

**LIQUEFIED PETROLEUM GASES (LPG) MARKET LAW
AND
AMENDING LAW TO ELECTRICITY MARKET LAW**

Law No: 5307

Enacted: March 2, 2005

Published: March 13, 2005

**PART ONE
General Provisions**

**SECTION ONE
Objective, Scope and Definitions**

Objective and scope

ARTICLE 1 – The objective of this Law is to provide regulation, guidance, surveillance and supervision activities in order to ensure the transparent, non-discriminatory and stable performance of market activities pertaining to the delivery of liquefied petroleum gas supplied from domestic and foreign resources to consumers in a reliable, cost-effective manner within a competitive environment.

This Law covers the supply of LPG from domestic sources or abroad, its distribution, transportation, storage and trade; and the rights and obligations of all real and legal persons carrying out these activities.

Definitions

Article 2 – In implementation of this Law, following terms mean;

- a) Ministry: Ministry of Energy and Natural Resources,
- b) Authority: Energy Market Regulatory Authority,
- c) Board: Energy Market Regulatory Board,
- ç) Liquefied petroleum gases (LPG): Hydrocarbons like propane, butane and their isomers or mixtures of these, which are produced from petroleum or natural gas and liquefied under pressure,
- d) Specialized customs: A customs unit, specialized in LPG, having laboratories and equipment to inspect the conformity of imported LPG to the technical regulations and conduct quantity measurements,
- e) Transportation: The all transportation activities of liquefied petroleum gas performed via transportation vehicles in conformity with the relevant technical regulations and pipelines,
- f) Transportation undertaking: Real or legal persons performing transportation activities,
- g) Utilization: The consumption of LPG only for personal and operational needs,
- ğ) Consumer: Real or legal persons utilizing LPG,
- h) License: The certificate granted to real or legal persons (except for bottled LPG dealers) by the Board indicating the permission to operate in the market as per this Law,
- ı) Storage: The facilities owned or rented by the LPG distributors or the service provided to the distributors or consumers in order to meet their stocking requirements, where LPG is stored in compliance with the technical regulations; and the activities and processes carried out in them,
- i) Distributor: A capital company which is authorized to distribute LPG and could perform storage, filling and transportation activities provided that they are indicated in their licenses,

j) Filling facility: The facilities that belong to a distributor, and that are established and operated in conformity to the technical regulations; where the cylinders, compliant to the technical regulations, bearing the distributors registered trademark and emblem are filled; or via a contractual agreement cylinders carrying another distributors registered trademark and emblem, compliant to the technical regulation are filled; and where transportation vehicles are filled, emptied and stored with autogas and bulk LPG,

k) Bottled LPG activity: The activity of supplying liquefied petroleum gas to the market within domestic, industrial and commercial cylinders, after filling at filling facilities,

l) Bottled LPG dealer: Any real or legal person that stores and sells bottled LPG of contracted distributor only, bearing the distributors emblem and registered trademark, which are in conformity with the technical regulations,

m) Distribution: All the sales and supply activities of LPG provided in cylinders and as autogas to users and dealers, and as the bulk LPG to users,

n) Dealership: The process of authorizing real or legal persons to deliver LPG to consumers by distributors under a contract of the mutual liabilities, including a feasibility study,

o) Feasibility: The report that includes the analysis of the investments to be made and is enclosed to the dealership contract (except for bottled LPG dealership) but not necessarily be submitted to the Authority,

ö) Autogas station: Facilities established in conformity to the relevant legislation (technical, quality, safety) by distributors or dealers who have signed exclusive purchase contracts with those distributors, and are operated under the registered trademark or emblem of the distributor, and are specifically serving to meet the autogas LPG, and lubricating oil needs of motor vehicles, offering the facilities of cleaning, facultative maintenance and other basic needs of the customers except for bottled LPG,

p) Autogas LPG activity: Process of supplying LPG to be used as fuel, to motor vehicles in fuel or autogas stations,

r) Autogas dealer: A real or legal person operating an autogas station,

s) Bulk LPG: LPG, excluding bottled LPG and autogas, delivered by LPG distributors to the consumers tanks, located at the consumers' location, through special transportation vehicles that are in compliance with the technical regulations,

ş) Bulk LPG consumer: A real or legal person utilizing bulk LPG,

t) Hazardous action: An action or negligence in the conduct of any market activity that causes or is likely to cause the death, injury or illness of a person present at or within the vicinity of the place where market activity is performed or that causes or is likely to cause environmental pollution,

u) Malicious intent: Any action or negligence causing loss, contamination, deterioration or misuse of LPG while performing market activities,

ü) Kilometer limitation: The minimum distance between two fuel and autogas stations that are in the same direction on urban roads or high-ways that shall be determined by the regulation to be issued by the Board,

v) Market activity: The import, export, storage, transportation, distribution and dealership of LPG,

y) Technical regulation: TSE standards and regulations imposed by other legislation concerning the properties of the LPG and facility, equipment and actions in LPG activities.

