



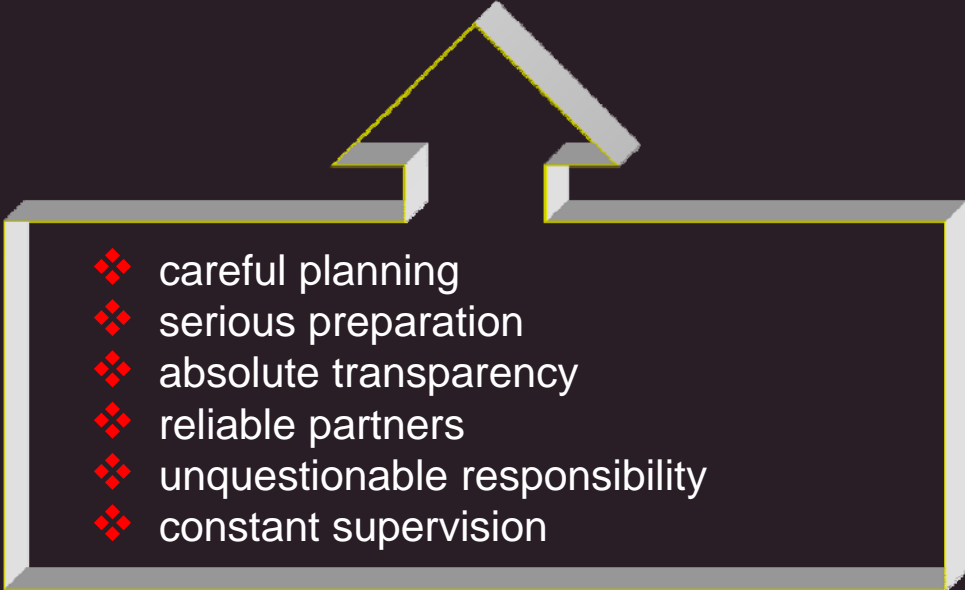
Greece **OPENS** the Upstream Sector

Prof. Sofia Stamataki

“Hydrocarbon Exploration and Production in the East Mediterranean and the Adriatic Sea”

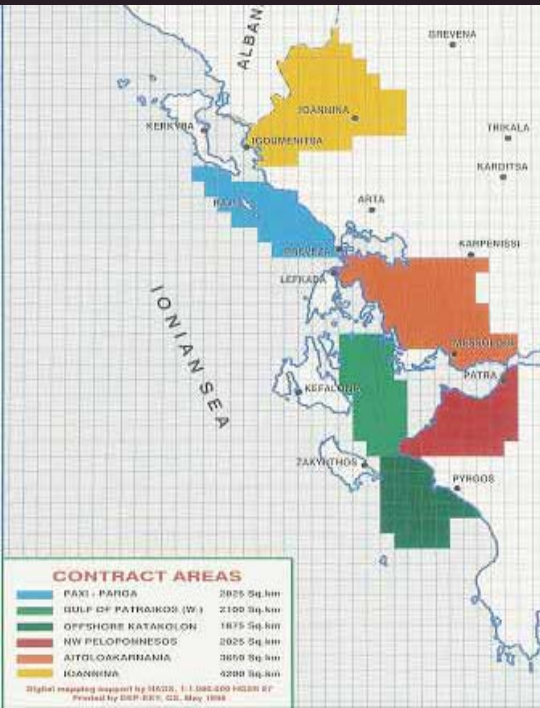
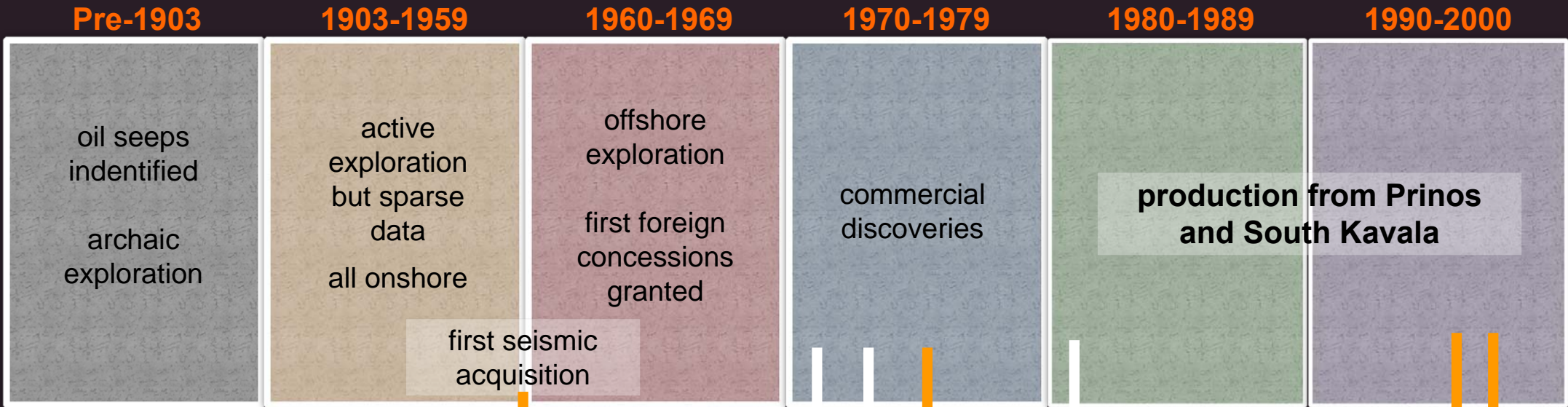
IENE International Workshop , Athens, April 2012

