PETDER

PETROLEUM INDUSTRY ASSOCIATION

PETDER

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2014
SECTOR REPORT

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FROM THE CHAIRMAN

The petroleum sector operates with its 83 distributors, 110 storage facilities, approximately 13.000 dealers and thousands of employees. The fuel sector has a volume of 120 billion TL with approximately 63 billion TL of SCT and VAT.

Turkish fuel industry became a competitive market with free market structure after enactment of Petroleum Market Law no.5015 in 2005. However, recent implementations and regulations turned the market into a regulated market in contradiction with the applicable legislative framework. A ceiling price was implemented on 21 March 2014 to be effective for two months and the Board Decision on Monitoring Fuel Prices was enacted on 3 November 2014. As a result, the industry closed 2014 with a loss and fuel distributors which are among the largest companies are not ranked in the top 100 companies in Corporate Tax list. The industry has been operating below operating costs in the recent years. 2015 projections do not promise hope.

Petroleum Industry Association (PETDER) has been trying to find solutions to the problems in the industry and striving to ensure competitive and steady market activities in the industry since 1996. In 2014, especially illegal and illicit fuel and fuel price interventions such as ceiling price were the priority issues of the Association.

It is of utmost importance for the future of the industry that the private companies, state institutions and organizations and non-governmental organizations collaborate towards development and sustainable improvement of a competitive free market focusing on customer preferences high HSE standards and outstanding quality and service. Provided that we ensure the foregoing, it will be possible to create a business and investment environment that will attract national and foreign investment required in the industry.

Our Association, representing almost 85% of the sector with its 15 members, has been building steady and permanent communication networks both through its positive relations with the public and the comprehensive information and data shared with the public, and enhances these networks continuously.

PETDER has been carrying out “Waste Motor Oil Collection Project” since 2004 striving to leave our children a green environment with “One Barrel One Tree Social Responsibility Project”.

PETDER Sector Reports, published annually, not only provide information on PETDER activities but also summarize the main issues which the industry focuses on through the year and present statistical data in the industry. I express my thanks to our Board and to PETDER staff who contributed to the preparation of 2014 report and I hope this report will be beneficial to the sector and the public.

Martin Thomsen

FROM THE SECRETARY GENERAL

Annual sector reports by PETDER provide an important source followed by the sector and the public, presenting developments in the industry and statistical data together.

In addition to the previous years' reports, 2014 Sector Report includes more information on global developments in the industry. We aim to enlarge the scope and content of the report in the following years by evaluating PETDER's relations with international institutions. In 2014 Sector Report, we also present our brief comments along with the statistical data.

The first part of the report provides information on the important developments in 2014 and the meetings and events PETDER attended or organized. The second part contains sectoral figures and charts.

As PETDER, we keep the sector and the public informed on the developments and issues to be focused on in the market through this Sector Report, our web site, Waste Motor Oil Collection Project Annual Activity Report and our monthly petroleum bulletins.

I hope 2014 Sector Report will be beneficial to all agencies and institutions in the sector.

Niyazi İlter

1. EXECUTIVE S

IMPORTANT DEVELOPMENTS IN THE INDUSTRY

Ceiling price implemented.
With the Energy Market Regulatory Authority Board Decision, published in the Official Gazette no.28948 dated 21 March 2014 with immediate effect, a ceiling price has been implemented in gasoline and diesel products' refinery, warehouse and pump prices for a period of two months.

PETDER has shared its opinion with the authorities that the profit margins determined for the dealers and distributor companies under the ceiling price will not be sufficient for the dealers and distributor companies operating honestly and in compliance with the rules and laws to cover investment and operation costs and legal compliance costs and that this situation will pose a threat to the sustainability of their operations.

Despite the quite low profit margins, PETDER member fuel distribution companies strive to operate in accordance with Laws and relevant EMRA Decisions. The result of the foregoing can be observed in the 2014 100 top companies list of Fortune Magazine and Corporate Tax top 100 companies list. The industry closed 2014 with a loss and fuel distributors which are among the largest companies are not ranked in the top 100 companies in Corporate Tax list.

Board Decision on Monitoring Fuel Prices Published.
The Board Decision on Monitoring Fuel Prices was published by EMRA on 3 December 2014. Within the scope of the decision, it is stipulated that "the margin, calculated by deducting refinery sales price from the weighted average pump prices in Turkey, shall be in accordance with the average margin of the four determined European countries (United Kingdom, Italy, France and Germany), calculated by deducting the domestic refinery sales prices from the tax-free sales prices announced on the official website of the European Union". With the EMRA Board Decision, Great Britain and Germany became the new benchmark countries instead of Greece and Spain. The Decision is a price determination method rather than a price monitoring method.

In addition, indexing the margins of the fuel sector, which is important for the Turkish economy and mainly the Transportation sector, with the average margins of other countries is far away from the economic realities of our country. There are many differences between the mentioned countries and Turkey. The main differences are in the structure of petroleum markets, supply and distribution infrastructures, legal compliance costs, timing of payment of taxes, and collection method of compared prices.

As stated in EU website, the comparisons between prices and price trends in different countries should be made carefully. The validity of the comparisons between countries is limited because of the product qualities, marketing implementations and differences in market structures and the share of standard products in the categories determined.

Illegal and illicit fuel and Number 10 Oil problem continues.
Despite the improvements in the recent years, Number 10 Oil problem continues to be a significant problem as an illegal activity. Besides the tax loss worth billions of dollars, illicit fuel problem, which disturbs the commercial activities of dealers and distribution companies which operate properly, causes loss of life and

SUMMARY

property because of low quality products and has adverse effects on the environment and human health, should be resolved.

The evaluations made based on the amounts of base oil supplied to the market and lubricants imported and exported indicate that one million tons of surplus lubricant was supplied to the market in 2011. It is estimated that this amount decreased to 288,000 tons in 2014 as a result of the efficient fight and the measures taken. Detailed information is provided in "Waste Motor Oil Management Project 2014 Activity Report" published by PETDER. The decrease in the demand surplus demonstrates the effect of the steps taken towards the solution of Number 10 Oil problem.

New regulations in Customs transactions have caused delays in activities.

With the new practice implemented at Körfez Petrokimya, İzmir and Dilovası Customs by the end of September 2014 and implemented at other customs later on, the companies which could use the Blue Line for both the entry of all products and additives to customs warehouses and import transactions are transferred to the Red Line. As a result, the process which would normally take three days is prolonged for an unpredictable period of time and due to the overload, supply problems occur.

With the new fluid meter implementation at the Customs, business manner in the industry undergoes a dramatic change.

With the "Regulation Amending the Customs Regulation", published in the Official Gazette dated 2 December 2014 and numbered 29193, the business manner in the industry undergoes a dramatic change. The Regulation abolishes bonded warehouse practice for all products to be sold in Turkey, allowing only transit fuels to be stored in bonded warehouse tanks not in connection with national tanks. In addition, it will be an obligation that all purchased products go through a fluid meter and be deemed nationalized after that. This implementation will result in operational and financial additional costs besides the investment cost in the industry.

New regulations were made in the LPG industry.

Article 1 of Council of Ministers Decree in October 2014 regulates that in the event it is detected that the "LPG Other" product is used in aerosol production by manufacturers, SCT amount of such product shall refunded. It is decided that the tax difference as a result of tax deductions regulated under the Communiqué (Serial No: 36) Amending Special Consumption Tax Communiqué (Serial No: 1) shall be refunded to aerosol manufacturers.

"Regulation on Liquefied Petroleum Gases (LPG) Market Pricing System" was published in the Official Gazette no.29221 (Repeated) dated 30 December 2014. The Regulation covers the procedures and principles for principles and obligations regarding price announcements in LPG market, price changes, announcement of such changes to the public and market intervention.

TS 9881 standard, "Rules for Parking Lots", was published on 24 December 2014. The standard describes the requirements to accept LPG powered vehicles into parking garages, taking the first step to allow LPG powered vehicles into parking garages. Besides publication of the Standard, in order to be able to use parking garages, revision of Buildings Fire Protection Regulation and Vehicle Manufacturing and Modification Regulation is necessary to implement the practice.

PROJECTS

Waste Oil Management Project

Pursuant to the "Regulation on the Control of Waste Oils" enacted on 21 January 2004, lubricant producers and importers are held liable to collect used motor oils which have been offered to the market.

Pursuant to Regulation on the Control of Waste Oils amended on 30 July 2008, Petroleum Industry Association has been licensed as an "Authorized Institution" by the Ministry of Environment and Urbanization on 4 September 2008. With the regulation, it has been prohibited for real or legal entities other than authorized institutions or motor oil producers to collect waste oils. In the last 10 years, 160,103 tons of waste motor oil collected was either recycled as raw material and energy or disposed at licensed facilities. The amount of waste motor oil collected by PETDER in 2014 and delivered to facilities licensed by the Ministry of Environment and Urbanization totaled 17,750 tons.

In addition, PETDER plants one tree for each barrel of waste motor oil collected with 1 Barrel 1 Tree Project. PETDER planted 15,000 trees in 2014 and the total number of trees planted within the framework of the project reached 71,500.

INDUSTRIAL STATISTICS

Crude Oil and Fuel Prices

The fluctuations in world oil prices continued in 2014 and as a result of these fluctuations, fuel pump prices received much media coverage. Brent oil started 2014 with $110 per barrel in the international markets, and by the middle of 2014 reached $115 per barrel, its highest level in 2014 and had a sharp downward trend until the end of the year. By the end of December 2014, the price of Brent Oil was around $60. The changes in crude oil prices directly affected the price of fuel products in the Mediterranean markets and the highest price for gasoline was 1,080 $/ton and the lowest was 539 $/ton, while the highest price for diesel was 955 $/ton and the lowest 565 $/ton.

Indirect Taxes and Industry Volumes

The total financial magnitude of the fuel sector in 2014 reached 118 billion TL with an increase rate of 6.0% compared to 2013, as a result of an increase in oil prices, consumption and taxes. The total amount of the indirect taxes collected from fuel and LPG industries has continuously increased every year with the increasing amount of consumption. According to calculations based on consumption figures, the indirect taxes collected from petroleum industry in 2014 reached 62.8 Billion TL. It is calculated that the indirect taxes collected from the petroleum industry since 2007 have totaled 357 Billion TL.

In 2014, indirect taxes imposed on gasoline pump prices have been 2.93 TL/lt (59.6% of the pump price). This amount was 2.26 TL/lt for diesel (51.9% of the pump price), 1.31 TL/lt for autogas LPG (47.1% of the pump price).

Petroleum and LPG Industry Statistics

As of the end of 2014, there were 4 refineries (6 licensed refineries), 78 distributors, 12,667 fuel stations operating in the petroleum market with EMRA licenses. In the Liquefied Petroleum Gas (LPG) market, 79 distributors, 10,360 autogas stations were operating with EMRA licenses.

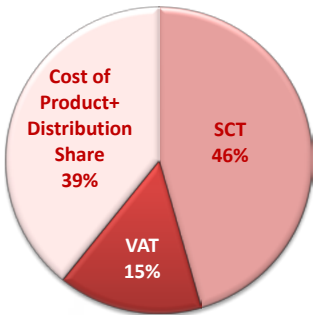
In 2014, total consumption of diesel fuel types (diesel fuel and diesel fuel - other) reached 20.9 million m3 with an increase of 4.2% compared to 2013; total gasoline consumption increased by 3.2% compared to 2013 totaling 2.6 million m^3. LPG Autogas consumption, which was 4.9 million cubic meters in 2013, increased by 4.1% in 2014 and reached 5.1 million cubic meters.

