

## LAW ON GEOTHERMAL RESOURCES AND MINERAL WATERS

Law No. 5686

Issue Date: 6/3/2007

### CHAPTER 1 General Provisions

#### Purpose

##### ARTICLE 1 -

(1) The purpose of this Law is to set forth the rules and principles for effective searching, exploring, developing, producing and protecting the geothermal and natural mineral water resources, for becoming the beneficiary of such resources and for turning over such rights, for making economical use in compliance with the environment and for their proper reclamation after use.

#### Scope

##### ARTICLE 2 -

(1) The purpose of this Law is to set forth the rules and principles for rightful ownership of the resources, during the exploration and operational periods of the geothermal and natural mineral water resources that are/will be specified along with gases with geothermal origins, their turn over, abandonment, bid tendering and terminating the use of resources and protection and extraction of resources.

#### Definitions

##### ARTICLE 3 -

(1) The definitions and abbreviations used in the hereby Law have the following meanings:

- 1) Ministry: Ministry of Energy and Natural Resources,
- 2) MTA: General Directorate of Minerals Research and Exploration,
- 3) MIGEM: General Directorate of Mining Affairs,
- 4) Administration: Specific provincial administration,
- 5) Resources: Locations where geothermal liquids or natural mineral waters, gases are extracted separately or jointly via natural ways, drilling or extraction wells,
- 6) Geothermal Resources: Locations that have temperatures constantly higher than the annual atmospheric average temperature of the region with the effect of the temperature of the earth's crust depending on the geological structure, that may contain melted materials and gas in an amount higher than the surrounding water resources, where water, vapor and gas naturally erupt or are naturally extracted along with places where water, vapor and gas are obtained via heating by the earth's crust or heated dry rocks through man-made structures underground,
- 7) Natural mineral water: Cold and hot natural waters that occur naturally in various depths of the earth's crust under appropriate geological conditions, that erupt or are extracted to the earth's surface by themselves from one or more resources, that are defined by their mineral contents or other components, such as drinking water, healing water and similar names and that are also used for treatment and healing/health purposes,
- 8) Geothermal area: The area, for which the boundaries are defined by the scientific and technical works that are carried out and that contain geothermal resource or natural mineral waters along with the geothermal resources,
- 9) Geothermal system: The system that enables the formation of the geothermal area, that covers all of the extraction area, liquid, heat source, reservoir and/or zone, confining rock and discharge area, where geothermal resource and/or natural mineral waters erupt and/or are produced, that has its own geological structure, and that has hydro-geological and chemical characteristics,

