica, the National Electricity Transmission Operator and in Transgaz, the National Gas Transmission Operator;
- Sale on the capital market of some of the state's shares in OMV - Petrom S.A. Bucharest;
- Privatisation of Romgaz S.A. Medias (i.e. major gas storage operator) through IPO;
- Development of existing underground gas storage deposits (Ghercesti) and construction of new ones (Margineni, Sarmasel Buglovia VI+VII reservoirs);
- AGRI Project (Azerbaijan – Georgia – Romania Interconnector).

Prospective projects

- Several thermal power plant projects: Paroseni (Termoelectrica) 180MW, Iernut (Electrocentrale Bucuresti – Romgaz) 600MW, Galati II 900MW and Doicesti (Termoelectrica) 250MW;
- LNG terminal in Constanta.

Nestor Nestor Diculescu Kingston Petersen Deal Portfolio – Energy Snapshot

Conventional Energy

- Privatisation (State assistance) of seven out of eight regional electricity distribution companies, of which four successfully finalised, while three interrupted pursuant to a Government decision;
- Tender for privatisation of the largest regional Romanian electricity distributor and supplier – Electrica Muntenia Sud (strategic investor assistance);
- Attempt to privatise Uzina Termoelectrica Girugiu S.A. – assistance to a consortium constituted by Mechel International Holdings AG and Mechel Trading AG;
- Privatisation process for an electricity generation capacity of 800MW with a value over EUR 1 billion – Braila Project – involving the establishment of a joint venture company by E.ON Kraftwerke GmbH and Enel S.p.a. as strategic investors and the Romanian Thermo Electricity Generator – Termoelectrica S.A.;
- Heat/ cooling and energy supply facilities intended to be implemented by a German Energy Supplier.

Renewable Energy

SEE Legal

- Potential acquisition by a Finnish project developer of three wind-farm projects in Romania with a total capacity of over 200MW;
- Tentative acquisition by a major German full service project developer of a wind-farm project in Romania;
- Establishment of wind parks by a major Spanish renewable energy generator;
- Potential acquisition of a wind-farm project in Romania by Renergie;
- Tentative establishment by a group of companies active in different fields of renewable power generation and energy storage of a joint venture company for the purposes of establishing and operating a wind park;
- Tentative acquisition of controlling interests in two wind farms project companies (i.e. wind farms envisaged to include over 100 wind turbines and, respectively, over 115 wind turbines of 3MW) by the major Romanian energy company;
- Tentative acquisition by E.dis Natur of controlling interest with respect to 6 wind farm projects developed in Constanta County;
- Tentative establishment by a global renewable company of a joint venture with a Romanian company with a view to develop 450MW of on-shore wind power projects in Romania.

Gas

- Initial public offering by Transgaz S.A., the national natural transmission and transit operator, of ordinary shares representing 10% of its share capital – assistance to Raiffeisen Capital & Investment/Transgaz I;
- Nabucco, a five-nation project to construct and operate a natural gas pipeline linking production areas in the Caspian Sea and Middle East regions to Central and Western Europe;
- Privatisation of one of the two Romanian natural gas distribution operators - of Gaz de France acquisition;
- Implementation by GDF Suez Energy Romania (former Distrigaz Sud S.A.) of the legal, functional and decision-making unbundling of the natural gas activity through a spin-off operation of the natural gas activity;
- Acquisition by GDF Suez Energy Romania S.A. (formerly Distrigaz Sud S.A.) of 100% of the share capital of Vital Gaz S.A., a company involved in natural gas distribution and supply activities;
- Acquisition of two Romanian operators in the gas storage industry (the second and third operators in terms of storage capacity at that date) by Gaz de France.

Oil & Petroleum

- Acquisition of two oil transport and maintenance companies, Rafiserv Arpechim S.A. and Rafiserv Petrobrazi S.A., by the leading oil company in Romania;
- Privatisation of Petrom S.A. and acquisition of part of its shares by OMV AG, the leading oil and gas group in Central Europe;
- Acquisition by Petrom (the leading oil company in Romania) of oil service and maintenance business from Petromservice, the dominant supplier on the market;
- Proposed acquisition of a participation in the concession of an oil block in Romania by a leading Indian integrated group with activities in the oil and gas sector;
- Acquisition by a US-based private equity fund of an oil and gas E&P company specialised in full development, redevelopment and mature assets rehabilitation;

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- Participation of an oil and gas company in the 10th Bid Round organised by the National Agency for Mineral Resources.