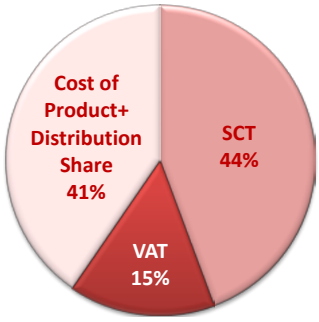
%59,6

Percentage of indirect taxes in 1 liter of gasoline price

2013	2014

UNLEADED GASOLINE 95





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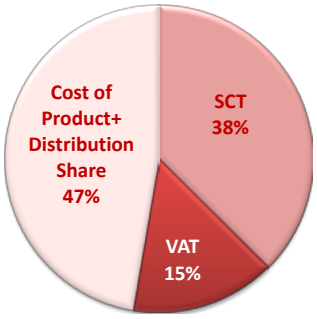
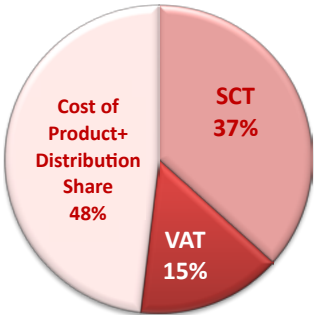
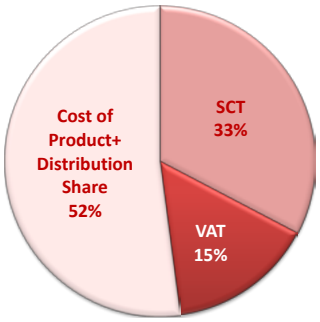




LPG AUTOGAS



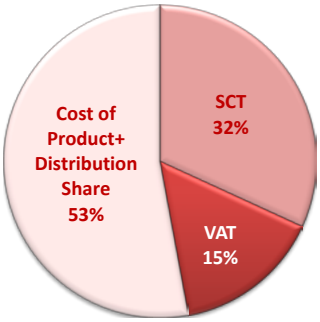


Figure 1: Tax Rates Based on Product Types and Years

Table 1: Petroleum Products Consumption (2013-2014)

Petroleum Products (m^3)	2013	2014	Fark
95 Octane (with additives)*	2.345.180	2.425.220	3,4%
Unleaded 97 and Higher Octane*	140.382	139.930	-0,3%
Total Gasoline (m^3)	2.485.562	2.565.150	3,2%
Diesel*	14.231.355	15.099.928	6,1%
Diesel (Other)*	5.841.868	5.824.790	-0,3%
Total Diesel (m^3)	20.073.223	20.924.718	4,2%
Autogas* (m^3)	4.869.500	5.068.600	4,1%
Total Automotive Fuels* (m^3)	27.428.286	28.558.468	4,1%

Vehicle Identification System Sales (m^3)	2013	2014	Fark
Gasoline	174.130	153.088	-12,1%
Diesel	2.508.421	2.692.076	7,3%
Total Vehicle Identification System Sales (m^3)	2.682.551	2.845.164	6,1%

LPG Products (tons)	2013	2014	Fark
Bulk**	95.273	84.632	-11,2%
Bottled**	841.646	800.949	-4,8%
Autogas**	2.726.925	2.838.408	4,1%
Total LPG (tons)	3.663.844	3.723.989	1,6%

Lubricants (tons)	2013	2014	Fark
Vehicle Oils	210.354	201.192	-4,4%
Industrial Oils	153.555	169.072	10,1%
Marine Oils and Greases	48.714	46.457	-4,6%
Total Lubricants (tons)	412.623	416.721	1,0%

*Calculated based on EMRA Oil and LPG Sector Report figures and PETDER data. Fuel data are consolidated from 13, lubricants data are collected from 6 distributor companies on a voluntary basis. Reflects the country total.
** Excluding standard LPG

Table 2: Automotive Fuels Tax/Price (2013-2014)

Turkey Pump Prices (TL/lt)*	2013	2014	Fark
Taxed Gasoline (95 Octane)	4,78	4,91	2,7%
Taxed Diesel (Standard 10ppm)	4,26	4,35	2,1%
Taxed Autogas (LPG)	2,70	2,78	3,0%
Gasoline without tax (95 Octane)	1,87	1,98	5,9%
Diesel without tax (Standard 10ppm)	2,01	2,09	4,0%
Autogas without tax (LPG)	1,57	1,64	4,3%

Price of Petroleum and Products in International Markets**	2013	2014	Fark
Brent (USD/Barrel)	109,6	99,8	-8,9%
Brent (TL/ Barrel)	209,2	218,7	4,5%
Gasoline, CIF Med (TL/1000lt)	1.894,9	2.027,6	7,0%
Diesel, CIF Med (TL/1000lt)	1.801,9	1.902,5	5,6%
LPG, CIF Med (TL/1000lt)	1.605,9	1.600,9	-0,3%

Total Indirect Taxes (Billion TL)***	2013	2014	Fark
Fuel SCT	37,6	39,1	4,0%
Fuel VAT	15,1	16,0	5,9%
LPG SCT	4,8	5,6	14,7%
LPG VAT	1,9	2,0	6,8%
Total Indirect Taxes	59,5	62,8	5,5%

* Calculations based on data from 8 fuel companies (Istanbul European Side) published on EMRA website.
** Source: Argus Monthly Report
*** Calculations based on total consumption data from EMRA. (For fuels, white and black products are included, lubricant is excluded)

2. GLOBAL PROJECTIONS IN THE INDUSTRY

World Energy Outlook Report, published annually by the International Energy Agency founded in 1974 with its headquarters in France, provides detailed data and projections on oil, natural gas, coal and renewable energy sources as well as global energy trends. Following is a brief summary of the information on oil industry provided in 2014 report.

An energy system under stress

The global energy system is in danger of falling short of the hopes and expectations placed upon it. Turmoil in parts of the Middle East – which remains the only large source of low-cost oil – has rarely been greater since the oil shocks in the 1970s. Conflict between Russia and Ukraine has reignited concerns about gas security. Nuclear power, which for some countries plays a strategic role in energy security, faces an uncertain future.

Changes in the global distribution

The global distribution of energy demand changes dramatically, with energy use essentially flat in much of Europe, Japan, Korea and North America, and rising consumption concentrated in the rest of Asia (60% of the global total), Africa, the Middle East and Latin America. By this time, it is India, Southeast Asia, the Middle East and sub-Saharan Africa that take over as the engines of global energy demand growth.

By 2040, the world's energy supply mix is expected to be divided into four almost-equal parts: oil, gas, coal and low-carbon sources. Resources are not a constraint over this period, but each of these four pillars faces a distinct set of challenges.

The short-term picture of a well-supplied oil market cannot disguise the challenges that lie ahead as reliance grows on a relatively small number of producers. Regional oil demand trends are quite distinct: for each barrel of oil no longer used in OECD countries, two barrels more are used in the non-OECD. Increased oil use for transport and petrochemicals drives demand higher, from 90 million barrels per day (mb/d) in 2013 to 104 mb/d in 2040, although high prices and new policy measures gradually constrain the pace of overall consumption growth, bringing it towards a plateau. Investment of some $900 billion per year in upstream oil and gas development is needed by the 2030s to meet projected demand, but there are many uncertainties over whether this investment will be forthcoming in time.

The situation in the Middle East is a major concern given steadily increasing reliance on this region for oil production growth, especially for Asian countries that are set to import two out of every three barrels of crude traded internationally by 2040.

Renewed policy focus

A renewed policy focus on efficiency is taking hold in many countries and the transport sector is in the front line. With more than three-quarters of global car sales now subject to efficiency standards, oil transport demand is expected to rise by only one-quarter despite the number of cars and trucks on the world's roads more than doubling by 2040.

Fossil-fuel subsidies totaled $550 billion in 2013 – more than four-times those to renewable energy – and are holding back investment in efficiency and renewables. In the Middle East, nearly 2 mb/d of crude oil and

oil products are used to generate electricity when, in the absence of subsidies, the main renewable energy technologies would be competitive with oil-fired power plants. In Saudi Arabia, the additional upfront cost of a car twice as fuel-efficient as the current average would, at present, take about 16 years to recover through lower spending on fuel: this payback period would shrink to 3 years if gasoline were not subsidized.

Highlights

- Oil demand rises by 14 mb/d to reach 104 mb/d in 2040 in the New Policies Scenario. The pace of demand growth decreases markedly, from an annual average of 0.9% over the period to 2020 down to only 0.3% per year in the 2030s. Prices that reach $132 per barrel in 2040 (in real terms) and policy measures to improve energy efficiency and promote fuel switching constrain oil use. By 2040, nearly 75% of oil use is concentrated in just two sectors where substitution is most challenging: transport and petrochemicals.
- The net growth in oil demand comes entirely from non-OECD countries: for each barrel of oil eliminated from demand in OECD countries, two additional barrels of oil are consumed in the developing world. India and Nigeria are the countries with the highest rates of oil demand growth. China becomes the largest oil-consuming country in the early 2030s, but higher efficiency and lower rates of growth in industrial activity and in demand for mobility (as population numbers level off in the 2030s) mean that, by 2040, oil demand growth all but comes to a halt in China.
- As US tight oil output flattens and then starts to fall back, Canadian oil sands emerge as the engine of North American supply. Despite a gradual spread of tight oil production to Argentina, Russia, China and elsewhere, non-OPEC supply falls back to 51 mb/d by 2040, slightly higher than today's levels. Mexico offers some potential upside to the non-OPEC outlook following recent energy sector reforms.
- Meeting long-term demand depends increasingly on the large OPEC resource holders in the Middle East. OPEC production increases by less than 1 mb/d over the remainder of this decade, but then needs to increase substantially in the 2020s (by more than 6 mb/d) and by almost as much again in the 2030s. Renewed turmoil in Iraq, Libya and other parts of the Middle East and North Africa has underlined the downside risks to oil production. The apparent breathing space provided by the rise in non-OPEC output over the next decade is in many respects illusory, given the long lead times of new upstream projects. With a legacy of under-investment, Iranian production would take time to bounce back even if sanctions were removed.
- The global refining sector has to adjust to the new geography of oil demand and supply and the changing composition of feedstocks, a process that looks particularly difficult for Europe, which continues to have a large excess of refinery capacity over projected refinery runs. By 2040, two out of every three barrels of crude oil traded internationally are destined for Asia, up from less than half today, drawing into Asia a rising share of the available crude from the Middle East and beyond.

3. IMPORTANT DEVELOP IN THE INDUSTRY

3.1 CEILING PRICE

Energy Market Regulatory Authority Board Decision published in the Official Gazette no.28948 dated 21 March 2014 with immediate effect, is a price determination method rather than a price monitoring method. With the Board Decision, a ceiling price has been implemented in gasoline and diesel product sales prices for a period of two months.

PETDER opinions and comments on the Ceiling Price implemented with the EMRA Board Decision are summarized below:

1) It is considered that it is not possible to speak of any kind of "prevention of competition in the market" which is stated as the prerequisite of exercising the authority granted to EMRA under Article 10 of Law no.5015. Although it is necessary to initiate a preliminary investigation or inquiry pursuant to Article 20 of Law no.5015, to reveal upon such investigation that competition is prevented and to provide the undertakings with the right of defense in this process in order to be able to implement ceiling price, such a process was not observed.

2) There might be several factors affecting the margins in a country and the profit margins in that country may change from time to time based on these factors. The profit margins in Turkey should not be indexed to the increase and decrease of the margins in those countries as a result of country-specific factors and a comparison would not be valid. However, if a comparison is to be made, it should be made taking into consideration all differences and factors. In this regard, the following points are important:

- There are significant differences between the market dynamics in these countries and Turkey (retail formats-COCO, DOCO, pipeline shipment, self-service, average sales per station etc.)
- The price monitoring methods differ in each of these countries and the average of different sales channels is announced in the EU bulletin. Comparison of these prices with the station retail prices in Turkey yields unrealistic results.
- There are additional costs (National Marker, dealer automation system, national stock obligation, road transport, SCT financing, cash register operation and maintenance, annual EMRA payments, dealer sampling, e-book/e-invoice/e-record etc.) due to legal obligations in Turkey which do not exist in these countries.
- There are significant structural differences between the general economic structure in Turkey and in the other European countries and as a result of these differences, the inflation rate and financing costs (credit card commissions, bank guarantee letters, borrowing costs etc.) are higher in Turkey.

3) Until the ceiling price decision, Greece, Italy, France and Spain were taken as benchmark countries as the nearest accessible world free markets mentioned in official correspondence and official decisions, and market prices in these countries were monitored. However, in the recent ceiling price practice it is observed that Spain and Greece have been replaced with England and Germany. With this new amendment, the industry has faced the claim of high margins. This situation creates a discrepancy regarding the concept of "nearest accessible" stipulated in the Law. In addition, the new benchmark countries do not apply the Mediterranean prices, use different supply points and market structures are different.

4) The 38 kurus margin, claimed to be reasonable with EMRA's written warning on 19/10/2011, is higher than

the rate determined as the ceiling price even when only the inflation is taken into consideration. In addition, the costs of financial and legal obligations in the industry have significantly increased since then.

5) Because of the country-specific conditions, the margins are not high in Turkey and as a result, the average yield is quite low for distribution companies. The industry has closed the last five years with a loss.

We would like to state that the two-month ceiling price implementation has had detrimental impacts on the industry. We believe that in order for the Fuel Market, which is of great importance for the national economy, to develop as a steady market, it is necessary to adopt free market mechanisms to ensure progress and improvement of free competition environment; such direct interventions have negative effects on free market operations and development of the industry. The industry closed 2014 with a loss. Fuel distributors which are among the largest companies are not ranked in the top 100 companies in Corporate Tax list.

3.2 BOARD DECISION ON MONITORING FUEL PRICES

The Board Decision no. 5291-1 on Monitoring Fuel Prices was published by EMRA in the Official Gazette dated 03/11/2014 and numbered 29168. Within the scope of the decision, it is stipulated that "the margin, calculated by deducting refinery sales price from the weighted average pump prices in Turkey, shall be in accordance with the average margin of the four determined European countries (United Kingdom, Italy, France and Germany), calculated by deducting the domestic refinery sales prices from the tax-free sales prices announced on the official website of the European Union".

PETDER believes that such interventions to the market should be avoided unless the "competition in the market is restricted" as stipulated under Article 10 of Law no.5015 for EMRA to use the authority granted. It is also believed that indexing the margins of the fuel dealers and distributors in Turkey to other countries without taking into consideration the differences in the costs, markets and national economies does not yield realistic results.

There are many differences between the mentioned countries and Turkey. The main differences are in the structure of petroleum markets, supply and distribution infrastructures, legal compliance costs, timing of payment of taxes, and collection method of compared prices. These differences between the countries are pointed out in the official website of the European Union and it is stated that they should be taken into consideration when making comparisons.