- 10) Geothermal reservoir: The environment that represents integrity by being in a natural balance in terms of temperature and geo-chemistry, that is supplied externally in various forms, that produces half open or enclosed hot water and/or vapor,
- 11) Drilling: The procedure of geological tracking from the earth's surface towards the resource in the necessary depth and diameter, using scientific methods and appropriate tools for searching and producing geothermal liquids, re-injecting them after usage, monitoring or testing the reservoir, along with excavating and screening procedure for establishing a geothermal reservoir and injecting fluids,
- 12) Fluid: Water, gas and vapor obtained from the resources,
- 13) Extraction: The procedure of storing the liquids in collection pools, tunnels and/or wells that are built via special techniques, preventing it from becoming contaminated upon reaching the earth's surface from the reservoir through natural ways and/or scientific methods and using appropriate tools, protecting it prior to usage for better utilization,
- 14) Protection area: Areas where measures specified based on factors such as the field's geological and hydro-geological structure, climate conditions, soil type and structures, drainage area boundaries, residential units and industrial facilities surrounding the resource and the well and topographical structure of the environment, are necessary for the purposes of protecting the resource and the relevant geothermal system from external factors that might cause them to be deteriorated, contaminated and lose their sustainability and that contain operations that are subject to controls and audits and that may have their structuring and land usage operations restricted when necessary,
- 15) Blocked area: The areas that are closed to exploration and that won't be open to operations, for the purpose of preventing any impact on the production operations at a geothermal resource for which an operating license has been issued,
- 16) Injection: Transferring liquids to underground geological formations via artificial methods,
- 17) Re-injection: Sending back/pushing all or remaining part of the produced geothermal liquids upon being used, via artificial methods to geological formations where they were produced,
- 18) Discharge: Sending all or part of the geothermal liquid that has not been re-injected upon being used to other receiving environments in a way that prevents pollution to the environment,
- 19) Test: Works carried out for the purposes of defining the physical and chemical parameters in order to establish the program for the production, management and monitoring of the reservoir,
- 20) Safe output: Maximum amount of liquid that can be produced from the same reservoir in unit of time in a way that does not affect the balance of the geothermal system and reservoir,
- 21) License: Permit document issued to allow exploration of resources and carrying out operations in an area within specified boundaries,
- 22) Project: The text in the nature of a statement, that arranges the works that shall be carried out to benefit from the resource, that is prepared based on the specified rules and principles, that contains the durations related to the start, development and finish of the operations during the exploration and operation phase,
- 23) Exploration: Overall operations that are indicated in the project, that starts with the geological research for the purpose of obtaining liquid from the geothermal system, that is supported by the geochemical and geophysical works, that contains drilling works that are opened by geological tracking in accordance with the purpose and techniques at the location or locations that are determined as a result of data assessment from the all the works that are carried out along with testing works for production,
- 24) Exploratory license: License issued based on the project, to allow carrying out operations for resource searching in an area with specified boundaries,
- 25) Operations: Overall activities that are indicated in the project, that contain production, usage, re-injection, injection, discharge and drilling activities for such operations of the resource obtained as a result of the exploration operations,
- 26) Operating license: License issued based on the project, to allow production and utilization of liquids within a specific area,
- 27) Activity: Procedures regarding exploration, development, operation and abandoning of geothermal resources along with utilization of geothermal and natural mineral waters,
- 28) Activity report: The report that is annually prepared based on the criteria specified by regulation during license period and that enables reporting of the progress regarding the operations to the administration and MTA,
- 29) Lease contracts: Contracts that enable leasing of the rights regarding usage areas based on the operating licenses to third parties,

- 30) Force majeure: Flood, fire, earthquake, subsidence, avalanche, state of war along with other conditions specified by regulation,
- 31) Unexpected situations: Unexpected physical and chemical changes on the geology and resource conditions along with the situations where the required permits are not obtained from other institutions as prescribed by the relevant legislation,
- 32) Guarantee: The guarantee submitted to the administration in form of cash, letter of guarantee from a bank and a private financial letter of guarantee, state notes and bonds, for the exploration, operation and blocked areas for the purpose of being used in the event of the license holder failing to take the necessary measures in operations for the utilization of the resource, when situations that affect public health and property safety occur,
- 33) Gross proceedings: It is the total annual proceedings of the business that includes all types of product and service sale fees that are accrued in favor of the businesses, along with interests and leasing fees.

### **Ownership and license**

#### **ARTICLE 4 –**

- (1) Geothermal resources and natural mineral waters shall be under the governance and execution of the State and are not inclusive of the land ownership rights. It is mandatory to obtain a License per the hereby Law in order to carry out operations pertaining to the resource.
- (2) Rights regarding geothermal resources and natural mineral waters shall be granted to the citizens of the Republic of Turkey that are qualified for civil rights, to companies that have legal entities and that are established in accordance with the laws of the Republic of Turkey and that have a status that includes the matter of carrying out operations related to the geothermal resources and natural mineral waters, to the state economic enterprises and institutions that have authority in this regard, their subsidiaries and affiliates along with other public institutions, establishments and administrations. Rights pertaining to geothermal resources and natural mineral waters shall be granted to a single real or legal entity.
- (3) Rights pertaining to geothermal resources and natural mineral waters shall descend by inheritance. Such rights shall be turned over to one of the inheritors that holds a letter of attorney containing the power of attorney from all of the inheritors and that has the qualifications specified in paragraph two, or to a third party individual. In the event of the inheritors not reaching consent and upon one of the inheritors applying to the court, the court shall decide on the assignment of such right to the most qualified inheritor or if such verdict is also not possible, shall order the sale of the license. The court shall resolve this matter by simple reasoning. If there is no law suits filed, licenses that do not transfer by inheritance within six months shall be terminated. The methods of turnover and transfer by inheritances shall be specified by regulation.