About Nestor Nestor Diculescu Kingston Petersen

Nestor Nestor Diculescu Kingston Petersen is a full-service law firm based in Bucharest, Romania. With 115 lawyers it is one of the largest firms in the jurisdiction and is part of the legal networks SEE Legal, Lex Mundi and World Services Group. Nestor Nestor Diculescu Kingston Petersen is a multi-award winner and highest ranked Romanian law firm, including (the most recent): Chambers Europe's "Law Firm of the year in Romania" award in 2009, Best Ranked Law Firm in Romania in Chambers Europe 2010, Best Ranked Romanian Firm in the European Legal 500 2010, the Only Romanian Law Firm Ranked First in All Practice Areas by Chambers Global 2010, Law Firm Ranked First in All Practice Areas by IFLR 1000 2010. Visit www.nndkp.ro for further information.

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SEE Legal

Serbia

Market Intelligence – Energy Tariffs

Electric energy

In the electric energy sector, prices of each segment of the market are regulated when it comes to energy delivered to tariff buyers.

With respect to the qualified buyers, only transmission and distribution prices are under regulation.

Tariff buyers are households with annual consumption of less than 200,000 kWh and other consumers, which elect to be supplied by the public utility Elektroprivreda Srbije (EPS). Buyers other than households with annual consumption of less than 200,000 kWh are formally permitted to elect a supplier of their choice. However, due to low prices charged to tariff consumers, there is no incentive for large consumers to turn to the market and register as qualified buyers. As a result, currently, there are no qualified buyers in Serbia.

The Energy Agency adopts the tariff methodologies and tariff systems, which are subject to approval by the Government.

Currently, a set of tariff methodologies and tariff systems are in place, dealing with: a) access to and use of the transmission system, b) connection and use of distribution system, c) price of electric energy for tariff buyers, and d) connection to the transmission and distribution system.

Tariffs for regulated activities are submitted to the Agency for opinion. Following the opinion of the Agency, the energy entity is supposed to obtain approval of its tariffs from the Government of Serbia.

Renewable energy

A separate feed-in tariff regime for renewable energy is applicable as of 2010. Guaranteed tariffs are as follows:

- 7.8 to 9.7 eurocents per kWh for small hydro power plants;
- 11.4 to 13.6 eurocents per kWh for biomass plants;
- 12 to 16 eurocents per kWh for biogas plants;
- 9.5 eurocents per kWh for wind farms;
- 6.7 eurocents per kWh for waste and landfill gas power plants;
- 7.5 eurocents per kWh for geothermal power plants;
- 7.6 to 10.4 eurocents for co-generation power plants;
- 8.5 to 9.2 eurocents per kWh for waste-fired power plants;
- 23 eurocents per kWh for solar energy power plants.

The above feed-in tariffs are valid until 31 December 2012. The state-owned utility EPS is obliged to purchase eligible renewable energy. Power purchase agreements are concluded for a period of 12 years. Therefore, there is a discrepancy between the period of the validity of the guaranteed feed-in tariffs (3 years) and the prescribed duration of the PPAs (12 years). In practice, the PPAs contain obligation of EPS

SEE Legal

to purchase eligible renewable energy for the entire duration of the PPA based on the guaranteed tariffs stated above.

Natural Gas

The minimum annual consumption of natural gas required to obtain the status of a qualified buyer is 50,000m³. Consequently, around 90% of the natural gas market is potentially open to alternative suppliers. It is expected that the minimum annual consumption requirement will be lifted by 2015, when all consumers will be able to choose their supplier. Currently, there are seven qualified gas buyers in Serbia.

The Agency has adopted methodologies and tariff systems for a) access to and transport of natural gas, b) access to and distribution of natural gas and c) price of natural gas for the needs of tariff consumers. Additional methodology and tariff system are currently being developed for access to and price of storage of natural gas.

Market Intelligence - Energy Projects

Current projects

Tender for selection of strategic partner for construction of:

- Thermal power plant Kolubara B (2 x 350MW);
- Thermal power plant Nikola Tesla B3 (744MW);
- Combined cycle thermal power plant Novi Sad (478MW).

Upcoming Projects

- South stream gas pipeline (joint venture between Serbia and Gasprom).

Prospective projects

- HPP's on Drina river as joint venture with Republika Srpska: Buk Bijela (installed power 132-166MW), Srbinje (56MW), Tegare (248MW), Dubravice (105MW), Kozluk (67.2MW) and Drina river basin I-III (205MW);
- Small HPP's on Ibar river (estimated total installed power 84MW);
- Sava river HPP Kupinovo 140MW.