For example, while the south of Italy and France use Mediterranean-based prices (Platts MED), the north of the France, United Kingdom and Germany use northwest based prices (Platts Northwest Europe). The Turkish fuel sector provides job opportunities for hundreds of thousands people as frontline employees and store employees, whereas services are offered in the form of self-service in many European countries. Customers pay additional 8 Euro Cents (22 kurus) in Italy for products bought from stations with frontline employees when compared with self-service stations.

In addition, many additional costs specific to Turkey and many of which are legal requirements to fight illegal and illicit fuel activities and which PETDER supports, should also be considered. These are;

- Dealer automation system operating and reporting in order to register fuel movements and operations,

- Implementation of national marker in order to detect smuggled fuel,
- Financing cost caused by cash payment of the SCT,
- Operation and maintenance of cash registers located at each station separately for each pump,
- National inventory holding costs,
- Investments for e-book, e-bill, e-registration transition period,
- The costs for bank guarantee letters in import,
- Shipping costs,
- Annual EMRA payments of distributor companies,
- Dealer sampling cost,
- Employment of Occupational Health and Safety Specialists.

In addition, there are significant structural differences between the general economic structure in Turkey and in the other European countries and as a result of such differences, the inflation rate and financing costs are much higher in Turkey. This situation creates additional costs in loans and bank guarantees and when using credit cards. On the other hand, the profit margins lower than the inflation and cost increases in recent years cause important financial difficulties for distribution companies and dealers operating in line with the regulations. When the inflation is considered (constant for year 2008), it is observed that in past seven years, the margins have decreased in average.

Turkish petroleum market has developed under free market conditions since 2005 and the legislative arrangements have served to this purpose. However, the Board Decision, although taken with the purpose of monitoring prices, results in a price formation creating a permanent ceiling price environment. In this regard, the Decision will also have negative effects on the competitive environment that the sector has been trying to establish.

Margin restrictions shall have adverse effects on the service quality in the sector where the service standard is higher compared to many European countries and operations are in compliance with HSE (Health, Safety, Environment) practices. On the other hand, unlike EU countries, the Turkish fuel sector fights illegal and illicit fuel in cooperation with the authorities and it is believed that such interventions will bring this fight to a standstill.

Due to the foregoing, profitability of the fuel sector in Turkey should be evaluated independent of the other countries. If a comparison is to be made with other countries, market differences should be clearly identified and such differences should be updated regularly based on new developments. Such evaluations should be carried out by EMRA and the sector in collaboration, with the support of independent consultancy companies when necessary.

3.3 AMENDMENT TO ANTI-SMUGGLING LAW

With the “Law Amending Turkish Criminal Code and Other Laws” published in the Official Gazette dated 28 June 2014 and numbered 29044, Subparagraph 11 on national marker of Article 3 of Anti-Smuggling Law no.5607 has been amended as follows:

Abolished

(11) Those who produce, offer to the market, sell, have in stock, purchase for commercial purposes despite

There are significant structural differences between the general economic structure in Turkey and in the other European countries. Therefore, the margins in turkey should be evaluated independent of the other countries.

being aware of its illegal nature, transport or store the liquid fuel which, according to accredited laboratory analyses results, does not contain national marker at the level specified by Energy Market Regulatory Authority and also cannot be documented in order to prove that it has entered into free circulation in Turkey legally or of which the country of origin is indefinite, shall be penalized with imprisonment of two to five years and a judicial fine of up to twenty thousand days.

New

(11) Those who;
a) produce for commercial purposes, have in stock or transport,
b) offer to the market or sell,
c) despite being aware of its illegal nature, purchase for commercial purposes
the liquid fuel which is subject to National Marker practice but does not contain any or a sufficient amount of national marker, as specified by Energy Market Regulatory Authority, shall be penalized with imprisonment of two to five years and a judicial fine of up to twenty thousand days. However, in the event it is detected that liquid fuel which does not contain any or a sufficient level of national marker is smuggled into the country, pursuant to the provision under Subparagraph 10, a penalty shall be imposed.

The penalties, imprisonment of two to five years and a judicial fine of up to twenty thousand days, shall persist in the new clause. However, the amendment stipulates that in the event it is detected the fuel has been smuggled into the country; such penalties shall be increased by half to twice fold and shall not in any case be less than three years.

3.4 NUMBER 10 OIL

Number 10 Oil problem is a general name for commercial activities involving mixture of materials such as base oil, solvent, waste lubricants / vegetable oils and illicit diesel fuel usually sold in tins and used as a substitute for diesel fuel in liquid fuel market. Illicit fuel and Number 10 Oil are non-standard liquid fuel products under all circumstances and absolutely damage the vehicle and cause serious accidents which might result in disasters causing serious life loss.

Activities under the name of Number 10 Oil are carried out openly on highways, truck stops and bus terminals, industrial areas. In 2014, accidents at the locations where such activities and manufacturing is carried out or the coaches catching fire en route due to Number 10 Oil etc. caused serious life loss.

When the financial and legal measures taken and the audits conducted in the previous years are considered, it is observed that great progress has been made towards the solution of the problem. It is estimated that the amount of demand surplus decreased from 1.1 million tons in 2011 to 288,000 tons in 2014.

Despite the financial and legal measures taken, Number 10 Oil problem continues to be a significant problem as an illegal activity. Besides the tax loss worth billions of dollars, the illicit fuel problem, which disturbs the commercial activities of dealers and distribution companies which operate properly, causes loss of life and property because of non-standard low quality products and has adverse effects on the environment and human health, should be resolved.

With the "Regulation Amending the Customs Regulation", the business manner in the industry undergoes a dramatic change. The change will cause an additional financial cost of 3.2 billion TL for the sector.

First of all, marketing of any kind of illegal product should be prevented. Strict controls and inspections should be imposed on those who market such products with this purpose, the results and penalties should be shared with the public. A strict control mechanism should be applied to public transportation and cargo vehicles.

The amount of motor and transmission oil offered to the market in 2014 was 201,000 tons. It is estimated that approximately 65% of this amount became waste oil. 17,750 tons of waste motor oil collected and registered by PETDER in 2014 constitutes 13.5% of the total waste motor and transmission oil generated. It is believed that a significant part of the remaining was used in illegal fuel trade.

Further information is provided under the "Projects" section of this report.

3.5 E-RECORD OBLIGATION

With the Tax Procedure Law General Communiqué no.431 published in the Official Gazette no.28866 dated 29/12/2013, the principles and procedures for creating, storing and submitting records on particular subjects (Record Keeping Requirements) had been determined for the purpose of conducting tax audits in compliance with the developing technology.

On grounds that creating a new database, software development and infrastructure works would require more time, PETDER had requested that the commencement date of the implementation be revised.

In the final phase of the process, commencement date of the implementation was postponed from 1 July 2014 to 1 January 2015 with a decision rendered by the Revenue Administration.

3.6 RED LINE TO BE USED IN CUSTOMS TRANSACTIONS OF LUBRICANTS

With the new practice implemented at Körfez Petrokimya, İzmir and Dilovası Customs by the end of September 2014 and implemented at other customs later on, the companies which could use the Blue Line for both the entry of all products and additives to customs warehouses and import transactions are transferred to the Red Line.

As a result, the process which would normally take three days is prolonged for an unpredictable period of time and due to the overload, supply problems occur.

With the new practice, not only the test process has come to a standstill due to the overload at the chemistry laboratory of the Ministry of Customs and Trade and the import process is prolonged but also the operation period is unpredictable due to repeated sampling for all imports of the companies (in some cases, a new sample was taken from the same tank at each phase of import) and companies came to a point making deliveries impossible. This situation results in supply problems and additional costs.

PETDER and its members have suggested the following towards resolution of the problem:

- Blue line practice should be reimplemented
- In the event current practice remains effective,

- In accordance with former practice of red line, delivery of the product should be permitted after sampling and sanctions should be imposed on companies based on the test results.
- Test periods should be shortened commercial activities of companies should continue with the use of accredited laboratories.

3.7 FLUID METER IMPLEMENTATION AT THE CUSTOMS

With the "Regulation Amending the Customs Regulation", published in the Official Gazette dated 2 December 2014 and numbered 29193, the business manner in the industry undergoes a dramatic change. The Regulation abolishes bonded warehouse practice for all products to be sold in Turkey, allowing only transit fuels to be stored in bonded warehouse tanks not in connection with national tanks. In addition, it will be an obligation that all purchased products go through a fluid meter and be deemed nationalized after that.

The fluid meter and SCT implementation will result in additional operational and financing costs:

- It is estimated that the industry will invest approximately 100 million USD as the initial investment cost. The system will also have operating costs.
- With the regulation, the companies will not be able to keep the obligatory national stock tax-free and it is estimated that the industry will have to increase the operational capital by 3.2 billion TL (excluding LPG Autogas) and this will create an additional financing cost of approximately 320 million TL.
- In the event that the collection cycle of SCT, which normally accrues during sales, is changed and is collected in a shorter period than the current collection period pursuant to the new regulation, it will bring an additional financial burden of over 3.2 billion TL.

3.8 TS 11939 T3 STANDARD AMENDMENT

"TS 11939 T3: Liquefied petroleum gases (LPG) -Automotive refueling stations - Safety rules" standard amendment was published by TSE in November 2014 and implementation became compulsory with the Communiqué published by the Ministry of Science, Industry and Technology in the Official Gazette dated 22 December 2014.

The standard was amended as follows:

- LPG dispenser safety distances were amended as 16 meters to hospitals, schools and public buildings, LPG underground tank safety distance was amended as 26 meters to public buildings.
- Definition of "Dead Man's Button" in Article 3.19 was amended.
- The requirement to design the wire fence or the fence enclosing the tank area in such a way that will not block the airflow was added to Article 5.2.6.
- The requirement to have an automatic overfill prevention system in underground LPG tanks at the stations was added to Article 5.3.8.

3.9 NEW SCT REGULATION ON LPG

Article 1 of Council of Ministers Decree No.2014/6881 dated 30/09/2014 regulates that in the event it is detected that the "Liquefied Petroleum Gas (LPG) Other" product with HS Code 2711.19.00.00.11, delivered based on the tax amount listed in Table (A) of List (I) annexed to Special Consumption Tax Law No.4760, is used in aerosol production by manufacturers, SCT amount of such product shall be refunded.

Special Consumption Tax General Communiqué No.18 (3), setting SCT amount as zero for LPG delivery to be used in aerosol production, was abolished as of 17/10/2014. It was approved to implement the tax differentiation resulting from tax reduction regulated with "Communiqué Amending the Special Consumption Tax General Communiqué No.1 (Serial no: 36)" by refunding aerosol manufacturers. Although standard LPG sales, which totaled 72,975 tons in 2013, reached 40,087 tons in the first 6 months of 2014, closed the year at 61,263 tons with a decrease of 16%. This decrease can be interpreted as the effect of the measures taken.

3.10 LPG PRICING SYSTEM REGULATION

"Regulation on Liquefied Petroleum Gases (LPG) Market Pricing System" was published in the Official Gazette no.29221 (Repeated) dated 30 December 2014. The Regulation covers the procedures and principles for principles and obligations regarding price announcements in LPG market, price changes, announcement of such changes to the public and market intervention. Price of the products and services offered to the market will be formed under free market conditions. Refineries and Distributors shall notify the Authority of ceiling prices based on the price formations in accessible global free markets. Dealers shall be informed of these prices and prices shall be announced on the internet. Autogas dealers shall announce autogas sales prices on billboards and the prices shall not exceed the maximum price.

3.11 STANDARD ON ALLOWING LPG POWERED VEHICLES INTO PARKING GARAGES

TS 9881 standard, "Rules for Parking Lots", was published on 24 December 2014. The Standard describes the requirements to accept LPG powered vehicles into parking garages, taking the first step to allow LPG powered vehicles into parking garages.

The Standard includes amendments such as making car parks safer in terms of ventilation and fire extinguishing systems and designating parking spots for LPG powered vehicles. Documenting that the vehicles are inspected is among the studies planned for the upcoming period. Besides publication of the Standard, in order to be able to use parking garages, revision of Buildings Fire Protection Regulation and Vehicle Manufacturing and Modification Regulation is necessary to implement the practice.

3.12 ADR ROADSIDE CHECKS

Pursuant to "Regulation on Carriage of Dangerous Goods by Road", published in the Official Gazette no.28801 dated 24/10/2013 and in force as of 01/01/2014, inspections started within the scope of the Circular on Roadside Checks in Carriage of Dangerous Goods by Road. During these inspections, the Driver Training Certificate for Carriage of Dangerous Goods (SRC5), which is an obligation for drivers of vehicles carrying dangerous goods, is also checked. It is stated in the letter of the Ministry of Transportation that the current practice allowing to use "Training Completion Certificates" as a substitute for SRC5 Certificate in domestic transportation was extended until 31 March 2015 with the Ministry Approval no.70372 dated 25 December 2014.