## **CHAPTER TWO**

### **Licenses**

#### **Exploratory license**

##### **ARTICLE 5 -**

- (1) Applications for exploratory licenses not exceeding five thousand hectares shall be submitted to the administration by the interested party, with a 1:25000 scale exploration project map including the name of the plot and the coordinates. The right of priority shall form the basis of applications. In the event of having multiple applications for the same location, the projects shall be reviewed and the project owner proposing the fastest with highest investment value shall be preferred.
- (2) Administration shall notify MIGEM about the information pertaining to the area of the application. In the event of the site applied for exploration permit overlaps with any of the previous applications, MIGEM shall mark up the overlapping portions and shall notify the administration that "exploratory license" may be issued for the remainder of site. Administration shall notify MIGEM of any license issuance, with its coordinates for recording purposes.
- (3) The duration of the exploratory licenses are three years. In the event of the operations progressing positively and requiring additional works, a revised project schedule shall be submitted and if the Administration finds it acceptable, the duration may be extended for another year and a notice of such extension shall be given to MIGEM. The application for extension of the exploratory license shall be submitted to the Administration prior to the expiration of the current exploratory license.
- (4) During exploratory license period, production shall only be carried out for testing purposes and on condition that the Administration is informed and that the environment is not be polluted.

(5) Exploration and operations that are in an area that falls within boundaries of multiple cities, the application shall be made to the administration of the largest tract of land of the area and the outcome of the licensing procedures shall be provided to the provincial administrations of the smaller areas.

### **Operating License**

#### **ARTICLE 6 -**

(1) In the event of the exploratory license holder submitting an application to the administration for operating license along with an operating project prior to the expiration date of the current exploratory license, an "operating license" shall be issued to the applicant and MIGEM shall be notified, along with blocked areas determined, if any.

(2) The operating license holders shall be liable to obtain the required permissions from the relevant institutions in order to initiate operations.

(3) In the event of the operating license holder not starting operations within the specified duration or in the event of the operating license being revoked for any reason, the guarantee shall be recorded as revenue and the site shall be placed for a bid tender by the administration. Of the bidders who participate in the tender with their operating projects, the bidder with the highest revenue proposal to the administration shall be granted the operating license and.

(4) Renewals of any wells included in the project, increasing the quantity or capacity of any wells, injection, re-injection, all drilling operations for production purposes, along with other project amendments and revisions shall not be carried out without the consent of the administration. When necessary, the administration may request evaluation from MTA; provided that the cost is covered by the administration.

(5) The duration of the operating licenses are thirty years. If the license holder requests an extension at the end of the license term, the duration shall be extended in ten year interval periods. MIGEM shall be notified of the time extensions.

(6) Requests for direct operation, with extraction, for geothermal and natural mineral waters with natural outlets shall be tied to the operating licenses per the provisions of the hereby Law by the Administration and MIGEM shall be notified.

### **Technical responsibility and activity report**

#### **ARTICLE 7 -**

(1) Throughout the duration of exploration and operating licenses, it is mandatory to have the operations carried out under the supervision of an engineer with a relevant degree. In the event of carrying out operations without a technical supervisor, the guarantee of the license shall be recorded as revenue and operations shall be ceased.

(2) Technical supervisor shall fulfill his/her duties and responsibilities by observing scientific and technical principles in the exploration, research, development and production of the resource. However in natural mineral water establishments, any individual who has a relevant engineering degree may be present as the technical supervisor.

(3) It is mandatory for the exploration and operating activity reports that are prepared by the technical supervisor or supervisors, to be submitted to the Administration by the license holder in two copies, by the end of March of the following year. A copy of the activity reports shall be forwarded to MTA by the Administration.

(4) In the event of the exploration and operating activity reports not being submitted to the Administration within the prescribed time period, the guarantee shall be recorded as revenue with two equal installments for each month and a two-month extension shall be granted. In the event of the activity report not being submitted within the end of the extension period, the exploratory license shall be revoked and MIGEM shall be notified.

### **Force majeure and unexpected situations**

#### **ARTICLE 8 -**

(1) In the event of the occurrence of force majeure or unexpected situations, the license holder shall apply to the Administration within ten days, on the condition that the causes and the duration are specified, and shall request to have the lost time added to the duration of the licenses and to have its liabilities placed on hold for such duration. The date of the application by the license holder to the administration shall be considered as the start date of the force majeure.