SECTION TWO
Procedures and Principles that Licenses are Subject to,
Basic Rights and Liabilities of the Licensees

Procedures and principles that licenses are Subject to

ARTICLE 3 – It is obligatory to obtain a license in order to carry out distribution, transportation, autogas dealership activities (except bottled LPG dealership), storage manufacturing of LPG cylinders, filling, examining, repairing and maintenance of LPG cylinders, and establishing and operating facilities for aforesaid activities.

Real or legal persons who will conduct market activities apply to the Authority for license, after completing certificates, permission and documents necessary for foundation and operation of their facilities, which show that LPG facilities have no impediments by means of issues such as development, public, environment, occupational health, safety and technical regulations donated by related public institutions as per related legislation. Licensing shall not proceed based on commitments, by means of tangible assets necessary to perform the market activity.

The evaluation of license applications shall be concluded and notified in accordance within the framework of the provisions of this Article no later than 60 days. The justifications for the rejection of applications shall also be notified.

In accordance with this Law, the process of granting, updating and temporarily suspending or canceling the licenses shall be undertaken by the Authority. In granting licenses, the technology, quality, safety and sustainability of the enterprise and service shall be taken into account with respect to market entry.

Private law legal persons to perform the activities specified within the scope of a license shall be subject to the provisions of Turkish Commercial Code No. 6762.

The licenses shall be issued in accordance with the aforesaid activity topics. Sub-topics determined by the Authority shall also be specified in the licenses.

The license shall be granted in the name of the real or legal persons granted the right to perform the activity written on it. Beside the activity type, the license shall also include information about the type and geographical position of facility, technology and quantities required to perform the activity.

The Authority, in line with the powers vested in it by this Law, shall be authorized to enact regulations on the following:

- a) The scope of the activities and/or operations requiring licenses,
- b) The rights and liabilities as per the license,
- c) Limitations on activities within the scope of the license,
- d) Determination of special terms and conditions regarding the performance of the activity.

The activities that require a modification in issues appearing on the license cannot be performed unless they are approved and noted on the license by the Authority.

The following procedures and principles pertaining to licenses shall be regulated by the regulations to be issued by the Authority:

- a) Procedures for application, evaluation, and granting of licenses and their duration, modification, fees, termination and extension,
- b) Classification terms for licenses which are deemed adequate for classification and their minimum size according to the class,
- c) Processes for class changes in licenses which are subject to modification and classification,
- d) Minimum qualifications to be sought and minimum assets to be under the ownership of the related parties,
- e) Necessary records to be kept, registration methods and notification liabilities,
- f) Sub-titles of activities and their definitions,
- g) Issues regarding protection of life and property of public and consumer's rights,
- h) Subjects to be included in the license,
- i) Guidance, surveillance, audit and related issues of the market activities whether they are within the scope of the license or not.

Basic Rights and Liabilities of Licensees

ARTICLE 4. The license shall convey the rights to the holder to perform activities included in the license and enter into commitments.

The rights conveyed by the license shall be utilized provided that the specifics noted in this Law, related legislation and license, are fulfilled.

Those who perform market activities should avoid any kind of activity that would result in malicious intent or unsafe activities, take necessary measures to prevent their occurrence and eliminate any undesirable situations as soon as possible.

Those who perform activities as per this Law, shall be obliged to:

- a) Act in accordance with the commercial and technical legislation,
- b) Take necessary measures to prevent environmental risks,
- c) In case a condition that seriously threatens or adversely affects the security of life, property and environment of the public and their own facilities and activities arises, notify the public authorities and those related parties who might be adversely affected of such threat and also notify the Authority of the nature of the threat and the measures being taken to prevent such threat.
- d) Provide compulsory insurance and financial responsibility insurance for facilities and/or activities that are in the scope of compulsory insurance liability,
- e) Compensate any loss or damage incurred by third parties or the environment during the course of their operations,
- f) Make notifications in compliance with the procedures and principles determined by the Authority as per paragraph 1 of Article 12,
- g) To fulfill the provisions of Article 5 and submit the required information, documents and samples, sign the minutes and allow officials to conduct on-site investigation of the facilities when requested by the Authority as per paragraph 3 of Article 12 of this Law
- h) Submit the copies of standard contracts pertaining to their main field of activity and notify the Authority of the modifications to be made on them before implementing such modifications.
- i) To employ a responsible manager at filling stations and autogas stations.
- j) To employ personnel who have received training and obtained certificate in their main field of activities.
- k) Regarding market activities, to supply LPG in accordance with the technical standards to be determined by the Board,
- l) Grant equal rights and liabilities to equal receivers (categories) and not apply different terms and conditions.

Those who shall supply LPG from foreign countries should possess a refinery or distribution license. The distributors shall obtain LPG from refineries or from foreign countries by importing them. The LPG importation is realized from specialized customs after its conformity to the technical regulations is determined in these customs. LPG trade cannot be performed by those who don't possess a license.