Bojović·Dašić·Kojić Deal Portfolio – Energy Snapshot

- **Electrawinds:** assistance in acquisition of a Serbian company for production of energy from biomass and ongoing assistance in development of a wind-farm;
- Advisory on regulatory framework and contract terms for construction of a wind farm;

SEE Legal

- **EFET**: Legal opinion on enforceability of the General Agreement Concerning Delivery and Acceptance of Electricity under Serbian law;
- **EFET**: Legal opinion on enforceability of the General Agreement Concerning Delivery and Acceptance of Gas under Serbian law;
- **SENCAP**: Legal opinion on concessions for construction of hydro-power plants in Republika Srpska.

About Bojović·Dašić·Kojović

Bojović·Dašić·Kojović (BDK) is a dynamic law firm providing a full range of legal services to corporate, private equity and public authority clients in Serbia and Montenegro.

Parallel to our transactional group, which focuses on mergers and acquisitions and real estate, we handle the needs of foreign and domestic clients in general corporate counseling, finance, commercial agreements, dispute resolution, competition matters, employment law, tax, capital markets, public private partnerships and intellectual property. We have significant experience as legal advisers in key industries such as telecommunications, financial services, energy, mining, information technology, the automobile industry, tourism, pharmaceuticals, construction and agriculture.

BDK's growing team currently boasts 16 fee earners who understand the needs of sophisticated clients and are capable of managing complex transactions. Our international capacity includes multi-lingual lawyers who speak Serbian, English, Russian, French and German.

Our firm is recognized and recommended by the most reputable international directories in the legal profession, such as Legal 500 and Chambers and Partners. The 2009 edition of Chambers and Partner's Europe Guide highlights Bojovic·Dašic·Kojovic as a "major player known for its commercial astuteness and practical problem-solving approach". According to Chambers and Partners, clients choose BDK "because it provides the best value for money - it has a higher level of efficiency and inspires more confidence than many other firms in the region". Chambers and Partners further notes that "observers are impressed by the lawyers' knowledge base and flexibility".

BDK's regional coverage includes offices in Belgrade and Podgorica. We are also a member of the South East Europe Legal Group (www.seelegal.org), an organization of leading independent law firms in South East Europe, which enables us to quickly assemble multi-jurisdictional teams for cross-border transactions.

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SEE Legal

Turkey

Market Intelligence – Energy Tariffs

Distribution and retail licensees permitted charges in respect of retail and distribution activities are regulated by the Tariff Regulation and a suite of other regulations and communiqués through the application of a number of tariff parameters. The various tariff parameters are currently determined on a national basis by EMRA, although the licensee is required to make proposals in respect of tariffs and to periodically submit data and information to EMRA regarding the tariff setting.

Currently, the Temporary Distribution Communiqué sets out EMRA's formulae used to determine the various tariff parameters, including the Average Retail Price Cap, Retail Services Revenue Cap and Distribution Revenue Cap. After 31 December 2010, the Distribution Revenue Communiqué and the Retail Price Communiqué will be applicable, although EMRA has proposed amendments to both these Communiqués. The tariff parameter formulae in these Communiqués (current and EMRA-proposed amended forms) differ to those in the Temporary Distribution Communiqué.

Since tariff parameters are currently determined on a national basis (albeit with variations between certain classes of customers in respect of certain tariff parameters), in order to account for regional differences in the costs associated with distribution and retail activities, during the period 1 January 2007 to 31 December 2012 distribution licensees are required to participate in the Price Equalisation Mechanism. The net result of the Price Equalisation Mechanism is that payments are made to distribution licensees operating in high cost regions by distribution licensees operating in low cost regions (although the payments are actually made through TETAŞ). Revenue earned by distribution licensees in respect of activities conducted pursuant to their retail licences as well as their distribution licences falls within the ambit of the Price Equalisation Mechanism. It is currently envisaged that after 31 December 2012 the various tariff parameters will be set at a regional level on the basis of regional costs, therefore the Price Equalisation Mechanism will not be applicable.

In addition, the EML includes a transition period, currently due to end on 31 December 2012 (the "First Implementation Period") (after the enactment of the Law No. 5784 on 26 July 2008, Provisional Article 9 of the Electricity Market Law was amended to state that the transition period will last until 31 December 2012). Certain aspects related to tariff parameters and tariff regulation are applicable during the First Implementation Period (including the Price Equalisation Mechanism) and certain aspects are applicable after the First Implementation Period (for instance the Quality Factor applicable to the determination of the Distribution Revenue Cap is zero until the end of the First Implementation Period).