(2) License holder shall be obligated to start operations within maximum three months following the end of the force majeure or unexpected situation. In the event of failing to start operations within such duration, the guarantee shall be recorded as revenue, he/she shall be required to submit another guarantee and the license holder shall be

granted an extension of three-months to start the operations. In the event of failing to deposit the guarantee funds and start operations within such duration, the license shall be revoked.

### **CHAPTER THREE** **Mutual Provisions**

#### **Inspection of Operations**

##### **ARTICLE 9 -**

(1) Operations shall be inspected annually by the Administration. Upon request of the Administration, these inspections may be also be carried out by MTA. Inspections shall be carried out per the matters indicated in Article 14 and per the principles indicated in the other articles. The license holder shall pay MTA, 1000 Turkish Liras for these inspections. This fee shall be increased by MTA based on the annual producer price index.

Compensation shall be paid to the relevant staff and outside contractors appointed by MTA, per the general provisions of the Compensation Law No. 6245, in the amount that is equivalent to twofold of the daily compensation specified by the Budget Law on an annual basis, without subject to Article 50 of the Compensation Law No. 6245 dated 2/10/1954. No deductions under any title shall be made to the daily compensation paid per the scope of the hereby article.

In the event of MTA finding it necessary upon the inspections and examinations it conducts, MTA may also request participation of other relevant ministries, public institutions and agencies.

#### **Transfer, registry, bid tender, fees, guarantee and Administration's share**

##### **ARTICLE 10 -**

(1) The basis of transfer, registry, bid tender, fees, guarantee and administration's fees are as follows:

a) Transfer: Exploration and operating licenses are transferable.

b) Registry: Administration shall be liable to keep a registry consisting of the matters of transfer, confiscation, pledge and lien or termination of the rights pertaining to the resource. The limits of the license, coordinates of the wells, parameters of the liquid, transfer, lien, pledge, interim injunction, lien information and lease and similar contracts regarding the usage of the liquid along with the termination of the rights, shall be recorded to the registry. Rights shall only cause verdict and consequences if they are recorded on the registry. Relevant parties may request to have the registry records presented to in the presence of the registry officers. The registry records are public and cannot be claimed as unknown/unaware of. Contracts made pertaining to the rights may not be presented against third parties unless they are recorded onto the registry by the Administration.

c) Bid Tender: Licenses that are dropped, abandoned or neglected may be opened to exploration & operations by the Administration via bid tenders. Tender announcement shall be published on the Official Gazette. In the event of no applications during the tender period, with the Administration notifying MIGEM the licensed areas become open to applications for exploration and operating, without the need of any other procedure.

d) Fees: 1000 Turkish Liras shall be collected for geothermal resources and 500 Turkish Liras shall be collected for natural mineral waters, as exploration licensing fees. The operating license fees shall be four times these amounts.

e) Guarantee: Based on the licensing process, a license guarantee in the amount of 1% of the licensing fees per hectare shall be collected. The Council of Ministers shall have the authority to increase or decrease such amount by 50%. However, in any case the guarantee amount may not be less than 15,000 Turkish Liras. Minimum amount of the guarantee and fees shall be increased based on the re-appraisal rates annually specified by the Ministry of Finance. Operating license guarantees that are previously collected per the hereby article, shall be updated every five years upon being increased based on the re-appraisal rates specified by the Ministry of Finance. Guarantees that need to be completed or renewed per the hereby Law shall be collected based on the current guarantee amount.

a) Administration's shares: Administration's share, which is 1% of the gross proceedings of the facilities where the liquid is directly and/or indirectly utilized, shall be paid to the Administration on an annual basis, by the end of the June. One fifth of the collected amount shall be paid by the Administration to the municipality or village the legal entity of the resource is located, within one month of share collection.

(2) In the event of the rights holder not depositing the fees and guarantees within 15 days upon notification of the application acceptance, he/she is considered to have forfeited the request.

## **Administrative sanctions**

### **ARTICLE 11 -**

(1) It is mandatory to carry out the operations in accordance with the project. If it is determined that the license holder carries out operations without a permit or in matters that are not specified within his/her project, the guarantee shall be recorded as revenue, the operations shall be ceased, the guarantee amount shall be increased to threefold and it shall be requested to complete the guarantee payment within one month. For any reoccurrences of the same action, the guarantee shall be recorded as revenue and the license shall be revoked.