PART THREE

License Types and Regulation of Activities

Production and Distribution

ARTICLE 5.- Refineries engage in LPG production with a refinery license that is obtained in accordance with the Petroleum Market Law Market numbered 5015 dated 4.12.2003. Only the distributor license holders have the right to distribute LPG.

The owners of distribution licenses may distribute LPG to their own stations or to stations with which they have signed contracts with, may sell bulk LPG to end-users, distribute and sell cylinder LPG, or transport, fill and store LPG. Distributors should fulfill the required criteria of the Law and should operate at least one filling station in order to start the bottled LPG activities. Distributors may not distribute LPG to vendors of other distributors.

Owners of fuel distribution licenses may engage in LPG activities, after obtaining a license in accordance with these aforementioned Law. LPG distribution license owners may engage in petroleum activities in the same way, after they obtain a license in accordance with the 5015 numbered Petroleum Market Law.

Distributors should have storage facilities, filling stations and LPG cylinders that comply with the technical regulations. The distributors should have at least 20 times more amount of LPG in their storage than their average daily supply. The delivery of bottled LPG to users is performed by the distributors and their bottled LPG vendors.

The distributors shall be obligated to make annual marketing projections and submit them to the Authority with details in February of each year. They shall also be obligated to evaluate the realization of their projections quarterly every year and submit such evaluation to the Authority in January, April, July and October and provide explanations for an increase or decrease of more than 10% in their projections.

The distributors shall establish vendors with contracts as defined in subparagraphs (10) and (13) of paragraph 1 of Article 2. In case the contract is not renewed for the continuation of the vendor activity 3 months prior to the termination of the contract, the distributor shall meet the supply need of the vendor until the termination of the contract. At the end of the contract period, the vendor shall commence marketing the products of the new distributor in such a way as to ensure that the new distributor is evident and remove all indications belonging to the former distribution company no later than 1 month. Cylinder LPG vendors shall be obligated to remove their distribution logos at the termination of their contracts. A distribution undertaking which possesses both an LPG filling station and a

storage facility may perform autogas distribution activities only within the province and the neighboring province where their facilities are.

The domestic market share of the distribution undertaking shall not exceed 45% of the total domestic market. Distribution undertakings performing autogas LPG activities shall not grant subsidies to stations under their ownership or treat them differently from vendor stations.

Distribution undertakings shall be obligated to ensure an efficient monitoring of quality control of the activities performed under their trademark and notify the Authority on the cancellations of the vendor activity contracts with their justifications. Technical, safety, environmental and related criteria pertaining to the facilities and the equipments to be established for liquid fuel distribution shall be determined by the regulation to be issued by the Authority.

- a) Distribution undertakings, while performing autogas LPG activity should be obliged to:
 - 1) To supply LPG to Autogas stations, holding their own trademark and symbol, with whom they have signed contracts with,
 - 2) Not to supply LPG to stations which have not obtained the required license, permission and certificate from the relevant public institutions and organizations,
 - 3) Not to supply cylinder and bulk LPG to autogas stations,
 - 4) To supply LPG to autogas stations via vehicles, under the same trademark and ownership, carrying the logo and title and that are compliant with the technical regulations,
 - 5) To observe autogas stations and to inform the Authority on an annual basis with final reports containing information pertaining to autogas stations regarding the technical regulations and maintenance.

- b) Distribution undertakings are performing bulk LPG activity,
 - 1) To deliver bulk LPG only to consumers with whom they have signed contracts.

 - 2) To determine the conformity of the contracted customers, to whom they supply LPG, with the technical regulations for the bulk LPG facilities and systems, which were established either by the distributor or the customer, to exercise the controls of the aforementioned facilities and systems periodically, to stop supplying LPG to the facilities, which do not conform to the technical regulations.
 - 3) To deliver LPG via vehicles in compliance with the technical regulations, under their ownership or possession and trademark, carrying the logo and title ,
 - 4) To notify the Authority and stop the delivery of bulk LPG to consumers in cases where it is used for different purposes.
 - 5) To establish the consumer's LPG facility in conformity with the existing technical regulation, and during this process to use (kullanmak) expert personnel and to compensate for loss and damages.
 - 6) To inform consumers about the usage of bulk LPG and about the operation of the facility,
 - 7) To take necessary measures in order to meet the claims of consumers regarding malfunction, check inspection and maintenance.