Licensee activities are also subject to, inter alia, the Eligible Consumer Regulation, the Customer Service Regulation, the Communiqué Regarding Connection to and Use of Transmission and Distribution Systems in the Electricity Market (the "CUoS Communiqué"), and the Retail Contract Communiqué. The Eligible Consumer Regulation also sets out the rights of eligible consumers in relation to switching electricity suppliers and the obligations of distribution licensees to notify eligible consumers that their consumption levels have reached a level permitting them to change suppliers. The Customer Service Regulation includes rights and obligations in relation to Customer Deposits, also regulated in the transfer of operation rights agreement. The CUoS Communiqué sets out the rights and obligations of distribution licensees in respect of connection to and use of the Transmission System, including the circumstances in which a distribution licensee can be disconnected and the rights and obligations of distribution licensees

SEE Legal

in respect of customers that connect to the Distribution System. The Retail Contract Communiqué describes arrangements in respect of retail contracts.

Market Intelligence - Energy Projects

Current projects

Privatisation electricity generation companies - Nine privatisation portfolios have been formed with a capacity 356-2,795MW

- 4 hydroelectric power plants;
- 3 thermal power plants;
- 2 mixed portfolios of both thermal and hydroelectric power plants.

Companies at the tender phase:

- Toroslar Electricity Distribution Company;
- Istanbul Anadolu Yakası Electricity Distribution Company;
- Akdeniz Electricity Distribution Company.

Four more thermal power plants being considered - starting with Hamitabat - at least one in 2010

- Hamitabat 1,120MW;
- Soma A-B 1,034MW;
- Can 320MW;
- Seyitomer 600MW.

Upcoming projects

- Privatization of Baskent Dogalgaz (natural gas distribution company in Ankara);
- Privatization of electrical energy generation companies.

Prospective projects

- BOTAS - crude oil transportation and natural gas import, transmission and sale side business;
- Türkiye Kömür İşletmeleri Kurumu ("Turkey Coal Operations Enterprise").

Pekin & Pekin Deal Portfolio – Energy Snapshot

Electrical/Renewables

- Privatization of electrical energy distribution companies (SEDAS, AYEDAS and BEDAS);
- Corporate structuring of a generation company once held by Enron;
- Vendor financing for a renewable energy generation company by major international supplier;
- Financing to a Turkish SPV for an electricity generation and supply facility of 675MW;
- Loan facilities to five Turkish banks for private sector sustainable energy projects;
- Acquisition finance for SEDAS, MEDAS (distribution companies);
- Acquisition financing of a renewable energy generation license holder;
- Financing and reorganisation of a group of energy companies indirectly owned by Goldman Sachs;
- Acquisition of the majority shares in the Turkish subsidiary of a major international energy group;

SEE Legal

- Acquisition by RES of energy generation companies owned by BP;
- Acquisition by Cogentrix of shares in Tasyapi Energy Group Companies;
- Potential acquisition of the national and international energy assets of a major international company by one of the largest energy groups in the world;
- Advising BOT operators and lenders in various projects, including the Birecik and Unimar projects.

Gas

- Project financing for a gas-fired power plant by international bank;
- Financing of the Kayseri-Ankara Natural Gas Pipeline Project and Ankara pipeline extension;
- Advising on the Turkish law aspects of the Endesa take-over by Enel and Acciona.

Mining & Minerals

- Acquisition of a group of 12 gold mines and rights in four locations in Turkey;
- Acquisition of a 90% share in a Turkish mining company.

Oil & Petroleum

- Financing of crude oil pipeline;
- Privatisation and financing of 51% of TUPRAŞ, a petrol and refinery company;
- Financing the acquisition of POAŞ, a petroleum distribution company.

About Pekin & Pekin

Pekin & Pekin is a full-service law firm based in Istanbul. With 40 lawyers it is one of the largest firms in the jurisdiction and is part of the legal networks SEE Legal, Lex Mundi and TerraLex. Pekin & Pekin is a multi-award winner including: International Financial Law Review Turkish Law Firm of the Year 2010, International Tax Review Turkish Tax Firm of the Year 2010 and Project Finance Metals Deal of the Year 2009 (MMK deal). Visit www.pekin-pekin.com for further information.

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