(2) In the event of determining that the license holder starts operations without conducting a resource conservation area survey or not adhering to the measures prescribed by the conservation area survey, the operations shall be interrupted and the guarantee shall be recorded as revenue. It shall be requested to have all the necessary corrective measures taken and to have the guarantee completed within six months. In the event of the guarantee not being submitted and not taking the necessary corrective measures within six months, the operations shall be ceased.

(3) In the event of non-payment of the administration's share within the required duration, the guarantee shall be recorded as revenue and a two-month extension period shall be granted to fulfill this obligation. In the event of failure to deposit the share of the administration and not fulfilling the guarantee obligations within such duration, the operations shall be ceased.

(4) In the event of determining that operations are carried out without a license, the operations shall be ceased by the administration. Per Specific Provincial Administration Law No. 5302 dated 2/22/2005, 50,000 Turkish Liras shall be accrued by the administration as an administrative fine.

(5) Operations carried out without obtaining a license and/or required permits, shall be ceased immediately. In the event of a necessity for urgent measures for the protection of the resource and/or the reservoir along with prevention of environmental pollution, such preventative measures shall be taken by the administration. All expenses associated with such causes, shall be collected by the responsible administration per the provisions of the Law on Collection Procedures of Assets No. 6183 dated 7/21/1953.

## **Easement and Expropriating**

### **ARTICLE 12 -**

(1) In the event of the exploratory license holder not reaching consent with the owner of the real estate where the exploratory operations shall take place, the license holder may apply to the Administration and request exercise of the easement rights.

(2) During the operating license period, in the event of not reaching consent with the owner of the land necessary for drilling, distribution pipeline right-a-way or extraction areas, the license holder may apply to the Administration and may request exercise of expropriating or easement rights. The request shall be evaluated by the Administration, and if found appropriate, a decision on behalf of public interest shall be made.

(3) Easement and expropriating procedures shall be carried out per the provisions of Expropriating Law No. 2942 dated 11/4/1983. The cost and expenses for easement and expropriating shall be paid by the license holder.

(4) The expropriated real estate shall be registered to the deed under the administration's name, and shall be assigned to the name of the license holder for the duration is of licensed operations.

(5) In the event of the administration determining that the expropriated real estate is no longer needed for the operations, the expropriated land can be returned to its previous owner, provided that the current value determined by the rules and principles prescribed by the Expropriation Law is paid by the acquirer and the transaction is officially notified to the license holder and to the previous owner of the real estate. If the previous owner is not willing to acquire the real estate within six months, the real estate shall remain in the possession of the administration.

(6) Annotation attached to the deed registry shall be deleted upon the request of the administration, without a court order.

(7) No lease rent or adequate pay shall be collected for the operations that are carried out in locations that are under the ownership of the treasury or that are under the governance and execution of the State as of the effective date of the hereby Law.

(8) Companies that conduct geothermal resource distribution and production shall be considered as industrial establishments and waste treatment institutions. Per this assessment, they shall be entitled to benefit from all incentives and rights that are granted to the industrial establishments and waste treatment institutions.

## **Establishment of pledge, confiscation, provisional injunction and lien**

### **ARTICLE 13 -**

(1) Integral parts pertaining to the production of the resource, such as wells, all types of facilities, equipment, water conveying pipelines and systems, tools along with other annual operating material that are required for the operation of the licensed area may not be severally confiscated nor can they have provisional injunctions established, however, in case of a full transfer it can be possible to establish confiscation and provisional injunctions. In the event of a decision to establish provisional injunction on all of them or to conduct sale by execution, the operations of the business shall not be interfered.

(2) It is possible to place a lien on the operating license per the relevant provisions of the Turkish Civil Code No. 4721 dated 11/22/2001, provided that its duration does not exceed the expiration date of the license. In the event of changes in areas subject to the operating license with a lien on it, the existing lien shall continue to be in effect with the exact conditions for the newly issued license without the need for additional procedures.

(3) In the event of the expiration of the operating license, the lien shall continue to be in effect on the facilities, vehicles, tools and materials of the license holder, excluding the wells and the facilities that are built to protect such wells.