3.13I NDUSTRIAL AIR POLLUTION CONTROL REGULATION

Pursuant to 22. Group Facilities (Crude Oil, Petroleum and Fuel Filling and Storage Facilities) under Industrial Air Pollution Control Regulation by the Ministry of Environment and Urban Planning on 3 July 2009, it is an obligation to set up vapor recycling units and closed sampling systems at fuel terminal as of 1 January 2014. Implementation of this obligation was postponed to 1 January 2018 with the arrangement published in the Official Gazette dated 20.12.2014 and numbered 29211.

3.14 MARKETING UNLEADED GASOLINE 95 OCTANE AND 98 OCTANE UNDER A SINGLE NAME

With the announcement on EMRA website on 23 May 2014, EMRA requested opinion on marketing of the

two gasoline types, the official names of which are “Unleaded Gasoline 95 Octane” and “Unleaded Gasoline 98 Octane”, under a single name pursuant to the “Draft Communiqué (Fuel Serial No:28) Amending the Technical Regulation Communiqué on Gasoline Types (Fuel Serial No:14)”.

Even though gasoline 98 octane or higher is not offered to the market at the moment, it is considered by PETDER that a projection assuming that it will not be available in the future may have restrictive consequences. It is projected that if gasoline types are marketed under a single name, customs clearance procedures will be problematic when importing a product with the same HS Code of gasoline 98 octane and prolonged procedures will be necessary to regulate import transactions. It is believed that marketing of the two gasoline types, the official names of which are “Unleaded Gasoline 95 Octane” and “Unleaded Gasoline 98 Octane”, under two different names which does not create any problems in practice at the moment, will be more advantageous.

3.15 SCT GENARAL COMMUNIQUÉ SERIAL NO: 30 AND IMPORT GUARANTEE DEPOSITS

Under Paragraph 3 of the “Article 16.3.1 Guarantee Deposits to be Provided at the Customs for Products Under List (I)” in the Communiqué (Serial No: 30) Amending the SCT General Communiqué (Serial No: 1) promulgated after being published in the Official Gazette dated 18 March 2014 and numbered 28945, it is stipulated that; “importers of the products set forth under List (I) shall provide an individual guarantee for the SCT amount for each customs declaration.

However, for import of the products under Schedule (A) of the List (I) and the products under Schedule (B) only subject to bonded warehouse and transit regime, guarantee for the total SCT amount may be provided within the scope of the applicable customs regime. In the event a guarantee for more than one import transaction is provided within the scope of the applicable customs regime, upon completion of each import transaction, the amount of guarantee provided for the relevant transaction may be used for a new import transaction.” This provision of the article states that it is possible to provide block guarantee for more than one import transaction for the import of the products under Schedule (B) subject to bonded warehouse and transit regime. PETDER has conveyed its opinion through official correspondence, for allowing the companies operating in the relevant sectors to benefit from block guarantee, taking the first step in the resolution process.

3.16 AMENDMENTS TO NON-FUEL PRODUCTS COMMUNIQUÉ

The Non-Fuel Products Communiqué, published in the Official Gazette dated 29 June 2013 and numbered 28692 and effective as of 1 January 2014, was amended twice in 2014, in June and in December. The amendments are summarized below:

- Products shall be imported by industrialists themselves or by importers on behalf of industrialists with a certificate of conformity,
- Holders of lube oil licenses, holders of distributor licenses provided it is stated in the license that the holder can undertake lube oil activities, holders of bunker delivery license in which lube oil is registered among market activity products and holders of distributor licenses provided it is stated in the license that the holder can undertake bunker delivery activities and lube oil is registered among the products under bunker delivery activities can be granted a certificate of conformity both as an industrialist and as an importer,
- Industrialists can apply for a certificate of conformity authorizing two importers at most,
- Products under Annex-1 shall be exempt from the certificate of conformity for import of such products provided that the amount, stipulated previously as 250 kg per shipment, does not exceed 250 kg per declaration of release for free circulation and 4 declarations per month or provided that it is shipped in packages of 5 kg at the most, or for domestic procurement provided that it is shipped in packages of 25 kg at the most,
- Declarations regarding domestic sales shall be made quarterly rather than monthly,
- The procedure regarding the documentation to be submitted for certificate of conformity applications has been simplified.

SECTORAL MEETINGS

3.17 EMRA AND LPG INDUSTRY MEETING

Representatives of the LPG industry and EMRA came together in Ankara on 16 May 2014. At his opening speech, EMRA President Mustafa Yılmaz stated that the investments in LPG industry are made by private companies while controls and inspections are performed by the state and that the increase in autogas consumption, number of distribution companies and dealers is a significant achievement. At the meeting, representatives of the industry presented their opinion on;

- Putting the regulation leading to cancellation of license under Article 17 on the agenda,
- Industrial evaluation regarding stock obligation,
- LPG Market Law as a whole,
- Studies on inspections, procedures and principles of sampling in LPG industry,
- Analysis of Anti-Smuggling Law no.5607,
- Current situation in ongoing lawsuits on license cancellations and seizure,
- Aerosol sales.

At the final session of the meeting, information on primary and secondary legislation studies conducted by Head of EMRA LPG Department Cemalettin Tüney was presented.

3.18 5th TURKEY ENERGY SUMMIT

5th Turkey Energy Summit organized by Energy Fairs and Organizations was held in Gaziantep on 11-12 September 2014. Minister of Energy Taner Yıldız and EMRA President Mustafa Yılmaz answered the questions of journalist moderators on the energy market and the agenda.

PETDER Chairman Martin Thomsen made a presentation on “Barriers Hindering Free Market Conditions and Competition in Fuel and LPG Industry” and PETDER Secretary General Niyazi İlter delivered a presentation on “Projections on Automotive Fuels.

3.19 TOBB INDUSTRY COUNCIL MEETINGS

“Turkey Petroleum and Petroleum Products Industry Council Meeting” was held at TOBB on 18 September 2014 with the participation of PETDER. At the meeting, it was decided to establish the following subcommittees in order to promote the efficiency of TOBB Petroleum Council and to support realization of the matters discussed at the Council:

- Technical Committee (automation, national marker, biofuels, health safety environment, etc.)
- Legislation
- Non-Fuel Products (AHÜ)

It was remarked that the committees, which will be formed of experts in the public and private sectors and NGOs who do not necessarily have to be a member of the Council, will be beneficial and accelerate the activities of the Council. The Council convened under the chairmanship of Muammer Ekim in Ankara on 2

With the decision taken in "Turkey Petroleum and Petroleum Products Industry Council Meeting", following committees have been formed:

- **Technical Committee**
- **Legislation**
- **Non-Fuel Products**

December 2014. At the meeting;

- Subcommittees and their members were finalized and it was decided to start committee activities.
- The situation after EMRA Board Decision on prices to be implemented in the Petroleum market was discussed.
- The difficulties caused by the new blue line/red line practice in Non-Fuel Products, initiated by the Ministry of Customs and Trade, and correspondence with the Ministry were discussed.
- The Regulation by the Ministry of Customs and Trade, terminating the ''bonded warehouse regime" to prevent smuggling and accepting the products as bonded after going through the counters to be installed at unloading points, was discussed.
- EMRA study for eliminating the difficulties faced in station automation practice was introduced.
- Competition Authority implementation for exemptions/clarity in distributor-dealer contracts was discussed.

3.20 EMRA NOTIFICATIONS MEETING

An informational meeting on the Draft on Notifications was held with EMRA officials at Istanbul Divan Hotel on 14-15 October 2014. Alp Ulusoy and Mehmet Özcan from the Strategy Development Department and Türkay Doğan and Mehmet Kürkçü from the Petroleum Market Department of EMRA attended the meeting where more than 75 representatives of 37 companies operating in the industry were present. On the first day of the meeting, notifications in aviation were discussed in the morning session while notifications in marine operations were discussed in the afternoon session. On the second day, EMRA officials listened to the recommendations of distributors, refinery and storage owners. A similar meeting on LPG notifications was held at EMRA on 17 October 2014.

3.21 COMPETITION AUTHORITY RECEIVED OPINIONS OF THE INDUSTRY

The Competition Authority initiated a study for the preparation of the "Communiqué on Group Exemption Regarding Vertical Agreements in Fuel and LPG Markets". Meetings were held at the headquarters of the Authority between 3 and 7 November 2014 with the participation of the representatives of the industry.

Six years after the implementation of the practice within the scope of board decisions on dealership agreements between the distribution companies and dealers in Turkish fuel market and the duration of leasehold or usufruct rights on such stations established in favor of distribution companies, the scope of the Communiqué, commencement of vertical agreements and related topics were discussed at the meeting held with the participation of PETDER members on 6 November 2014.

3.22 "ADR ASSISTANCE" EU PROJECT COMMITTEE MEETING

17 "Assistance on the Transport of Dangerous Goods" EU Project 2nd Steering Committee Meeting was held by General Directorate of Dangerous Goods and Combined Transportation on 17 November 2014.

The developments in the project in the last three months and future plans were discussed at the meeting. It was stated at the meeting that the training of the personnel to conduct roadside checks began in November and that roadside checks will commence at the beginning of 2015. It was also stated that the meetings would be held every three months.

5th Turkey Energy Summit

3.23 FUEL DEALERS MEETING

Fuel dealers came together at the "National Dealers Meeting" held by TABGIS and PUIS at Ankara Sheraton Hotel on 29 November 2014.

EMRA regulations in the industry and the problems arising from such regulations were discussed at the meeting. TOBB Board of Directors former member İlhan Parkeser chaired the Council Committee consisting of PUIS Chairman Muhsin Alkan, Vice Chairman İmran Okumuş, TABGIS Chairman Ferruh Temel Zülfikar and TABGIS vice chairman Murat Bilgin.

In his speech, TABGIS Chairman Ferruh Temel Zülfikar stated that both the regulations and illegal fuel problem in Turkey brought fuel station industry to a standstill. Zülfikar criticized the pricing methodology, published by EMRA in the Official Gazette on 7 November 2014, bringing the profit range of fuel dealers and distributors in the oil market in conformity with four EU countries and stated that interventions to the market do not yield an efficient result in the downmarket and that the solution to decrease the prices would be a tax regulation.

PUIS Chairman Muhsin Alkan said: "We are a large industry providing for hundreds of thousands of families. The industry also employs lots of people from various branches of engineering where unemployment rates are high. We create additional areas of employment such as managing directors, occupational safety specialists, and workplace doctors. Turkish fuel market is a market which should not be compared with any other market in the world. Not only the rate of employment in the industry but also the investments and costs lay a burden on the market."

3.24 MENR 2015-2019 STRATEGIC PLAN

Ministry of Energy and Natural Resources 2015-2019 Strategic Plan Presentation Meeting was held in Ankara on 3 December 2014. The opening remarks of the meeting were made by Minister of Energy and Natural Resources Taner Yıldız, Chairman of National Assembly Committee on Trade, Industry, Energy, Natural Resources, Information and Technology Halil Mazıcıoğlu, Undersecretary Metin Kılcı, EMRA President Mustafa Yılmaz, Deputy Undersecretary Selahatin Çimen and President of Strategic Development Unit Doğanbey Akgül. In addition to the Strategic Plan, outlook of energy and natural resources in the world and Turkey was also presented at the meeting. Representatives from PETDER were also present at the meeting.

3.25 INTERNATIONAL PROCESS SAFETY SYMPOSIUM AND EXHIBITION

1st International Process Safety Symposium and Exhibition, the first symposium on this subject in Turkey, took place at Yildiz Technical University 2010 European Capital of Culture Congress and Culture Centre on 5-6 December 2014. Process Safety, developed to prevent incidents such as fires, explosions, release of chemical substances, mostly taking place in the chemical industry, was discussed at the symposium where PETDER was one of the sponsors. Representatives from PETDER were also present at the symposium.

3.26 EMRA AND LPG REPRESENTATIVES CONVENED

A meeting was held by EMRA on 12 December 2014 under the chairmanship of Head of EMRA LPG Market Department Barış Sanlı and with the participation of a delegation consisting of group presidents and experts,

sector representatives and TSE. At the meeting;

- "Draft Law Amending LPG Market Law" was discussed.
- Amendment proposals on Technical Regulations, prepared by TOBB LPG Council Subcommittee, were discussed.
- TSE made a presentation on TSE certificates of LPG stations
- In the presentation on LPG Market notifications, it was stated that there are omissions and inaccuracies in notifications submitted to the Authority.
- Omissions and inaccuracies in the documents submitted with licenses were presented as a separate agenda item.
- It was agreed that EMRA participants and sector representatives should meet monthly.

3.27 UCES UPDATING PROJECT KICK-OFF MEETING

European Union Integrated Approximation Strategy (UCES) Updating Project Kick-Off Meeting was held in Ankara on 29 December 2014. The opening remarks were made by Environment and Urban Planning undersecretary Prof. Mustafa Öztürk and TUBITAK Vice President Prof. Abdullah Çavuşoğlu, and the project was launched. Representatives from PETDER were also present at the meeting.

The scope of the Project consists of legislation alignment of European Union Integrated Approximation Strategy (UCES) and evaluation of level of investments between 2007-2014, updating the project for 2014-2023 period and developing a monitoring and assessment method for evaluating the progress in updated UCES.