From VISION to ACTION

- 
- ❖ careful planning
 - ❖ serious preparation
 - ❖ absolute transparency
 - ❖ reliable partners
 - ❖ unquestionable responsibility
 - ❖ constant supervision

Past

Exploration activity by decade:



Law 3498/1959

Prinos Oil Field discovered

DEP-EKY formed

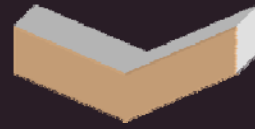
South Kavala Gas Field discovered

West Katakolon Oil Field discovered

Law 2289/1995
In compliance to the
Directive 94/22/EC

1st International Licensing Round for acreage in Western Greece (1996)

New Strategy



Establishment of a new Regulatory Authority



**Hellenic Hydrocarbons Resources Management SA
(H.H.R.M. S.A)**



Upgrading of Law 2289/95 (adaptation of best international practices and experiences- transparent, competitive & investment attractive legal framework)



Law 4001/2011

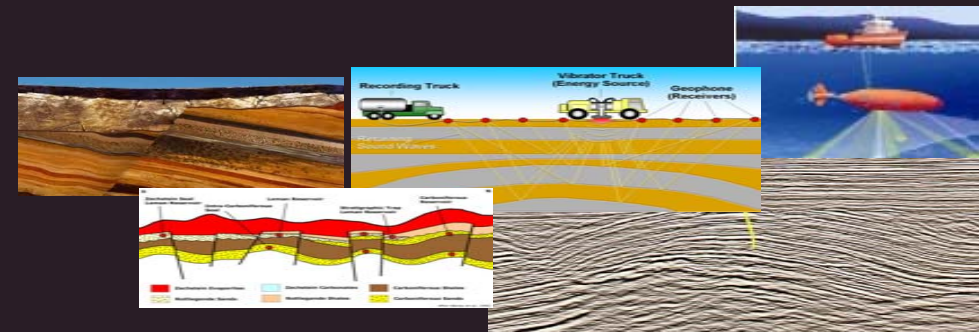
The Hydrocarbon Law

Law No. 2289/1995 “Prospecting, Exploration and Exploitation of Hydrocarbons and other provisions” and **Law 4001/2011**