### **Conservation of the resource reservoir**

#### **ARTICLE 14 -**

(1) Conservation of the geothermal systems that constitute the source of the operations subject to the hereby Law, not wasting the resource and protecting the environment shall be the primary basis and it shall be mandatory for the license holder to conduct a survey of the source conservation areas prior to assuming operations. Otherwise the operations shall be ceased, and the license holder shall be granted sufficient time to determine and designate conservation areas. In the event of not determining conservation areas within such duration, the provisions of Article 11 shall be applicable.

(2) Survey reports of the conservation area shall be approved by the Administration, upon obtaining the recommendation of MTA. Restrictions and conditions prescribed in the survey of the resource conservation areas relevant to the land usage and structuring, shall form the basis of the construction development plans. General principles pertaining to the measures that will be taken in the resource conservation areas shall be determined by regulation.

(3) Upon conducting inspections, in the event of MTA determining that the operations do not comply with the prescribed measures, the operations shall be ceased by the Administration. The measures that will be taken shall be determined by MTA and forwarded to the Administration. The Administration shall be liable to take the necessary measures and/or to have the necessary measures taken. A maximum of one year duration shall be granted for taking the necessary measures. The license shall be revoked in the event of failing to fulfill the prescribed measures.

(4) License holder may discharge the liquid generated during operations if it meets the environmental restrictions. If the contents of the liquid do not permit discharge per environmental limits, license holder shall be responsible for re-injection. However, in the event of MTA disapproving re-injection due to the physical and chemical characteristics of the formation, this discharge shall be carried out by taking all measures to prevent environmental pollution.

(5) Re-injection and injection conditions may not be required in individual thermal springs and natural mineral water businesses that are outside of the integrated geothermal resource usage area. Administration shall decide on this by taking in consideration of the Ministry of Environment and Forestry's recommendation.

### **Facility assignments and transfers**

#### **ARTICLE 15 -**

(1) Exploration or operating license holder may request to assign full or partial assignment of the licensed area. Administration shall determine whether the necessary safety measures related to the operations are fulfilled and that environmental planning has been implemented and shall approve the request.

(2) In the event of the exploration and operating licenses ending due to termination, cancellation or expiration, wells and facilities built to protect such wells shall be reverted to the administration, without any indemnity to the owner, provided that the necessary well safety measures are to be placed. Other facilities, vehicles, tools and materials belong to the license holder. Assets that are reverted to the Administration by this method shall be sold by bid tender and the necessary licensing requirements shall be followed.

## **CHAPTER FOUR**

### **Various Provisions**

#### **Services of the General Directorate of Mineral Research and Exploration and relevant rights**

##### **ARTICLE 16 -**

(1) MTA shall conduct exploration for geothermal and natural mineral water resources, by obtaining a license per the provisions of the hereby Law but exempted from the licensing fee and guarantee requirements. In the event of MTA determining the presence of a resource in the areas for which it has obtained an exploratory license, such area shall be put out to bid tender by MTA and the Administration shall issue an operating license to the tender winner for such area. Any expenses by MTA shall be collected from the tender amount and the remaining amount shall be shared between MTA and the Administration.

(2) MTA, without subject to licensing requirement, shall be able to conduct all types of scientific and technical works everywhere, including existing licensed areas.

#### **Matters regarding cultural and tourism conservation and development regions and tourism centers**

##### **ARTICLE 17 -**

(1) In cultural and tourism conservation and development regions and tourism centers that are declared per the Law for the Encouragement of Tourism No. 2634 dated 3/12/1982;

a) In the permits that will be issued within the scope of the hereby Law for the operations with thermal tourism purposes, upon furnishing sufficient resources required for the investment areas and operating capacities determined by construction development plans, requests for other usages may be considered. Operations permit shall not be issued to thermal tourism usage areas without construction development plans.

b) The cost of geothermal water usage of the facilities with tourism license shall be determined based on the geothermal water used.

c) Administration shall initially obtain the opinion of the Ministry of Culture and Tourism for any new operations.

(2) Except for the liquids that are feasible for power production and heating applications, thermal tourism usage shall have priority in areas where other liquids exist.

(3) Within the scope of the hereby article, the companies that will be established by the municipalities shall not be subject to Article 27 of Privatization Applications Law No. 4046, but the opinion of the Ministry of Internal Affairs shall be obtained.

(4) All terms and conditions regarding the implementation of the hereby article shall be determined by the regulations issued by the Ministry, by obtaining the consent of the Ministry of Culture and Tourism.