- c) While performing bottled LPG activities, distributors are liable for the following;
- 1) To establish facilities which have the required licenses and which conform to the relevant technical regulations, and which shall perform business activities; to carry out a risk assessment concerning the facilities and the activities performed, and in case they occur; to determine the conditions that may adversely affect the entire workplace and the environment; to prepare an emergency action plan that determines the necessary measures to be taken; the actions to be carried out and the rules to be abided, and to notify the highest rank civilian authority about this plan;
 - 2) To fill up the LPG bottles which only bear the distributor's registered trademark and emblem, at the filling stations and to fill up the bottles of the companies, which have a filling contract, in accordance with the provisions of the contract;
 - 3) To take the necessary precautions in order to meet all bottled LPG orders of the vendors, in a timely manner without delay;
 - 4) To establish the units, which will be capable of carrying out the periodic inspections, determined in the technical regulations, for the LPG bottles bearing the distributor's trade mark and emblem, to establish the units, which will be capable of carrying out basic procedures that are not within the scope of periodical inspections; namely repairing, heat treatment, sanding, cleaning and metal plating, or to contract with companies that are capable of carrying out these procedures;
 - 5) To perform inspection activities of the LPG bottles before, during and after filling operations.
 - 6) Not to fill rusty, crushed, split, unpainted, cracked, fire damaged and similar bottles, which violate the technical regulations and whose periodic inspections are not carried out, to control the bottles, which are brought to be filled, as per the technical regulations before filling, to carry out these bottles' repair and maintenance procedures, or to destroy these bottles unless they might be repaired;
 - 7) To educate the vendors and to acquaint the consumers.

The distributors are authorized to carry out wholesale LPG trade among each other.

Transportation, storage, filling, bottle manufacturing, bottle inspection, repair and maintenance

ARTICLE 6 – The Authority determines the assessment criteria for the licenses, which will be granted for the performance of transportation, storage and filling activities of bulk LPG, autogas LPG, and the technical and also determines financial provisions that necessitate the grant of the license as well.

The persons involved in the manufacturing of the bottles which will be used for the supply of LPG to the market, are liable to apply to the Authority and present the technical characteristics of the facilities that are capable of carrying out production in compliance with the necessary technical regulations in order to obtain a license, and to manufacture products in conformity with the technical regulations that were mentioned in the other legislation.

The persons, who will carry out the inspections, repair and maintenance, are obliged to obtain a license from the Authority.

Autogas LPG Vendors

ARTICLE 7 – Autogas LPG vendors perform their vending activities as per the exclusive sale agreements signed with the distributors.

Autogas LPG vendors are liable;

- 1) to sign contract with only one distributor, and to sell the LPG, only to the one that is supplied by the distributor with whom there is a, in his filling station;
- 2) to obtain the necessary licenses, authorizations and documents for the Autogas LPG stations from the relevant public bodies and organizations;
- 3) to supply LPG to the vehicles operating with LPG at autogas stations;
- 4) not to fill or sell LPG bottles at autogas stations; not to keep any kind of instrument, machine and equipment that are used for filling LPG bottles within the station;
- 5) to place the trademark and the emblem of the contracted distributor in a clearly visible position within the station;
- 6) to employ an “Authorized Manager” at the station.

It is mandatory that the autogas stations, storage tanks, dispensers, pumps and their parts and administrative structures should be located in a safe distance away from subway lines, schools, mosques, hospitals, children’s playgrounds, heavily populated public facilities, flammable and combustible warehouses or facilities, such as natural gas rigging, storage tanks and base stations, in accordance with the technical regulations; and should be provided within the area, which is under his ownership and which he gives him the right to use the property.

Storage tanks of the autogas refueling stations, which are located either within or outside the borders of municipal and contiguous areas, are placed in accordance with the technical regulations.

Establishing restaurants, commercial and social facilities other than administrative units, car washing and lubricating units, small sized markets for meeting the urgent needs of the customers, all of which shall be established within autogas refueling stations and areas of filling stations where an autogas facility shall be situated in accordance with the technical

regulations, shall not infringe the criteria that are aimed at preserving the security of life and property of the public,

Distributors and vendors shall commence operating the autogas stations only after obtaining the license.

SECTION FOUR

Procedures and Principles to be observed by Bottled LPG Vendors, Bulk LPG Consumers and Bottled LPG Consumers

Bottled LPG Vendors

ARTICLE 8 – Bottled LPG Vendors are not subject to a license. Any person or institution, apart from manufacturing factories, distributors or bottled LPG vendors, shall not keep LPG bottles, including empty ones, except for personal need; and these bottles shall not be a subject to barter or sale.

Bottled LPG consumers are liable to act in accordance with the standards related to user instructions, published by Turkish Standardization Institute, and with procedures and principles, on which the consumer should be informed by the distributor or by the vendor.

The vendors are liable to keep the LPG bottles bearing the trademark or emblem of their distributor within their warehouses, workplaces and transportation vehicles. Furthermore, the vendors may keep and sell the LPG bottles of the other distributors, of which their distributor is the majority stockholder, on condition that they make a contract.

Bottled LPG vendors are liable;

- 1) to receive and carry the bottles only from their own distributor, not to involve in filling operations in whatsoever the reason, and not to keep any instruments that may be used for filling within the workplace, warehouses, or transportation vehicles;
- 2) to obtain a license, authorization and documents from the relevant public organizations and institutions;
- 3) to ensure that the LPG bottle warehouses, transportation vehicles and retail sale units are compatible with the technical regulations;
- 4) not to sell LPG bottles to the distributor and the vendors of other distributors, except for the other vendors that are dependent on the same distributor and by the written authorization of the distributor;
- 5) to establish the bottle sales shops in the residential areas, provided such shops may be easily reached by the transport vehicles and emergency vehicles, such as; fire brigade, and ambulances.