- The rights of prospecting, exploration and exploitation of hydrocarbons belong exclusively to the State and their exercise is always for the public benefit
- The management for State account of Hydrocarbon rights is exercised by the **H.H.R.M. S.A.**
- The **H.H.R.M.**, as lessor, concludes lease agreements with third parties
- The Agreements are signed by **H.H.R.M. S.A** and the Contractor and submitted to the Ministry of Environment, Energy and Climate Change for approval by the Minister. Without approval, the agreements are absolutely void and produce no legal effect.
- The right of hydrocarbon prospection is granted by decision of **H.H.R.M.**
- Up to the operation of **H.H.R.M. S.A** all necessary actions to implement its objectives are made by the **Directorate of Petroleum Policy** of the Ministry of Environment, Energy and Climate Change

Licensing for Hydrocarbon Activities

Hydrocarbon Prospection License



Limits do not apply in case of executing seismic and other geophysical and geological survey method of non-exclusive use

- **Granted for 18 months**
- **Area : up to 4,000 square kilometers in the case of onshore areas and 20,000 square kilometers in the case of offshore areas.**
- **The resulting data shall be property of the State**
- **Shall not be exclusive and shall not give the Right Holder any preference with regards to obtaining any other Petroleum Right**

Prospecting of Hydrocarbons

Non-exclusive seismic survey off the coasts of Western Greece and Southern Crete



International Invitation

NOTICES FROM MEMBER STATES
International call for proposals No D1/20472/5.9.2011 for participation in the non-exclusive seismic survey off the coasts of western and southern Greece
(2011/C 353/09)

Participation

- ❖ TGS-NOPEC GEOPHYSICAL COMPANY ASA
- ❖ DOLPHIN GEOPHYSICAL
- ❖ ION GEOPHYSICAL CORPORATION
- ❖ SPEC PARTNERS LTD
- ❖ CGG VERITAS
- ❖ PETROLEUM GEO-SERVICES (PGS)
- ❖ SPECTRUM GEO LIMITED
- ❖ FUGRO MULTICLIENT SERVICES AS

SELECTION CRITERIA

- International experience in non exclusive seismic surveys.
- Technical ability to perform the work (data acquisition, processing and interpretation of the new and existing data) at the highest present day standards.
- Financial capacity
- Commercial proposal
- Confidentiality terms
- Promotion program of the area under consideration for the upcoming International Licensing Round, i.e. road shows, data rooms, etc.
- Implemented quality, HSE systems

Licensing for Hydrocarbon Activities

Exploration & Exploitation (E&P)



- Official invitation to Tender (Licensing Round)

Submission 90 days from last publication

- Application by interested parties

- Open door invitation

Submission up to the last day of 1st & 2nd semester of each calendar year

International Tender procedure

Terms, Conditions, Criteria, Points open to Competition, etc.

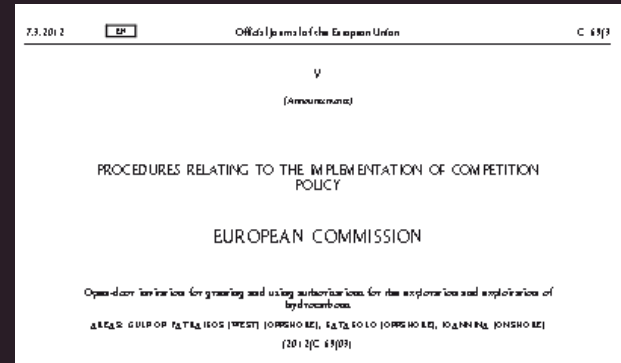
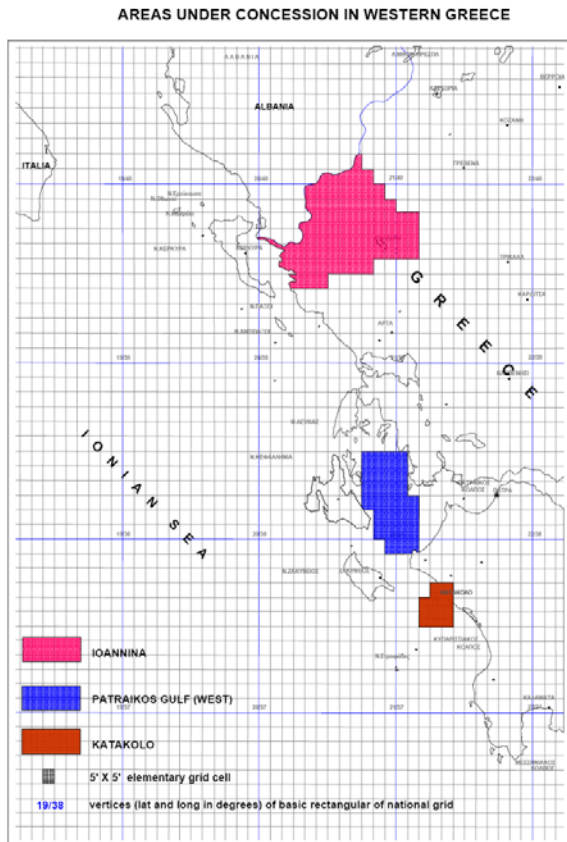
Invitation to tender or International Open door invitation