##### **ARTICLE 18 -**

(1) Third paragraph of Article 47 of Mining Law No. 3213 dated 6/4/1985 has been amended as follows;

"General Directorate of Mineral Research and Exploration shall be granted discovering rights per Article 15 for the mines discovered upon obtaining exploratory license per the provisions of the hereby Law. Such licenses that are transferred to the General Directorate until the expiration date of the exploratory license shall be put out to bid tender per the provisions of Article 30. 50% of the proceedings from the tender shall be transferred to MTA as resource revenue."

##### **ARTICLE 19 -**

(1) MTA may conduct domestic or foreign exploration, research, development and scientific and technical works with local and foreign public or private legal entities, for geothermal resources and natural mineral waters. It shall collect shares from operating revenues, at a rate that will be determined upon agreement with the relevant company, provided that it is a minimum of 20%. Implementation terms and conditions of the hereby article shall be determined by the regulations issued by the Ministry.

#### **Regulation**

##### **ARTICLE 20 -**

(1) The procedures and terms regarding the execution of the hereby Law, shall be regulated by the legislation to be issued by the Ministry, within six months of the effective date of the hereby Law.

#### **Rescinded Provisions**

## **ARTICLE 21 -**

(1) The hereby Law revokes the Law on Abuse of Hot and Cold Mineral Waters and Thermal Spring Installations No. 927, dated 6/10/1926, Additional Article 1 of Law for the Encouragement of Tourism No. 2634, dated 12/3/1982 along with the Law on Amendment of Abandoned Mines Regulation dated March 26, 1322 and Article 50 of the Mine Regulation No. 1794, dated March 26, 1322 and the provisions regarding hot and cold healing mineral waters for drinking and bathing purposes of the Law Regarding Exploration and Operation of Abandoned Mines No. 4268, dated 6/17/1942.

## **CHAPTER FIVE Provisional and Final Provisions**

### **PROVISIONAL ARTICLE 1 -**

(1) Licenses and rights granted prior to the effective date of the hereby Law, per the scope of the Abandoned Mines Regulation dated 3/26/1322, Law Regarding Exploration and Operation of Abandoned Mines No. 4268, dated 6/17/1942, Law Regarding Governance and Duties of the Ministry of Energy and Natural Resources No. 3154, dated 2/19/1985, Law Regarding Amendments to the Mine Law No. 5177 dated 5/26/2004 and specific Laws, Law No. 927 and 264 and Abandoned Mine Law No. 6309 dated 3/3/1953 per the decision of the Council of Ministers No. 83/6568, shall be adapted as follows.

- a) Resources operated or put to leasing by the Specific Provincial Administrations shall be transferred to the Specific provincial administrations,
- b) Resources that Specific Provincial Administrations issue operating license for shall be transferred to the license holders,
- c) Resources for which the province turns over the duty and dividends shall be transferred in the name of the municipality or village legal entity that takes them over,
- d) Resources operated and/or put out to leasing by the municipalities shall be transferred in the name of the municipality's legal entity,
- e) Resources operated by the companies that the municipality and Specific provincial administrations are in partnership with shall be transferred in the name of the company,
- f) Operating rights granted by MTA prior to the issuance of the hereby Law, by contracts and protocols concluded with public or private legal entities, municipalities and specific provincial administrations, shall be transferred in the name of the relevant right owner, under the condition of the area to be determined by MTA,
- g) Mineral springs, mineral waters, hot springs and thermal springs for which extension requests have been made per Provisional Article 5 of Law No. 5177, shall be transferred in the name of the relevant right owner,
- h) Resources operated by Electricity Generation Corporation (Elektrik Uretim A.S.) shall be transferred in the name of Elektrik Uretim AS, under the condition of the area to be determined by MTA,

In the event of tendering such site by Electricity Generation Corporation (Elektrik Uretim A.S.) or Directorate of Privatization Administration to third parties, 50% of the tender amount shall be transferred to MTA as equity. In acquisitions, the contract and operating conditions along with the acquired rights of the third parties shall be recorded onto the registry.

(2) For operations under privileged licenses, the total duration may not exceed ninety-nine years, by taking into account the duration that the right owner has used in the past.

(3) Acquired licenses shall be notified to MIGEM.