- 6) to deliver and connect the bottles at the address for those bottles weighing more than two kilograms.

LPG bottle sales units may not be operated in cellars that are suitable for the accumulation of LPG, in suspended floors above the ground floor, or in places, which do not have an exit large enough to enable easy evacuation and in case of an accident or fire.

Bulk LPG Consumers

ARTICLE 9 - Bulk LPG Consumers are liable to supply bulk LPG from the distributor, with whom they entered a contract, and to obtain the required permits as per the related legislation.

Bulk LPG consumers may not give permission to any other person to interfere in the bulk LPG system without the permission of the distributor. The Authority may make arrangements in the operations of these facilities in accordance with the amended principles and criterion.

The consumers may not use the LPG that they have bought for their facilities or residential units other than its intended purposes.

PART FOUR

Pricing, Expropriation, Access and Coordination Information Gathering, Records, Audit, Notification and Insurance, Authorized Manager and Training

Pricing

ARTICLE 10.- The pricing for purchase and sales of Liquefied Petroleum Gasses shall be constituted according to the nearest accessible global free market conditions.

Prices regarding market activities performed within the scope of refining and distribution licenses shall be submitted to the Authority as ceiling prices prepared by licensees by taking into account the global free market prices at the closest accessible point.

However, in the case that the risks arising from agreements and activities aimed at or may result in hindering, disrupting or restricting the competitive environment and delivery in the LPG market, the Authority shall be authorized to determine base and/or ceiling price(s) and take necessary measures to apply on regional or national basis in all phases of activities not exceeding two months in each time.

The procedures and principles and the amounts for the supporting of consumers without interfering with prices with respect to specific regions and specific purposes shall be determined by a Decree of Council of Ministers upon the proposal of the Ministry.

Coordination

ARTICLE 11. The Authority shall be informed and the participation of the Authority shall be provided in any of the preparatory studies (except for regulations regarding taxes, duties and levies) related directly or indirectly with the petroleum market to be performed by other authorized competent authorities..

The representative of the Authority shall take part in standard preparatory studies to be carried out by the Turkish Standards Institution regarding petroleum market activities. The Turkish standards regarding petroleum market activities can be enforced as compulsory by Board's approval.

The Authority shall be authorized to give comments and make requests from the related authorities in following conditions:

- a) in cases which may cause substantial hazards to licensed facilities,
- b) in case misleading advertisements and announcements and other similar activities which may cause unfair competition in the market are made,

in regulations and implementations regarding importers, producers and providers of goods and equipment and their authorized services performing in the market.

The Authority may be a third party intervener in public cases regarding petroleum market activities. In addition to filing criminal complaints, it may also request the judicial or civil authorities to take action for the proper implementation of the legislation.

Information Gathering, Records, Audit and Notification

ARTICLE 12. The notification liabilities shall be determined by the Authority for the purpose of gathering information regarding market operations. The Authority may determine specific procedures and principles regarding the preparation of documents and the record keeping system of the licensees provided that the provisions of the Tax Procedure Law are reserved.

The Authority can request any information it deems necessary during the performance of its duties, from public institutions, real and legal persons.

Regarding the market parties and/or facilities the appointed Authority official shall be authorized to review any document and commodity including accounting books, take copies or samples, request written or verbal explanations on the subject, prepare necessary minutes, inspect the facilities and operations. The framework of the objective, scope, duration and authority shall take part in the letter of authorization.

The Authority shall audit the market activities via its own personnel or by the way of service procurement from public institutions and organizations and private auditing organizations. The Authority may establish accredited stable and mobile laboratories to be used for audits in cooperation with the Turkish Accreditation Agency and allocate resources for their establishment. The procedures and principles to be followed in audits, preliminary investigations and investigations shall be regulated by the regulation to be issued.

The fundamentals, procedures and principles regarding the disclosure of information to related parties and the public shall be set forth in the regulation to be issued by the Authority. Commercially confidential information with respect to the market shall not be disclosed.

The abstract information on the content of the license document of the licensees shall be announced by the Authority.

The provisions of the Notification Law No. 7201 shall apply for any notification to be made by the Authority in accordance with this Law. However, notifications by publication shall be published in the Official Gazette.

Insurance

ARTICLE 13. It is compulsory to get insurance for the activities carried out within the scope of a license. The activities to be exempt from compulsory insurance may be determined by a Decree of the Council of Ministers. The determination of the types of assets to be included to the insurance coverage, insurance types to apply to these assets and exemption issues shall be regulated by the regulation to be issued by the Authority.

Authorized Manager

ARTICLE 14 – An authorized manager should be present at LPG filling facilities and autogas stations. The authorization, responsibility and attributes of these aforementioned authorized managers shall be determined in the legislation prepared by the Authority.