Exploration & Exploitation of Hydrocarbons

“Open Door Invitation for 3 areas in Western Greece

International Call for participation

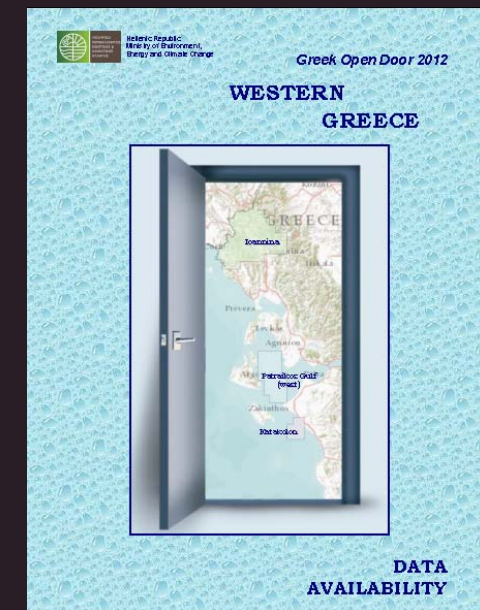
Contract terms, Bidding terms, Selection criteria, Evaluation process, Negotiations & Requirements for tenders



Data Packages
Data Room

BEICIP Assistance

Submission up to 2nd of July 2012



Type of Contracts

Lease Agreement

Ministerial resolution Δ1/Γ/23500/28-12-1995

Model Lease Agreement

Production Sharing Agreement

Contractual Terms and Conditions



Exploration stage

7 years onshore

8 years offshore

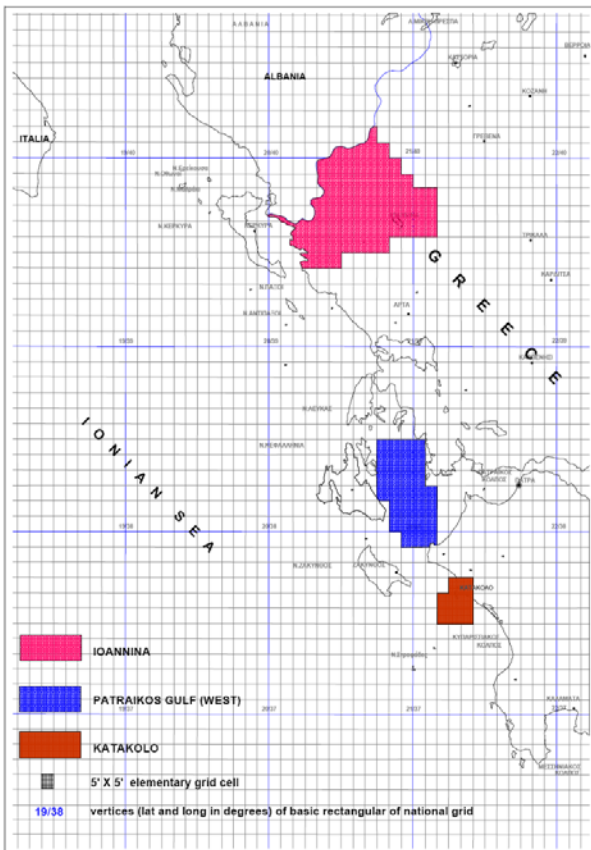
Extension may be approved up to 50% of the initial period under specific terms and written consent of the Lessor.