4. NEWS FROM

4.1 NEW BOARD MEMBERS ELECTED AT PETDER GENERAL ASSEMBLY

At the Ordinary General Assembly of petroleum Industry Association (PETDER) on 10 April 2014, PETDER activities in the previous period were presented and 2014 budget was approved and adopted.

In addition, the new PETDER Board was appointed at the Ordinary General Assembly. At the first Board Meeting after the General Assembly, Ahmet Erdem was re-elected as the Chairman of the Board. Martin Thomsen was elected as Vice-Chairman of the Board.

The new Board is appointed as follows:

Chairman	
Ahmet ERDEM	(The Shell Company of Turkey Ltd.)
Vice Chairman:	
Martin THOMSEN	(BP Petrolleri A.Ş.)
Accounting Member:	
Adnan ÜNAL	(Petline Petrol Ürünleri A.Ş.)
Board Members:	
Tamas MAYER	(OMV Petrol Ofisi A.Ş.)
Antoine TOURNAND	(Total Oil Türkiye A.Ş.)
Ekrem EKMENCİ	(Opet Petrolcülük A.Ş.)
Yılmaz TECMEN	(Turcas Petrol A.Ş.)
Ahmet İzzet EKE	(Aytemiz Akaryakıt Dağıtım A.Ş.)

4.2 PETROYAĞ BECAME A MEMBER OF PETDER

Petroyağ ve Kimyasallar San. Tic. A.Ş. became a member of the Association with a Board Decision of Petroleum Industry Association (PETDER). With Petroyağ, number of PETDER members increased to 15.

4.3 PETDER WASTE MOTOR OIL COLLECTION PROJECT ACTIVITIES EVALUATION MEETING HELD ON 24 APRIL

"2013 Activity Evaluation Meeting" on waste motor oil collection and recovery activities carried out by PETDER was held at Point Hotel Barbaros on 24 April 2014 with the participation of representatives of companies involved in the project under the protocol signed. PETDER Projects and External Affairs Coordinator Aydın Özbey recalled that PETDER has been collecting waste motor oil all over Turkey, regardless of amount and distance, for public interest since 2004 contributing to the economy by facilitating the recovery of waste oil as raw material and energy at facilities licensed by the Ministry of Environment and Urbanization. Özbey also expressed that the project has turned into an example across Europe. At the meeting, stating that 18,715 tons of waste engine oil was collected in 2013, it was also indicated that the amount of waste oil collected only corresponds to 16% of the amount supplied to the market. Pointing out the fact that there are those who illegally pay for and collect waste engine oil in the market although PETDER is the only Institution authorized

by the Ministry of Environment and Urban Planning, Özbey underlined the importance of taking immediate measures against those who risk environment and human health. The results of the "Customer Satisfaction Survey" intended for project participants and waste engine oil generators were presented by PETDER Corporate Communications Executive Yasemin Dağ. The results of the survey displayed that the level of general satisfaction regarding PETDER was 94%.

4.4 PETDER ATTENDED THE KICK-OFF MEETING OF EU TWINNING PROJECT

PETDER attended the kick-off meeting of the EU Twinning Project titled "Assistance on the Transport of Dangerous Goods"; a joint project to be carried out by Republic of Turkey Ministry of Transport, Maritime Affairs and Communications, Republic of Poland Ministry of Infrastructure and Development and Republic of Lithuania Ministry of Transport and Communications, within the framework of financial cooperation prior to Turkey's accession to the European Union. At the meeting, Deputy Undersecretary of Ministry of Transport, Maritime Affairs and Communications Talat Aydın, Director General Mehdi Gönülalçak, Deputy Director İzzet Işık and Polish and Lithuanian officials made presentations. During the presentations, it was stated that the main aim of the project is to tighten the controls on road transport of dangerous goods and thus, to improve competition in the market and road traffic safety and promote a more environment-friendly, safer and sustainable transport system. The activities within the scope of the project, which will last for 18 months with a budget of 1 million Euros, will focus on evaluation and analysis of Turkish legislation, increasing the capacity and setting a control and implementation model.

4.5 PETDER ATTENDED 5th ENERGY SUMMIT

Petroleum Industry Association made presentations and had a stand at the 5th Turkey Energy Summit organized by Energy Fairs and Organizations with the support of the Ministry of Energy and Natural Resources, EMRA and Gaziantep Metropolitan Municipality on 11-12 September 2014.

PETDER Vice Chairman Martin Thomsen made a presentation in the session "Barriers Hindering Free Market Conditions and Competition in Fuel and LPG Industry" chaired by EMRA Board Member and MEDREG Vice President Fazıl Şenel, and PETDER Secretary General Niyazi İlter delivered a presentation in the session "Projections on Automotive Fuels" chaired by Head of EMRA Petroleum Market Department Abdullah İnce. In his speech, Thomsen focused on liberalization in commercial competition. Thomsen stated that competition provides in the industry consumers with more options and explained the factors affecting price formation in an environment dominated by free competition. İlter remarked that energy demand will increase in Turkey, and as a result, Turkish oil market will continue to grow. Stating that competition will continue to be a determining factor in global oil prices, regulations and tax-consumption equilibrium, İlter also highlighted that environment laws and climate change will be more and more significant in the industry.

4.6 PETDER STAFF ATTENDED TRAININGS

PETDER staff attended a refresher training on Competition Law on 1 October 2014. The inspection of correspondence and notes of PETDER personnel carried out after the training revealed nothing against Competition Law. PETDER personnel driving company cars attended refresher training on Defensive Driving and all staff developed their persuasive skills with the "Training on Enhancing Negotiation Performance" on 30 October 2014.

4.7 STATIONS VISITED WITH WATER AND SOIL MANAGEMENT DIRECTORATE

Stations were visited on 11 December 2014, with the participation of officials of Water and Soil Management Directorate. During the visits, the participants were informed about HSE-S practices at the stations and measures and actions taken in accordance with the "Regulation on the Control of Soil Pollution and Point-Source Pollution Sites", which will be implemented at stations as of 8 June 2015.

4.8 PETDER REGIONAL HSSE AND OPERATIONAL EVALUATION MEETING HELD IN IZMIR

PETDER and its cooperation partners in Waste Motor Oil Collection Project, Omsan and Se Petrol, convened at the "HSE-S and Operational Evaluation Meeting" held in Izmir on 23 May 2014. At the meeting, PETDER Planning Executive Hasan Hıraoğlu gave information on the documentation to be drafted during waste engine oil collection and common errors in such documentation. Actions to be taken to avoid repetition of such errors were also discussed at the meeting. PETDER Planning Executive Volkan Siğinç shared up-to-date information on Waste Oil Control Regulation. Siğinç informed the participants on amended provisions in law, regulations and communiqués in addition to activities and amount of waste oil collected within the framework of waste oil operation. Omsan Operational Manager Sırrı Küçükaltun shared operational performance data including amount of waste engine oil transported, distance traveled, number of personnel employed and number of vehicles used in waste oil activities. At the meeting, Se Petrol Vice General Manager Tunç Sağul gave an outline of HSE-S (Health, Safety, Environment and Security), safe driving and guidelines in operation. At the meeting, the participants were also trained on the following topics:

- Procedure to be followed in case of an oil spill and how to use the oil spill kit,
- Fire fighting,
- Fatigue and tiredness.

Before closing the meeting, the field personnel employed in the operation mentioned the problems they have been experiencing and put forward their suggestions and demands. Upon enhancing theoretical knowledge with videos in fire training, drivers in İzmir region were engaged in practical training where each driver and personnel had the opportunity to extinguish the diesel and gasoline fires built in a fire pan at least twice. The procedure was repeated until it was successfully completed.

4.9 ARGUS EUROPEAN BASE OIL MARKETS CONFERENCE

Argus European Base Oil Markets 2014 Conference was held at Istanbul Swissotel The Bosphorus on 19-20 March. PETDER Secretary General Niyazi İlter was one of the speakers at the conference where various subjects such as global evaluation of the opportunities in the Turkish market, different industrial viewpoints for the future of base oil markets were discussed. In his speech, İlter provided information on Turkish fuel and lubricant industry and highlighted the consequences of smuggled fuel and number 10 oil problem.

4.10 PETDER ATTENDED TRAFFIC SAFETY MEDIA AWARDS

"Traffic Safety Media Awards Ceremony", held by the Turkish National Police, Radio and Television Supreme Council, Directorate General of Press and Information for the purpose of raising traffic awareness, was held at Lütfi Kırdar Congress Center on 16 April 2014, with the participation of Hüseyin Avni Mutlu, Governor of Istanbul. PETDER and the representatives of the fuel sector attended the ceremony where artists, journalists and media organizations received their awards.

4.11 PETDER COMMITTEE STUDIES

PETDER committees listed below continued their efficient and productive work in 2014 with the participation of experts from member companies.

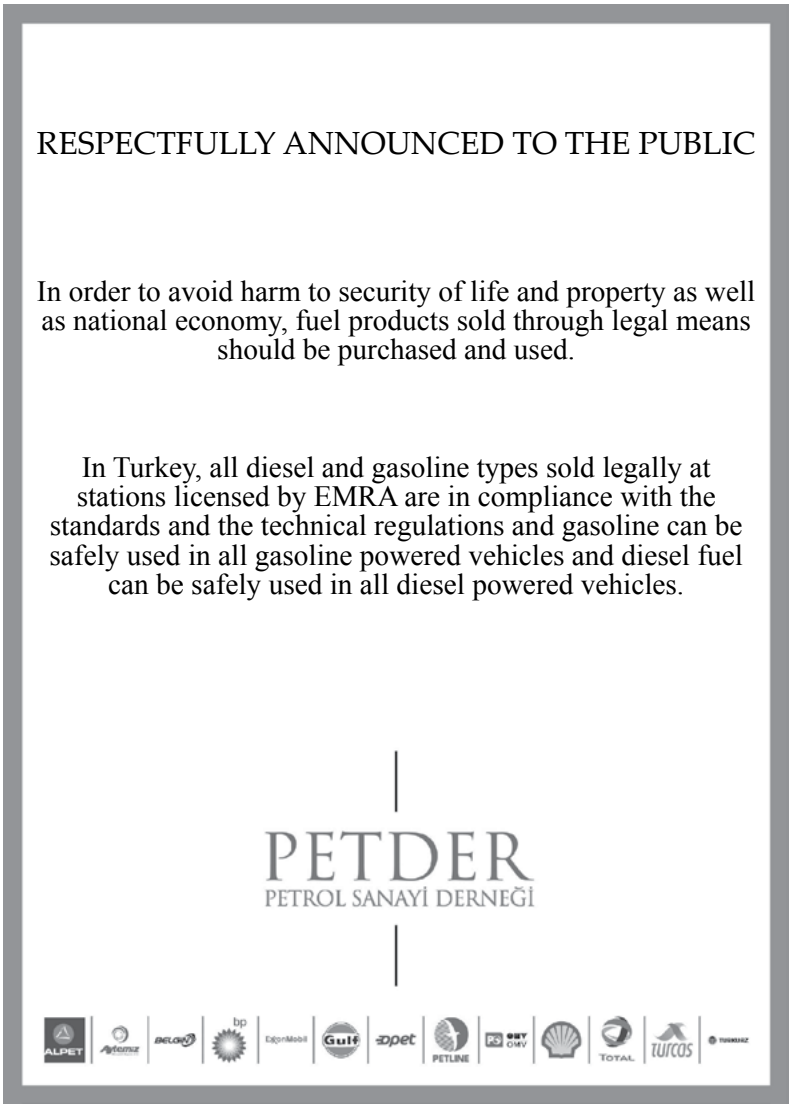
- Law
- LPG Sectoral Board
- Automation
- Engineering
- Supply
- LPG Technical
- Taxation
- Lubricants Technical
- Corporate Communications
- Transportation
- Health, Safety, Environment

4.12 PRESS RELEASE AND ADVERTISEMENT ON DIFFERENTIATED PRODUCTS

PETDER issued the press release below on standard/special diesel and gasoline types in March 2014.

"All diesel and gasoline types sold legally in Turkey are in compliance with the EU standards and the technical regulations of the Energy Market Regulatory Authority (EMRA) and can be used safely in all vehicles. In accordance with the EMRA legislation, detailed information and prices of the differentiated products are published on the company websites. In a competitive environment, certain fuel oil companies offer consumers additional options of special/differentiated diesel and gasoline types which are developed through R&D activities conducted with a view to meeting quality and performance expectations of consumers.

In other words, these special fuel types are also fully in line with the national and EU standards as well as the standard products sold as "diesel oil" and "unleaded gasoline"; and consumers can utilize all our products regardless of the vehicle type, such as truck, bus or privately owned vehicle, while making their choices between the standard and special products in a competitive environment. Within this framework, in deciding between the products in gas stations, our consumers may also prefer higher performance products as to their performance expectations similarly and concurrently with many other developed countries." The press release was supported with newspaper advertisement below on 17 July 2014.



5. PROJECTS

5.1 WASTE MOTOR OIL MANAGEMENT PROJECT

Pursuant to "Regulation on the Control of Waste Oils" issued by the Ministry of Environment and Forestry on 21 January 2004, lubricant producers and importers are held liable to collect used motor oils which have been offered to the market. Within the scope of the Waste Oil Management Project initiated by PETDER on 19 April 2004, activities have been conducted in order to fulfill the provisions of this Regulation.