Training

ARTICLE 15 – The authorized manager, tank drivers, filling personnel, cylinder filling personnel, drivers of the cylinder distribution vehicles, cylinder distribution personnel, tank filling personnel, personnel for test and examination, autogas filling personnel, pump personnel and plumbing personnel, and personnel employed in the project and production shall be trained by the related trade association of the TMMOB (Turkish Engineers and Architects Chamber Union). The principles and procedures of the training shall be prepared jointly by the TMMOB and the related institution.

SECTION TWO

PART ONE

Penalties, Administrative Sanctions, Right to Legal Action, Regulation and Repealed and Inapplicable Provisions

Administrative Fines

ARTICLE 16. The imposition of administrative fines and sanctions in accordance with this Law shall not prevent the implementation of the other provisions of this Law. The imposition of penalties and measures in accordance with this Law shall not prevent any other act to be carried out in accordance with other laws.

As per this Law;

a) The following acts shall be considered acts of gross fault and an administrative fine at an amount of 500 billion Turkish Liras shall be imposed on those responsible:

- 1) To carry out activities subject to a license without holding license,
- 2) To violate the provisions of the last paragraph of article 4.
- 3) To hinder directly or indirectly or to try to hinder the implementations made by the Authority in accordance with Article 10.
- 4) The violation of provisions of article 12 and 13.

b) The following acts shall be considered acts of first-degree fault and an administrative fine at an amount of 200 billion TL shall be imposed on those responsible:

- 1) The violation of the provisions of articles 5, 6 and 7,
- 2) To commence construction and/or operation of facilities without holding a license or to perform actions that may lead to possession on such facilities,
- 3) To perform activities beyond the scope of the license,
- 4) To violate the provisions of Article 4 excluding the last paragraph,

- c) To violate provisions of article 9 ,14 and 15 shall be considered acts of second-degree fault and an administrative fine at an amount of 50 billion TL shall be imposed on those responsible,
- ç) Upon violation of fourth paragraph of article 8 an administrative fine of 100 billion TL shall be imposed on the vendors.

However, if proven that the bottles are connected to the system by the consumers, bottle vendors and distribution undertakings shall not be charged with legal and criminal responsibility.

An administrative fine at an amount of fifty billion Turkish Liras shall be imposed by the Authority to people who is not compliant with the liabilities set forth by the Law and which are not listed above.

Until the fines are collected, the assets of the parties may be confiscated by a court order. Facilities shall be sealed until related license is obtained or until the facilities are modified to a stage to perform an activity not requiring license as per this Law.

In the event that the same act for which an administrative fine has been imposed is repeated within 2 calendar years, the above fines shall be two-folds.

The statute of limitations for the imposition of a fine by the Authority shall be five years following the violation and/or occurrence date. Any action to be made by the Authority on this issue for investigation and examination purposes shall interrupt the statute of limitations as of the date of notification of the action to one of the relevant party. A lawsuit brought against the decisions shall also interrupt the statute of limitations.

The fines collected in a month shall be transferred to be recorded as revenue to the Treasury until the end of the twentieth working day of the following month.

The liabilities of the legal persons regarding administrative fines shall be determined according to the Article 65 of Turkish Commercial Code No. 6762.

In the event that a fine is not paid within 30 days following the accrual date, the collection of the fine shall be realized by the related Tax Office. The provisions of the Collection of Public Sector Claims Law No. 6183 shall apply for collection.

The amount of administrative fines shall be applied every year pertaining to the previous year, by increasing at the revaluation rate determined in line with the reiterated Article 298 of Tax Procedure Law No. 213. Fractions in millions shall not be taken into account in such calculations.

Sanctions

ARTICLE 17. The Authority shall commence a preliminary inquiry or investigation in the event that the licensee does not comply with this Law, with regulations put into effect according to this Law, with written directives of the Authority or any issue registered in their licenses. In addition, the relevant licensee shall be notified to eliminate the incompliance within fifteen days or otherwise the subject market activities shall be suspended temporarily or terminated permanently. Despite such notification, in the event that the incompliance continues at the end of the fifteen day period, the Authority shall order that the market activity be temporarily suspended for not less than thirty and not more than one hundred and eighty days. During the period of temporarily suspension, no market activity shall be carried out except the ones to prevent unsafe act or malicious intent or harm on the products and to eliminate the incompliance causing the suspension. Cancellations of licenses shall be decided pursuant to an investigation to be carried out by the Authority.

The licenses of those who supply illegal products and products of which the country of origin are indefinite shall be cancelled. Those who supply products that do not comply with the technical regulations shall be held liable to compensate any damage incurred.

In case it is determined by the Authority that the vendor activities carried out at autogas stations are incompliant with this Law or the regulations issued as per this Law, liquid fuel supply at the mentioned station shall be suspended by sealing temporarily or for an indefinite period of time by the Authority. The procedures and principles regarding the cancellation and sealing shall be set forth in the regulations to be issued by the Authority.