Any further extension (max to the original duration) requires the resolution of the Council of Ministers

- Exploration stage is divided into phases linked to specific **work programme**
Biddable and Negotiable point
- Relinquishments **20% - 50%** (*Presidential degree*). At the end, all area shall be relinquished
Biddable and Negotiable point
- Safe termination of each phase - Remove installations- Restore environment to its original condition within a period of 6 months

All are defined in the Lease Agreement

AREAS UNDER CONCESSION IN WESTERN GREECE



Contract areas

Onshore
IOANNINA 4187 Km²

Offshore
PATRAIKOS GULF (WEST) 1892 Km²

Offshore/Onshore
KATAKOLON 545 Km²

Exploration Stage

Exploration Stage shall be divided into consecutive Exploration Phases :

IOANNINA..... 3 years; 2 years; 2 years

PATRAIKOS GULF..... 3 years; 2 years; 3 years

KATAKOLON..... 2 years; 3 years (*oil discovery*)

Exit possibility at the end of each Phase

2nd Exploration Phase must comprise at least one well



Contractual Terms and Conditions

Exploitation stage 25 years

- **Submission and Approval of detailed development & production plan**
- **Extension may be approved up to **2x5 years** under specific terms**
Subject to renegotiation of the agreement terms and signing of new agreement
- **Exploitation areaup to **100 km²****
Under certain circumstances it can reach 200 km²

All are defined in the Lease Agreement

Fiscal Arrangements

Governmental fiscal objectives

- **Be competitive in international context (frontier country)**
- **Encourage IOC's to develop small fields**
- **Provide Government with early revenue from a development project**
- **Reward IOC's if a large field is discovered whilst allowing Government a reasonable share of such reward**
- **Support local communities - finance existing or future environmental and development initiatives on regional level**
- **No State participation**

Fiscal Terms

● Standard points

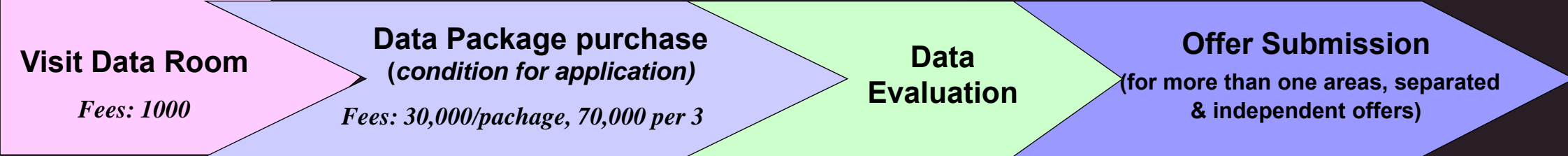
- ❖ Special petroleum profits tax of **20%**
- ❖ Regional tax of **5%**

(no other tax is imposed)