Within the framework of the cooperation protocol signed with the Ministry of Environment and Forestry on 30 July 2004, waste motor oils used in motor vehicles are collected from car care services, fuel stations and state car care stations by licensed and authorized teams under appropriate conditions within the scope of the Waste Oil Management Project. Pursuant to Regulation on the Control of Waste Oils amended on 30 July 2008, Petroleum Industry Association has been licensed as an "Authorized Institution" by the Ministry of Environment and Forestry on 4 September 2008. With the regulation, it has been prohibited for real or legal entities other than authorized institutions or motor oil producers to collect waste oils. PETDER is the only institution authorized for collection of waste motor oil. The project aims for processing of waste oils in facilities licensed by the Ministry of Environment and Forestry without causing any damage to the environment and human health, locating waste generators and raising awareness.

Since the beginning of the project in May 2004, the amount of waste motor oil collected and the number of collection points across the country has increased. Waste motor oil generated at motor oil change spots are collected by licensed vehicles with National Waste Transportation Form and delivered to licensed facilities to be recovered (as energy or raw material) or disposed based on their categories, and adequate legal documentation is prepared and the waste generators are not charged for any of these activities. All the additional costs incurring while providing these services in accordance with the law across the country regardless of amount or limit are covered by PETDER. Waste oils which might pose a threat to the environment and human health are turned into a contribution to the economy by being processed at refining and regeneration facilities, cement, lime and iron-steel factories to be recovered as energy or raw material or through disposal within the scope of the principles specified by the Ministry of Environment and Urbanization.

Within the framework of "waste motor oil collection" activities that have been carried out by PETDER since 2004 in accordance with the Regulation on the Control of Waste Oils, 126,030 trips have been made to 13,611 waste motor oil generators in 81 cities and the amount of waste motor oil collected has totaled 160,103 tons in the last 10 years. The waste motor oil collected was transported to licensed facilities and was either recovered as raw material and energy or disposed at these facilities.

In 2014, 14,666 trips were made to waste motor oil generators by PETDER and 17,750 tons of waste motor oil was collected and delivered to facilities licensed by the Ministry. 1,725 tankers of waste motor oil were delivered to licensed facilities in 2014. The number of participating companies was 79 by the end of 2014 and the amount of motor oil offered to the market by these companies in 2013 totaled 208,916 tons.

5.3 million TL was used for waste oil management activities in 2014 and the total funds used since the beginning of the project reached 34.2 million TL.

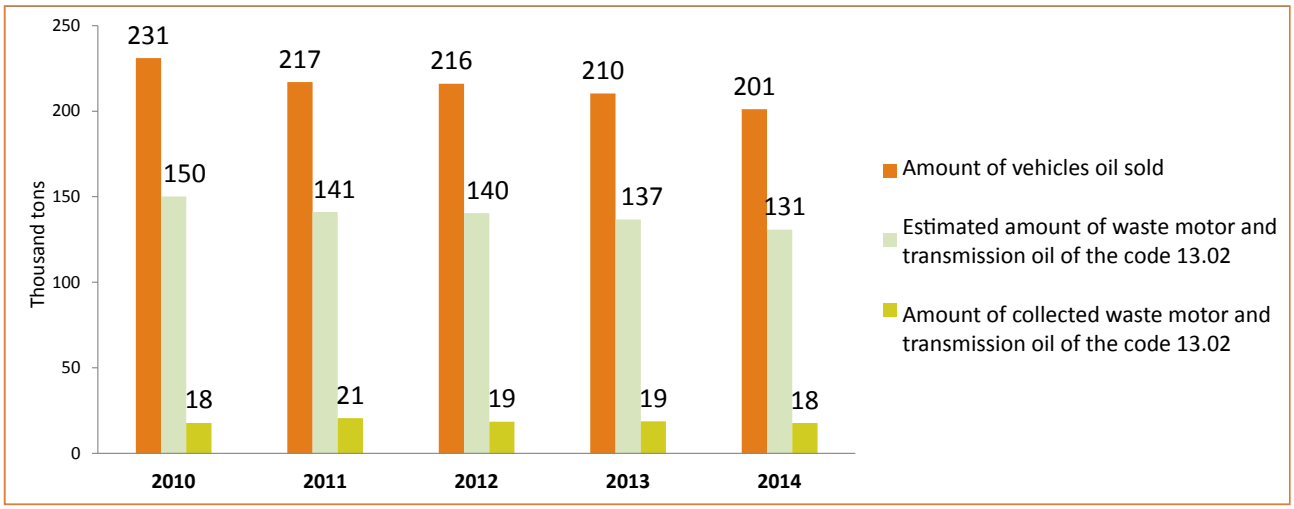


Figure 2: Waste Motor and Transmission Oil Generation Projections and Collection Amounts (thousand tons)

It is estimated that 131,000 tons of waste motor oil have been formed from 201,000 tons of vehicle oil offered to the market in 2014. 18,000 tons of waste motor oil have been collected by PETDER.

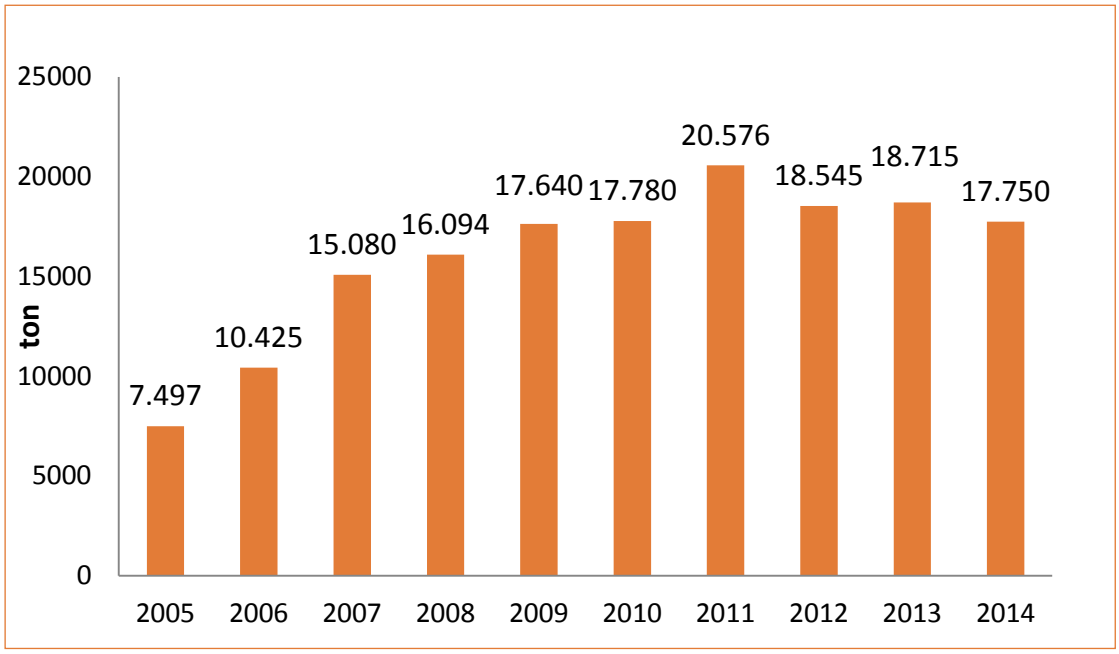


Figure 3: Amount of Waste Motor Oil Collected under PETDER Waste Oil Management Project (ton)

In 2014, 11,900 tons of waste motor oil was collected from car care services, 2,923 tons from state institutions and 2,927 tons from other generators.

11,900 tons of the waste motor oil collected in 2014 was collected from car care services, 1,595 tons from industrial vehicle parks, 923 tons from state institutions, 866 tons from municipalities, 1,090 tons from construction and mining industry, 309 tons from oil production facilities, 1,133 tons from military institutions, 178 tons from shipping companies, 122 tons from fuel stations and 27 tons from washing and lubricating stations.

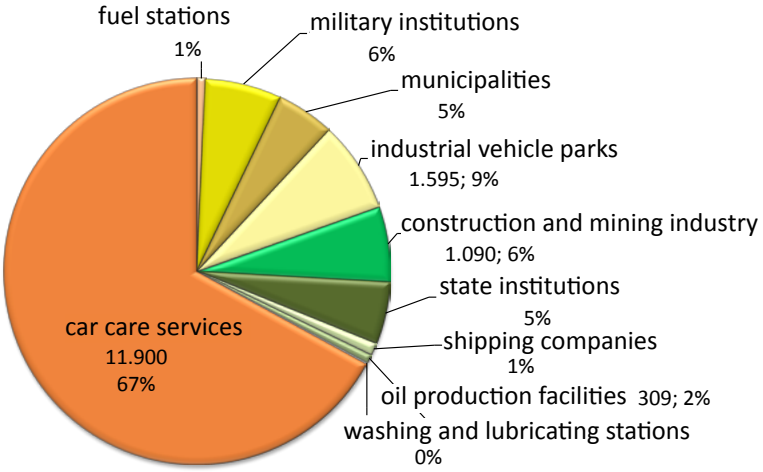
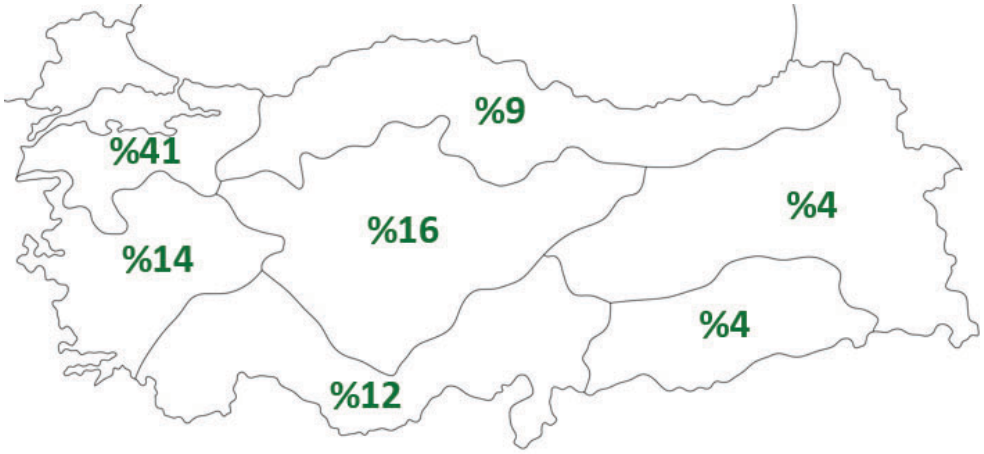


Figure 4: Sectoral breakdown of waste motor oil collected in 2014

7,283 tons of the waste motor oil collected in 2014 was collected from Marmara Region, 2,513 tons from Aegean Region, 2,892 tons from Central Anatolia Region, 1,542 tons from Black Sea Region, 2,040 tons from Mediterranean Region, 709 tons from Southeastern Anatolia Region and 771 tons from Eastern Anatolia Region.



Regional Breakdown of the Total Waste Motor Oil Collected

Top five cities in waste motor oil collection in 2014 were Istanbul, Ankara, İzmir, Bursa and Kocaeli. The cities where the amount of waste motor oil collection was the least were Muş, Bitlis, Kilis, Karaman and Ardahan.

Waste Oil Management Project 2014 Activity Report is available at www.petder.org.tr.

9500 – 10000 KILO-CALORIES OF ENERGY CAN BE RECOVERED

0,625 LITRES OF BASE OIL CAN BE PRODUCED

PROBLEMS ENCOUNTERED IN WASTE MOTOR OIL COLLECTION AND SOLUTION RECOMMENDATIONS

Despite all measures and successful steps taken in Turkey against smuggled and illegal/nonstandard fuel use, known as Number 10 Oil, continues. Not only base oil but also waste oil is used to produce Number 10 Oil. Waste motor oil not delivered to PETDER is mostly used to produce Number 10 Oil, as molding oil in constructions and for heating purposes (at industrial sites, greenhouses etc.) However, especially use of Number 10 Oil causes loss of life and property, has adverse effects on national economy as a result of tax loss and unfair competition and pollutes the environment. Most of the waste motor oil not delivered to the authorized institution is sold under the name of number 10 oil at "nonmarket" areas such as:

- Truck / bus terminals,
- Vehicle industrial sites and
- Stores and open spaces at roadsides.

Unfortunately, despite all adverse effects and all measures taken, waste motor oil is still subject to trade at prices up to 1000 TL/Ton instead of being delivered to the authorized institution because of the unlawful profit obtained as a result of SCT imposed on legal fuel products. PETDER works devotedly to collect waste motor oil in 81 cities and their counties and reaches everyone and receives waste oil regardless of the amount. However, waste motor oil collection is not at a satisfactory level in Turkey. It is projected that efficiency of PETDER's Waste Motor Oil Collection Activities will improve provided that the recommendations listed below are taken into consideration.