(4) As of the effective date of the hereby Law, the licenses for which extension requests have been made within the prescribed time periods per Law No. 927 along with the new applications submitted for obtaining licenses per Provisional Article 4 of Law No. 5177, shall be finalized per Provisional Article 4 of Law No. 5177 that is in effect at the time of the application and per Law No. 927 by the specific provincial administrations and those found appropriate shall be granted licenses and shall be adapted to the hereby Law.

### **PROVISIONAL ARTICLE 2 -**

(1) Rights that are obtained prior to the effective date of the hereby Law, the right owner shall be liable to apply to the Administration within six months with current information and documents regarding the resource subject to such rights along with information and projects regarding the existing facilities on the site, such as licenses, permits, privileged agreement, contract, registry and similar documents that demonstrate the ownership of right, and operations project if any, along with guarantee receipts and shall assume the liabilities.

(2) In the event of no requests for acquisition of rights within six months, the guarantee shall be increased by twofold and additional six month duration shall be granted. In the event of no transfer requests within such duration, the relevant operations shall be ceased.

(3) As of the effective date of the Law, no applications shall be accepted for a period of one year. Applications made within the first week following this period shall be considered to be made simultaneously and the order of priority shall be determined by random draw. Application fee in the amount of minimum guarantee amount shall be collected from the applications made within the first week.

(4) Administration shall be obligated to inform MIGEM within three months following the effective date of the hereby Law, of the resource licenses within the boundaries of their province and applications that are found appropriate for license issuance by MIGEM, of the right owner, resource and area boundary coordinates, type of resource, license duration, property status and all other necessary information.

#### **PROVISIONAL ARTICLE 3 -**

(1) Exploratory license for the resources or resource areas that are turned over, leased or issued usage rights by MTA prior to the effective date of the hereby Law, to public or private legal entities, municipalities, specific administrations via contracts and that are terminated as of the effective date of the hereby Law along with resources and/or resource areas that are determined by the works conducted by MTA and that are and will be registered in the name of MTA, shall be issued by the administration and MIGEM shall be notified. Such licensed areas shall be placed on a bid tender by MTA. Upon deducting the exploration expenses of MTA from the tender proceedings, the remaining amount shall be equally divided between MTA and the Administration.

(2) Of such sites that are and will be registered under the name of MTA; those who cannot be placed on a bid tender for any reason, half of the administration's share shall be paid to MTA.

#### **PROVISIONAL ARTICLE 4 -**

(1) The Turkish Lira expression used in the hereby Law, shall be interchangeable to new currency as long as the currency in circulation in the country is called "New Turkish Lira" per the provisions of the Law Regarding Currency of the Republic of Turkey No. 5083 dated 1/28/2004.

#### **PROVISIONAL ARTICLE 5 –**

(1) Of the domestic coal power plants with capacity of over 1000 MW, built by the companies who are granted coal usage rights as a result of the coal allocation royalty tender held by the Elektrik Uretim AS company, the power produced by those who start operations by the end of 2014 shall be purchased by companies that hold retail and wholesale licenses by bilateral agreements with fifteen year terms and provisions regarding the purchase of the electric power that will be undertaken shall be inserted in the licenses of such companies.

(2) In the event of a production balance that cannot be tied to a bilateral agreement between the amount that will be sold to the whole and retail sale companies and the annual electric quantity that the power plant will produce, Turkish Electricity Trade and Contracting Corporation (Turkiye Elektrik Ticaret ve Taahhüt Anonim Sirketi) shall conclude a purchase agreement for such quantities.

(3) In the coal allocation royalty tenders that will be held by Elektrik Uretim A.S. for the purposes of building domestic coal power plants with capacity over 1000MW, the bidders shall propose an annual royalty fee, based on the electric power generation annual quantities for a period of fifteen years and annual unit sale price for electric power. The selection in such tender shall be per the terms defined in the technical specifications and as a result of evaluating the sum of the amounts rounded down to the date of the tender from a specific discount limit that is previously determined for the electric power purchase amounts that are obtained by multiplying the proposed annual production quantities by the annual unit sale price of electric power and royalty fee.

#### **Effective Date**

##### **ARTICLE 22 -**

(1) This Regulation becomes effective on its issue date.

#### **Execution**

##### **ARTICLE 23 -**

(1) The provisions of this Law are executed by the Council of Ministers.