● Biddable & Negotiable points

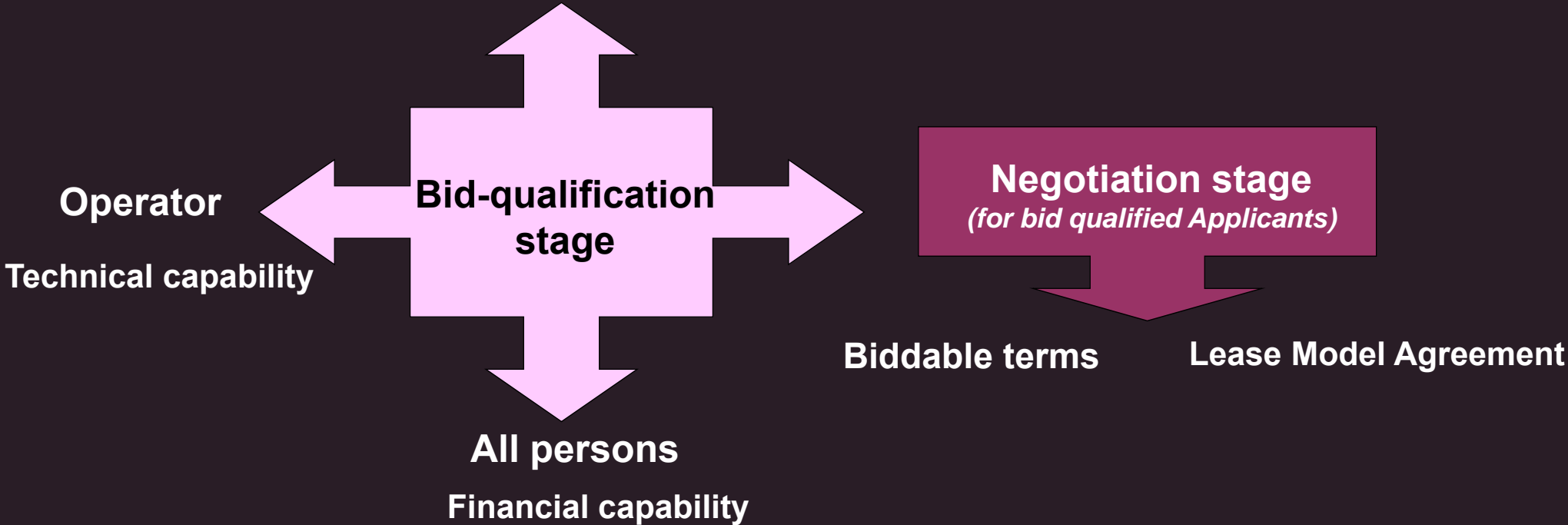
- ❖ Minimum exploration work program
- ❖ Financial guarantee (euro commitment corresponding to the estimation of the work program)
- ❖ Royalties **2% - 20%**
 - imposed on a sliding scale
 - tax-deductible
 - based on objective criteria of ratio of gross cumulative revenues to cumulative cost (**R factor**)
- ❖ Depreciation schedule.....**40% - 70%** (*Capital expenditure not recovered in any fiscal year during the lease may be carried forward to the subsequent fiscal years*)
- ❖ Relinquishment **20% - 50%** *of the original contract area at the end of each phase*
- ❖ Signature and production bonus (*not recoverable*)
- ❖ Minimum annual training of human resources (**min. euro 50,000**)

Offer Submission & Evaluation Procedure



APPLICANT: *qualified natural or legal persons or any group of such persons*

Evaluation of Applicants



Evaluation Procedure: Why Bid-Qualification?

To ensure at an early stage:

- **That the activities are in accordance with good international practice**
- **That the HSE-organization of the operator is in line with international recognized standards**
- **To ensure that the collective license group has the necessary financial capability to carry out exploration and exploitation in the License Contract Area(s) applied for**

Selection Criteria

Technical Capability (Operator)

