

Investors should smile at the new oil and gas law. It makes everything easier, from licensing to appraisal to production.



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# Welcome Amendments to the Geological and Mining Act

**I**n March 2014, the Council of Ministers accepted a draft of an amendment to the Polish Geological and Mining Act.

The text of the draft may still change as it will proceed through the parliament. Some of the proposed changes are disputable and will probably be still subject to public and parliamentary discussions. In general, however, these changes can be viewed as positive for investors, helping to streamline oil and gas investment.

First of all, the proposed amendments plan to introduce a preliminary qualifying procedure for licensing, designed to evaluate the financial and technical ability of oil and gas operators to explore, appraise and produce. Only once an operator has been qualified, will they be able to apply for a concession.

The draft amendment proposes a single concession to cover search, appraisal and production. This means the current distinction between exploration and production concessions

could be eliminated. Operators will be able to convert the currently issued concessions into a single joint concession, and seismic work done way of a simplified notification procedure.

The current challenges with Joint Operating Agreements (JOAs) could get easier for investors. Hydrocarbon concessions shall be granted by way of tender, as is the current practice, but it will become possible for several entities to submit a joint tender which, if successful, would lead to the signing of a statutorily-regulated cooperation agreement. This is in contrast to the current system which entitled a single licence holder (ie. the SPV) to legal ownership of the concession.

A procedure for granting concessions upon request will also be possible in respect to geographical areas that were already the subject of tender proceedings, where the tender was concluded without a concession having been awarded. All concessions will be granted for a period of 10 to 30 years.

The government has withdrawn from the idea of utilizing the National Operator of Energy Minerals (NOKE), which was originally intended to acquire shares in every production licence.

Other changes designed to streamline oil and gas investment include the possibility to produce oil and gas after only partially appraising the asset. This will allow the remaining search and appraisal activities to be conducted simultaneously.

Environmental cards for individual wells will be required instead of an environmental impact assessment (EIA). Finally, the duty to submit geological information shall be modified so as to require the mere submission of geological data, without any accompanying interpretation.

The government has also accepted a draft proposal for a new Tax on the Exploitation of Hydrocarbons Act. However, such a tax shall only become payable from 2020 when the target joint taxation of shale gas production will reach approximately 40 percent.

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