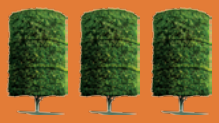
Inspections and sanctions should be extended; imposed fines and penalties should be shared with the public.
In regard to the main four links of Number 10 Oil chain (waste oil generators, unauthorized persons collecting/transporting waste oil, Number 10 Oil producers and Number 10 Oil users), inspections should be extended, deterrent sanctions should be imposed and these should be shared with the public by public authorities, especially by the Ministry of Environment and Urbanization.

1. Waste Oil Generators: It is believed that regular inspections on the amount of "lubricant input-waste oil output" as well as amount and documentation of waste oil delivered to PETDER mainly at car care services and workplaces at industrial sites, where lubricants are used and/or waste oil is generated as a result, would be beneficial to prevent sale of waste oil. For this purpose, the amounts delivered to PETDER by waste motor oil generators and their product purchase declarations to Provincial Directorates should be crosschecked.

2. Unauthorized Persons Receiving/Purchasing and Transporting Waste Oil:
Waste motor oil is collected by unauthorized vehicles and persons under different names and sold to Number 10 Oil producers. Such unauthorized waste oil collection activities sometimes carried out using PETDER's name and with vehicles not conforming to HSE-S standards must be prevented and licenses of such vehicles must be cancelled. It is stated in vehicle licenses granted by Provincial Directorates that wastes under code 1302 (including waste motor oil) can be carried with these vehicles. This is interpreted by waste motor oil generators as it is also allowed to collect waste oil with these vehicles and abused by collectors without license/authority to carry wastes under code 1302. Therefore, it is necessary to grant the license or authority to carry goods with the code 1302 only to vehicles carrying goods for the Authorized Institution and to grant such license to other vehicles only in the case of existence of an agreement with the Authorized Institution.

Number of planted trees within the scope of One Barrel One Tree Social Responsi

2011

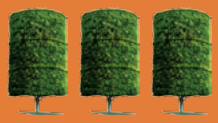


15.000 trees

2012

25.000 trees

2013



16.500 trees

3. Waste Oil Recovery Plants and Number 10 Oil Producers: It is estimated that approximately 20,000 tons of industrial waste oil is collected by recycling companies. Taking into account 2,000 tons of Category-1 waste motor oil legally delivered to these companies by PETDER, it is believed that it is not possible for these companies to maintain their commercial activities with these amounts. Examination of input raw materials and output products of these companies would reveal the unrecorded activities. It is necessary to carry out inspections on financial situations of recycling companies, sanctions should be imposed and these should be shared with the public. In addition, Number 10 Oil is mainly sold at "nonmarket" locations such as truck/bus terminals, vehicle industrial sites and stores and open spaces at roadsides rather than legal fuel stations. Such locations should be regularly inspected, deterrent penal and financial sanctions should be imposed in case of fuel sale and these should be shared with the public.

4. Number 10 Oil Users: Number 10 Oil is a legal lubricating product used for several purposes. However, it is illegal to use, sell and purchase this product as fuel. This illegal trade causes loss of lives and property as well as a significant tax loss and unfair competition. Number 10 Oil is mainly used as fuel in buses, trucks, vans and minibuses in the transportation sector. Some of these activities involve carriage or hazardous goods and public transport. It caused serious accidents and loss of lives in the past. Recently it has been claimed that it is also being used in heavy construction equipments and tractors. It is necessary to carry out inspection on roads mainly targeting drivers of buses, service vehicles and minibuses. National Marker inspections to be carried out on roads under the collaboration of EMRA and the Ministry of Environment and Urbanization will immediately reveal whether the products used in the vehicles are legal or not. It is believed that regular inspections to be carried out on main highways in Turkey, penal and financial sanctions to be imposed in case of nonconformity and sharing these with the public will prove beneficial to reduce the use of Number 10 Oil. Such inspections would also decrease illegal fuel sales.

Refining and regeneration plants should be subject to EMRA processing license; compulsory standards should be implemented.

5. Refining and regeneration plants in developed countries are plants that use cutting-edge technology and require high investment costs. Such plants, which are few in number, operate as refineries in these countries. However, such activities are carried out using simple methods and with temporary certificates of activity in Turkey. Such plants should be subject to EMRA license requiring financial and technological competency necessary for such activities.

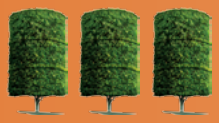
6. It is important that the plants where waste oil recovery activities are carried out conform to TS 13541 standard determining service location standards set by TSE. This standard should be compulsory and conformity to the standard should be monitored with on-site inspections.

7. In Turkey, the product recovered at these plants is a product whose form, mainly color and odor, has been improved, rather than base oil and becomes subject to Number 10 Oil activities under different names such as sawing oil or molding oil. Conformity of such products to TSE 13369 standard should be checked through on-site inspections examining the process they undergo.

Re-refining plants similar to those in developed countries should be built in Turkey.

8. Lack of large corporate investments similar to those in developed countries where advanced technologies

2014



15.000 trees

are used for base oil production from waste oil, technical incompetence of the players in the field and their engagement in illegal activities in Turkey have been serious factors impairing the development of the sector. PETDER believes that advanced technology refining plants to be built in Turkey will enable conversion of waste oil used in illicit activities into products with high added value.

5.2 ONE BARREL ONE TREE SOCIAL RESPONSIBILITY PROJECT

1 Barrel 1 Tree Project started with the protocol signed with the Ministry of Environment and Urbanization on 3 September 2010. After the preparation of the visuals and publicity materials, "1 Barrel 1 Tree Project" was announced to the public with a press release on 6 September 2010 upon approval of the Ministry of Environment and Urbanization.

1 Barrel 1 Tree Project, initiated for the purpose of increasing environmental benefits of collecting waste motor oil by planting one tree for each barrel of waste motor oil collected from state institutions, aims to contribute to;

- keeping account of more waste motor oil with the support of state institutions,
- protecting the environment and human health,
- raising public awareness about the harms of waste motor oil,
- preventing illegal activities carried out under the name of Number 10 Oil.

The scope of the project is to plant one tree for each barrel of waste motor oil collected by providing free of charge service with licensed transportation vehicles to all governmental institutions across the country (state institutions, armed forces, municipalities) in cooperation with the Ministry of Environment and Urbanization and the Ministry of Forestry and Water Affairs. Within the framework of this project financed by PETDER, "by planting one tree for each barrel of waste motor oil collected from state institutions", 71,500 trees, 15,000 of which were planted in 2014, have been planted in three years in return for the waste oil collected. The number of trees planted is going to increase over the years.

FORESTATION AREAS

2014 - ANKARA
Roadside Forestation
Cypress, thuja
Number of trees: 15,000

2013 - ANKARA
Roadside Forestation
Cypress, thuja
Number of trees: 16,500

2012 - AFYONKARAHİSAR
Roadside Forestation
Cypress, thuja
Number of trees: 25,000

2011 - ANKARA
Field Forestation
Acacia, ornamental plum, blue cypress, thuja
Number of trees: 15,000

6. INDUSTRIAL ST

6.1 CRUDE OIL AND FUEL PRICES

The fluctuations in world oil prices continued in 2014 and as a result of these fluctuations, fuel pump prices received much media coverage. Brent oil started 2014 with $110 per barrel in the international markets, and by the middle of 2014 reached $115 per barrel, its highest level in 2014 and had a sharp downward trend until the end of the year. By the end of December 2014, the price of Brent Oil was around $60. The changes in crude oil prices directly affected the price of fuel products in the Mediterranean markets, and the highest price for gasoline was 1,080 $/ton and the lowest was 539 $/ton, while the highest price for diesel was 955 $/ton and the lowest 565 $/ton.

When 2013 and 2014 averages are compared, it is observed that Brent oil price which was 109.6 $/ton decreased to 99.8 $/ton and increased by 4.5% in TL currency (from 209.2 TL/ton to 218.7 TL/ton). As a result of this change, it is calculated that in 2014, the average increase in gasoline CIF prices was 7.0%, in diesel prices 5.6% and the decrease in LPG prices was 0.3% in the Mediterranean markets.

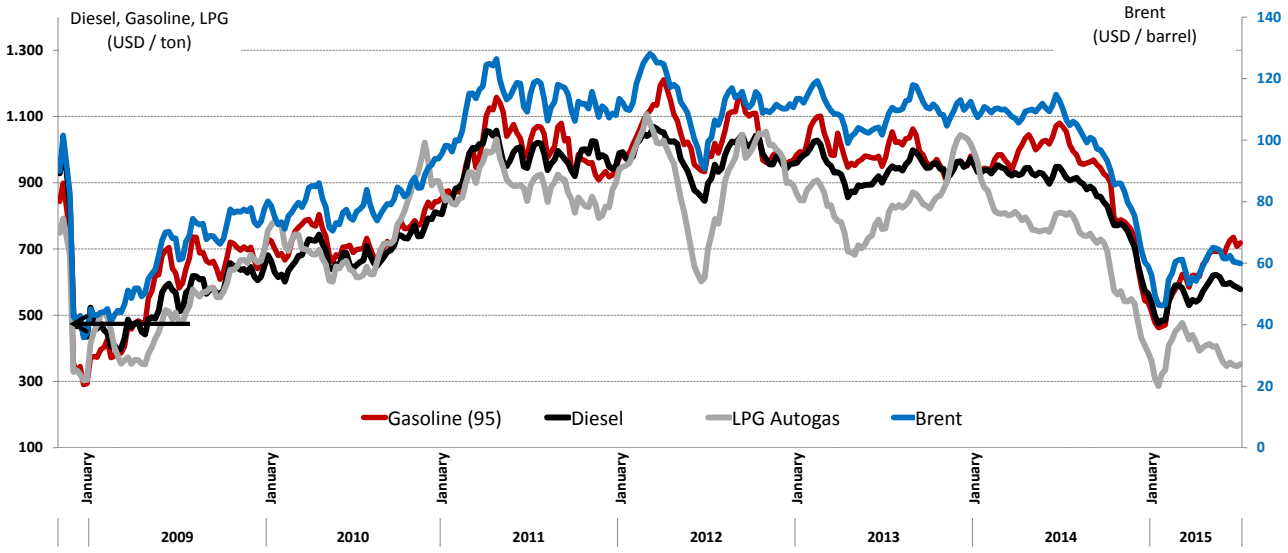


Figure 5: Changes in the average prices of Brent crude oil ($/barrel), diesel, gasoline and autogas LPG ($/ton) in the Mediterranean markets between 2009 – 2014 (Source: Argus)

6.2 INDIRECT TAXES, PRICE COMPONENTS AND PRICES IN TURKEY

6.2.1 Indirect Taxes

The total amount of the indirect taxes collected from fuel and LPG sectors has continuously increased every year with the increase in consumption. According to calculations based on consumption data, the indirect taxes collected from these sectors in 2014 reached 62.8 Billion TL. It is calculated that the indirect taxes collected from the Oil Sector in the last 5 years have totaled 296.2 Billion TL.

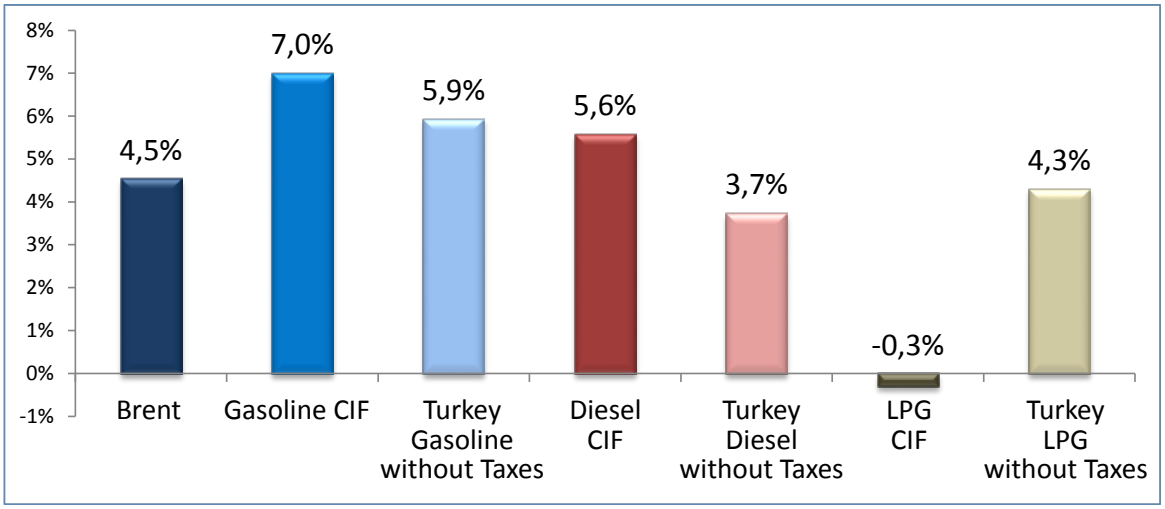


Figure 6: Change rates in the Mediterranean markets and Turkey pump prices (TL) (%, compared to the same period of the previous year)
(*Source : Argus; EMRA*)