The provisions of Article 274 of Turkish Criminal Code No. 765 shall apply to real or legal persons that continue to carry out activities despite the cancellation of license and sealing.

The license shall be cancelled in the event it is determined that there is fraud or misleading declarations against law regarding demand or operations carried out in the framework of this Law.

The compensation issue regarding the losses and damages towards the consumers arising from the petroleum supply which is incompliant with technical regulations shall take part in the licenses and contracts of the real and legal persons who are the addressees of the users. The procedures and principles regarding implementation shall be determined by the regulation to be issued.

Preliminary inquiry, investigation and right to legal action

ARTICLE 18. On it's own initiative or upon a notification or complaint filed into the Board, the Board shall decide directly to carry out an investigation regarding the parties carrying out market activities or a preliminary inquiry to determine whether an investigation is required.

The procedures and principles to be followed in preliminary inquiry and investigations shall be determined by the regulations to be issued by the Authority.

Any lawsuit against the decisions of the Board shall be submitted to the Council of State as the court of first instance. The Council of State shall consider such filings against Board decisions as urgent matters.

Regulation

ARTICLE 19. Issues regarding market activities shall be regulated with the regulations referred to in the relevant articles of this Law and the regulations to be issued by the Authority on other issues needed during the operation of the market. These regulations shall be published in the Official Gazette.

Besides, the Authority may use its authority by taking specific decisions by the decision of the Board. Specific decisions concerning the public and the communiqués to be published for further clarification of the regulations to be made shall be announced by press and broadcasting or special bulletins.

SECTION THREE

Amendments to the Electricity Market Law

ARTICLE 20. The following Article 5/C has been added after Article 5/B of the Electricity Market Law No. 4628 dated 20.02.2001.

Duties of the Board regarding the liquefied petroleum gasses market;

Article 5/C – The Energy Market Regulatory Board shall also be responsible for the following duties regarding the liquefied petroleum gasses market:

a) To implement the provisions of Liquefied Petroleum Gasses Market Law and the provisions of the Amendments to the Electricity Market Law, to issue and implement any regulation regarding market activities,

b) To state the Authority’s views and comments regarding the plans, policies and implementation of liquefied petroleum gasses activities,

c) To carry out audits regarding the LPG market, preliminary inquiries and investigations, to impose penalties and sanctions, decide on the filing of application into any legal or administrative organ including the filing of lawsuits,

d) To monitor the implementation of international organizations and institutions regarding the liquefied petroleum gasses market,

e) To determine the fees for licenses and actions for licenses in the liquefied petroleum gasses market,

f) To examine the audited financial tables of those carrying out activities in the liquefied petroleum gasses market or to have them examined,

g) To determine the scope of the reports regarding service reliability, service outages and other performance criteria to be required from those performing activities in the liquefied petroleum gasses market,

h) To impose administrative fines and cancel licenses in cases when it is determined that there is incompliance with the provisions of the Petroleum Gasses Market Law and the provisions of the Amendments to the Electricity Market Law, tariffs and regulations approved by the Board, license terms and conditions and the Board’s decisions.

ARTICLE 21 - The statement “together with petroleum and liquefied petroleum gasses” has been appended after the statement “electricity and natural gas” and the statement “with petroleum and LPG trade” has been appended after the statement “electrical energy and natural gas trade” in subparagraph 1 and 3 of Article 6; and the statement “together with petroleum and LPG” is appended after the statement “electrical energy and natural gas trade”, which takes place in the fourth paragraph of the Electricity Market Law No. 4628.

ARTICLE 22 - The below mentioned subparagraph (D) and the subsequent subparagraphs have been appended after Article 10 of the Electricity Market Law No. 4628.

D) The revenues of the Authority regarding the LPG market shall be comprised of the following items:

a) Participation fee.

b) Fees collected for license, approval, permission and visa procedures.

c) Publications and other revenues.

d) Grants to be donated by international organizations and institutions to finance studies and projects related to development of market provided the details of such grants are announced to the public.

Participation fee payers mentioned in subparagraph (a) shall be the real and legal persons holding refining, distribution, filling and autogas dealership licenses, according to Liquefied

Petroleum Gases (LPG) Market Law and Amending Law to Electricity Market Law. Licence and Joint license holders, according to Liquefied Petroleum Gases (LPG) Market Law and Amending Law to Electricity Market Law shall pay the participation fee based on their total net sales. The participation fee shall be determined by the Board provided that the rate does not exceed 0,1 % of the net sales amount taking part on the license holders' annual income statements and 2 million USD. The participation fee to be implemented within the current year shall be announced in December of the previous year.

In case it is within the net sales profit, the sum of tax, customs, duties and levies, and Special Consumption Tax paid for LPG within the year shall be deducted from the sum of the net sales.

Licenses liable to pay a participation fee are also liable to submit balance sheets and income statements of the previous year to the Authority until the end of May of each year and pay half of the fee until the end of June and the other half until the end of November.