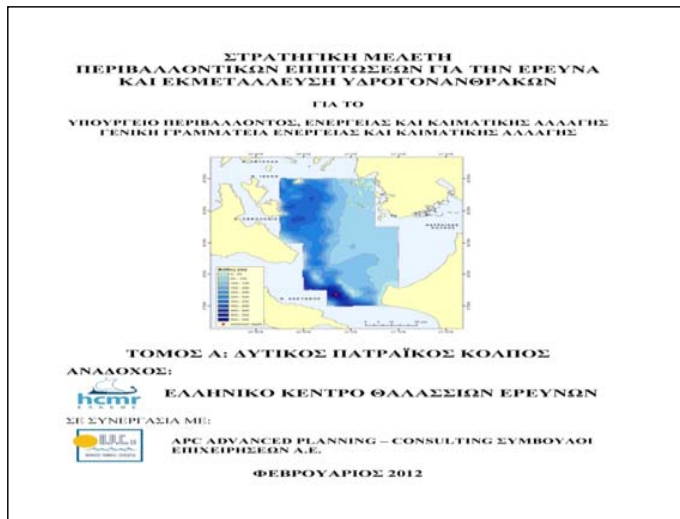
- ❖ Proven **ability** to operate upstream assets
- ❖ Proven technical **expertise** to operate in exploratory and exploitation stage
- ❖ Geological understanding of the contract area
- ❖ Deep drilling **experience** of geologically challenging environments (e.g. HP zones and diapirs, conducting operations in presence of H₂S)
- ❖ Any **lack** of efficiency and responsibility or non-performance displayed by the applicant on obligations under license previously granted
- ❖ Experience of operating in **environmentally sensitive areas** and in areas where tourism is an important earner

Financial Capability (All)

- ❖ Audited financial statements (last 3 years)
- ❖ Bank Guarantee (Euro commitment corresponding to the work programme estimation)

National security and public interest

Environment –Health & Safety



The Ministry in accordance with the EU Directive 2001/42/EC carried out a **Strategic Environmental Assessment (SEA)** to identify, describe and evaluate the likely significant effects on the environmental effects of implementing hydrocarbon exploration and exploitation activities.

Licensees are bound to follow and comply with the results and recommendations of SEA

All hydrocarbon operations should be conducted in a manner likely to promote the conservation of the natural resources and the protection of the environment by employing the most modern and appropriate techniques and in accordance with good field practices and the relevant national legislation

Applicable **national legislation** regarding environmental licensing is **law 4014/2011**. Drilling and Hydrocarbon recovery **are classified in activities group 5 / Subcategory A1** and submission for approval of an EIA (Environmental Impact Assessment) is required. Approval is granted from the competent authority of the Ministry with a practical estimation of the **overall process completion time being up to 6 months**.

**ΚΑΝΟΝΙΣΤΙΚΟ ΠΛΑΙΣΙΟ
ΓΙΑ ΤΗΝ ΠΡΟΣΤΑΣΙΑ ΤΟΥ
ΠΕΡΙΒΑΛΛΟΝΤΟΣ, ΤΗΝ ΑΣΦΑΛΕΙΑ & ΤΗΝ
ΥΓΕΙΑ ΤΩΝ ΕΡΓΑΖΟΜΕΝΩΝ
ΣΤΗΝ ΕΡΕΥΝΑ & ΕΚΜΕΤΑΛΛΕΥΣΗ
ΥΔΡΟΓΟΝΑΝΘΡΑΚΩΝ**

HSE Framework of Norway



What is next?

- Place the Management Board of Hellenic Hydrocarbons Resources Management S.A (H.H.R.M. S.A) – Full operation - **2012**
- Preparation of a new “Open- Door” invitation for specific onshore areas - **2012**
- Release of existing data of the “National Hydrocarbon Archive” to interested parties, Universities and Research Centers - **2012**
- Completion of the non-exclusive seismic survey- **2013**
- Preparation of the next Licensing Round in Western Greece and South Crete - **2013**

Geostrategic role of Greece

Hydrocarbon Potentiality and Prospects

Transparent, competitive and investment-attractive legal framework

Cumulative experience and knowledge, extensive data base

New data from spec surveys - Integration of new & past data



Greece as a Primary Natural Gas Source and Transit Route to the EU

Geography and History have placed Greece in a crucial geo-political region between Europe, Asia and Africa. At the crossroads of East and West, North and South, in an area of high geo-political importance, the Eastern Mediterranean