Penal acts and administrative procedures regarding participation fees not declared in time and incorrect declarations shall be completed by the Authority and administrative and judicial procedures shall be started through related bodies. The provisions of Collection of Public Claims Law No. 6183 shall apply to financial liabilities not paid in time and late payment interest, and shall be collected through related tax offices.

SECTION FOUR **Temporary and Final Provisions**

Temporary Article 1 - Before the enforcement of this Law, provisions related to the rights and obligations of LPG distribution and marketing companies defined within the scope of the present regulation shall be reserved until they are granted licenses regarding the activities within the specified periods and in line with the conditions determined by this Law.

The restaurants, commercial and social facilities besides the administrative offices, car washes and lubricating facilities established in compliance with the technical regulations within the autogas stations and fuel stations with autogas facilities shall be made consistent with the conditions determined in the fifth paragraph of the seventh Article within two years.

Temporary Article 2 - On the enforcement date of this Law, those who are actively carrying out activities that require a license as per this Law should be in compliance with the provisions of this Law within one year following the enactment of this Law and apply to the Authority by submitting the required information and documents by the Authority. The Authority shall be authorized to grant extensions not exceeding 3 months to those who have applied but not completed the necessary procedures. Actively operating autogas stations, which have received unsanitary enterprise certificate or certificate of enterprise opening and operation based on the existing legislation before the enforcement of this law, and satisfied the safety and license conditions required by this law, continue their activities provided that they obtain a license. In cases when compliance with the safety and license criteria required by this law has been approved by TSE, if certification of enterprise opening and operation could not be completed due to incomplete building schemes, temporary operation license valid until December 31, 2007 shall be donated to the stations which will be able to receive certificate of enterprise opening and operation upon completion of building schemes. The

activities of others shall be prohibited. (Temporary Article 2 has been amended by the Law No. 5522)

The operation of the facilities, which do not apply in the specified time period or whose conditions do not comply with this Law besides the application has been made in time, is ceased by the end of the period.

Temporary Article 3 - The provisions taking part in the decrees, regulations and declarations regarding LPG, enforced up to the date this Law is enforced shall be reserved until the Authority publishes relevant regulations. Until the enforcement of the regulations and other legislation enacted by the Authority, the duties regarding activities and operations carried out by the Ministry of Industry and Trade, Ministry of Energy and Natural Resources and/or the General Directorate of Petroleum Affairs shall continue to be carried out. However, no new statutes regarding the establishment of new LPG distribution and marketing companies shall be granted.

Temporary Article 4 - License applications regarding market activities shall not be made until the Licensing Regulation comes into force. The enforcement of the Licensing Regulation cannot exceed 180 days following the enforcement date of the Law.

Temporary Article 5 - The required infrastructure and equipment for the establishment of the specialized customs, stated in the last paragraph of Article 4, shall be established by the Authority before 01.07.2005, on the customs which shall be determined by the Undersecretariat of Customs, and shall be alienated to the Undersecretariat of Customs. The personnel need of the specialized customs shall be met by the Undersecretariat of Customs and the Authority shall provide training of the personnel.

Temporary Article 6 - Until the privatization of the Electricity Production Company, Incorporated is completed;

- a) Electricity exporting production companies, which have domestic processing permit, may obtain the fuel that is described as raw material in the domestic processing permit, from overseas by land and/or by sea within the scope of Domestic Processing Regime, on the condition that informing the Energy Market Regulation Board.
- b) Electricity Production Company Incorporated may sell electricity to wholesale companies on the basis of bilateral agreements and in foreign currency, provided that the company's current production capacity is sufficient for the operation and the electricity sold should be exported. The sale price may not be below the average annual production cost of the Electricity Production Company Incorporated and is determined by the Executive Committee of Electricity Production Company Incorporated. Furthermore, Turkish Electricity Trade and Undertaking Company Incorporated are authorized for the sale of export registered electricity energy on the basis of foreign currency and to determine the related wholesale tariff. Until the international interconnection charter is constituted, the Energy Market Regulatory Board permits importation of the electrical energy on condition of re-exporting, within the framework of the views of the Ministry and the Turkish Electricity Transmission Company Incorporated.

Temporary Article 7 - The Energy and Natural Resources Ministry shall compensate 100 % of the price difference of the manufacturers of tile ceramic, vitrified medical equipment and any kind of china deviating between the cost of liquid petroleum or liquid natural gas and the cost of natural gas that incur between 01.06.2003 and 31.12.2005 and which are realizing their production with liquid petroleum or liquid natural gas, due to the fact that at 01.01.2005 natural gas was not yet provided.

In case natural gas is provided to these enterprises in the year 2005, the calculations and payments caused by these deviations shall be limited to the period prior to the date of LPG supply.

Interest rates for the electricity, social security payments and tax debts occurring from 01.01.2003 and which is equal to the losses realizing shall not be applied to the enterprises that are included in this law

Enforcement

ARTICLE 23 - This Law is enforced on the date of its publication.

Execution

ARTICLE 24 - The provisions of this Law is executed by the Council of Ministers.

11. March.2005