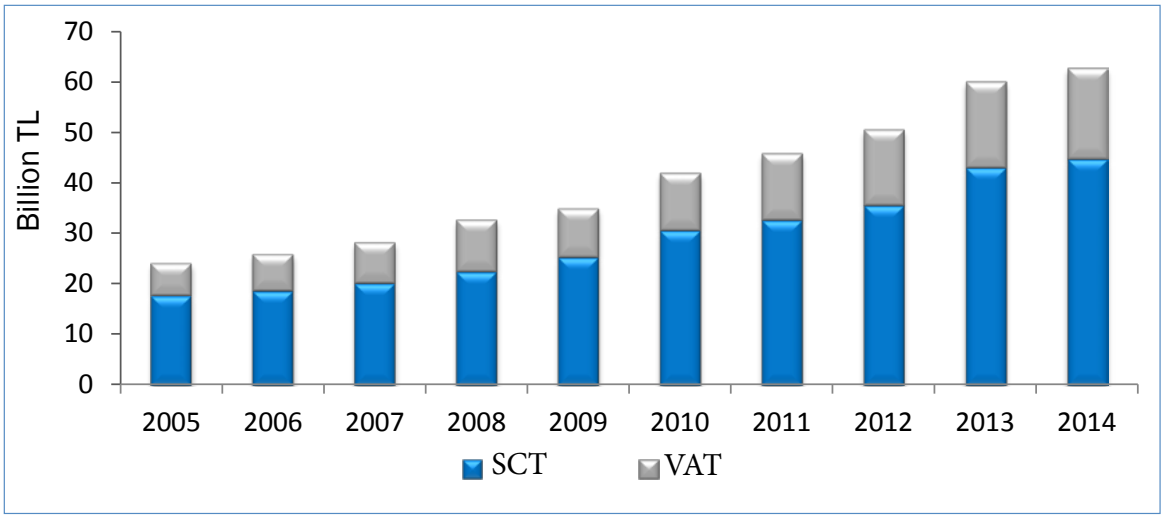


Figure 7: Indirect Taxes Collected from Fuel and LPG over the years
(Source: EMRA, PETDER, TCMB)

Indirect taxes collected from diesel fuel constitute the largest share among the indirect taxes collected from fuel companies. This is a result of the increase in diesel consumption as well as the shift from gasoline to LPG due to lower tax rates.

Indirect taxes provided from the petroleum industry in 2014

62,8 billion TL

6.2.2 Price Components

In 2014, indirect taxes imposed on gasoline pump prices have been 2.93 TL/lt (59.6% of the pump price). This amount was 2.26 TL/lt for diesel (51.9% of the pump price), 1.31 TL/lt for autogas LPG (47.1% of the pump price). The total percentage of the indirect taxes in the pump prices has changed over the years due to oil prices, amount of SCT applied and exchange rates. Among all automotive fuels, the highest tax was applied to gasoline in terms of both amount and percentage and the lowest tax was applied to autogas LPG. In 2014, average SCT amounts applied were as follows: 2.1765 TL/lt for gasoline, 1,5945 TL/lt for diesel, and 0,8837 TL/lt for LPG autogas.

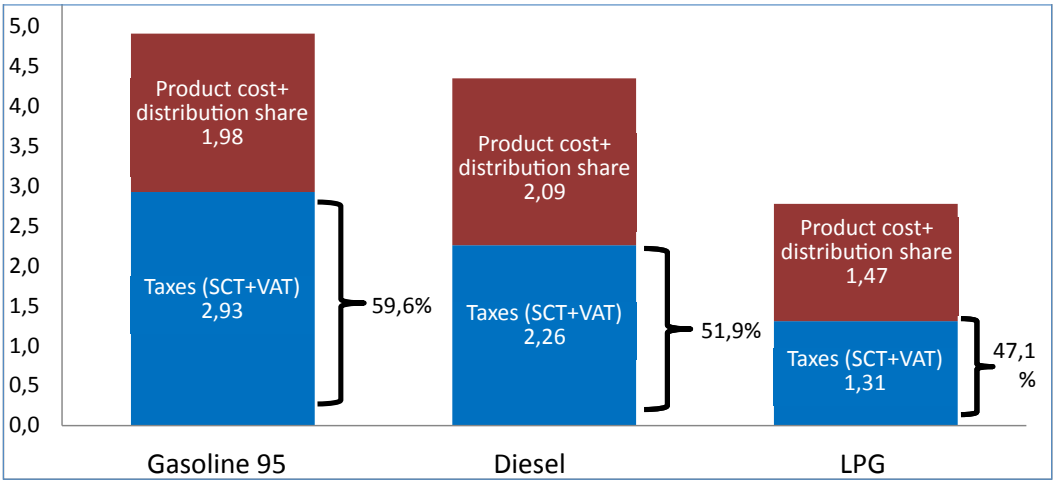


Figure 8. Pump Price Breakdown

47.3% of the indirect taxes collected from petroleum products in 2014 was collected from diesel, 7.5% from gasoline and 7.6% from LPG.

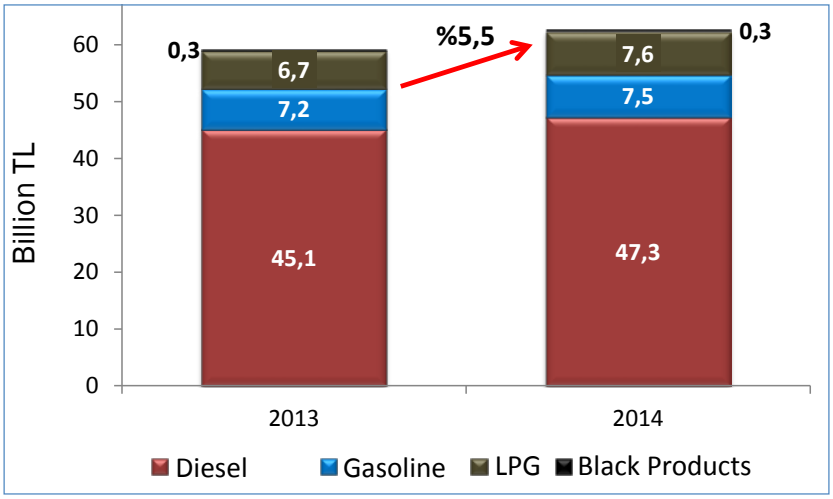


Figure 9: Breakdown of Indirect Tax Revenue Collected from Automotive Fuels in 2013 and 2014 (Source: EMRA, PETDER, TCMB)

6.2.3 Margins

Gasoline

The figure below displays the monthly gasoline margins in 2013 and 2014, the margins that would be expected based on January 2013 rates taking into consideration the inflation rates in the following months and monthly margins in € and $ currencies.

As can be seen, gasoline market margins had a downward trend in terms of € and $ currencies. The € and $ gasoline margins that were 0,18 €cents and 0,24 $cents respectively in January 2013 decreased to 0,14 €cents and 0,18 $ cents in December 2014. There was a sharp fall in March 2014 due to the ceiling price practice and this affected the rest of the year.

On the other hand, when the inflation is taken into consideration, the industry also suffered as a result of the inflation rates in 2014. When the sector margins expected with only the inflation factor based on January 2013 rates and the reel gasoline market margins are compared, it is observed that the reel gasoline margins that had a steady trend despite the increases and the decreases in 2013 fell far below the margin expected in January 2014 based only on the inflation factor due to the ceiling price practice and this trend continued until the end of the year. This situation, as has been stated in the previous sections, caused the industry to close 2014 with a loss.

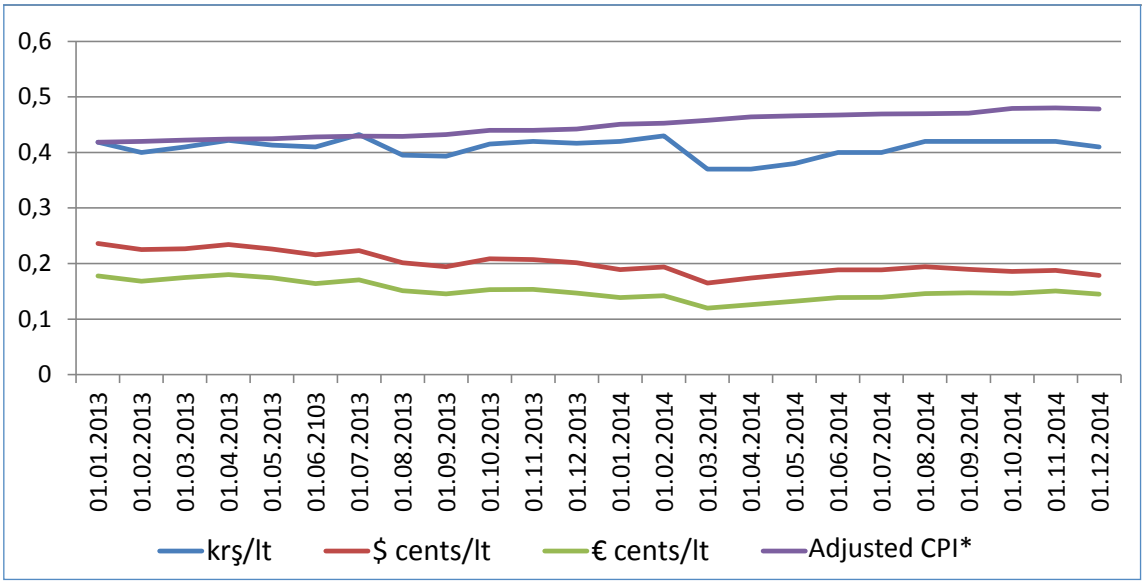


Figure 10: 2013-2014 Monthly Gasoline Margins
(Source: EMRA, TCMB, TUIK) * Calculated based on January 2013

Diesel

Figure 10 displays the monthly diesel margins in 2013 and 2014, the margins that would be expected based on January 2013 rates taking into consideration the inflation rates in the following months and monthly margins in € and $ currencies. As can be seen, diesel market margins had a downward trend in terms of € and $ currencies. The € and $ diesel margins that were 0,191 €cents and 0,254 $cents respectively in January 2013 decreased to 0,156 €cents and 0,192 $ cents in December 2014. There was a sharp fall in March 2014 due to the ceiling price practice and this affected the rest of the year.

On the other hand, when the inflation is taken into consideration, the industry also suffered as a result of the inflation rates in 2014. When the sector margins expected with only the inflation factor based on January 2013 rates and the reel diesel market margins are compared, it is observed that the reel diesel margins that

had a steady trend despite the increases and the decreases in 2013 fell far below the margin expected in January 2013 based only on the inflation factor due to the ceiling price practice and this trend continued until the end of the year.

This situation, as has been stated in the previous sections, caused the industry to close 2014 with a loss.

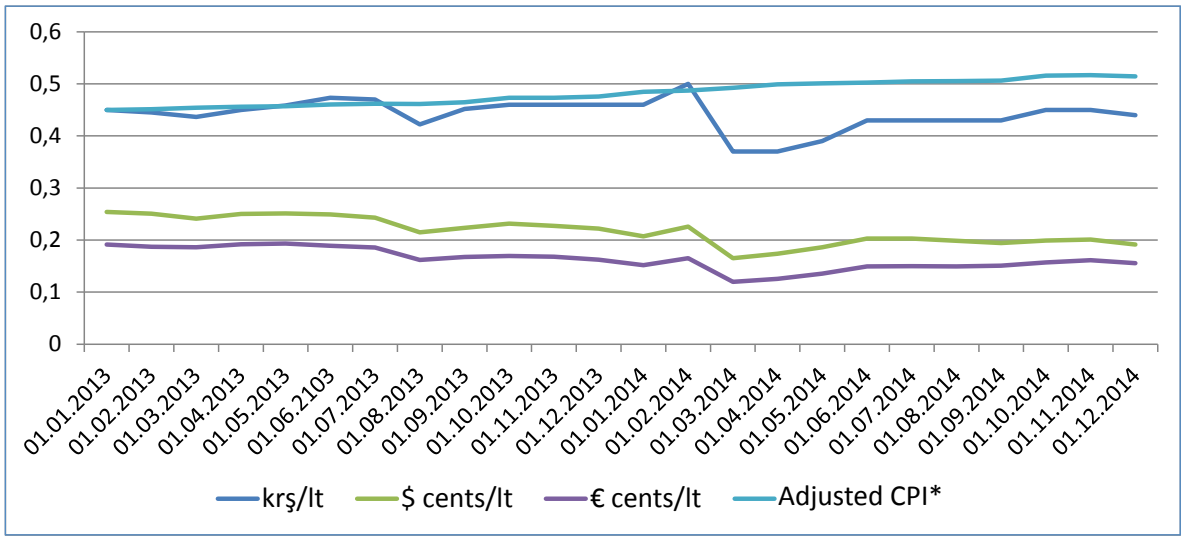


Figure 11: 2013-2014 Monthly Diesel Margins
(Source: EMRA, TCMB, TUIK)* Calculated based on January 2013

6.2.4 Situation in EU Countries and the Factors Affecting Price Comparisons

Indirect taxes have the largest share in fuel prices in Turkey and generally in the EU. Although there were fluctuations in 2014, in average share of taxes Turkey was ranked as the third country after Estonia and Italy in 95 Octane Unleaded Gasoline and fourth after the UK, Italy, and Sweden in diesel.

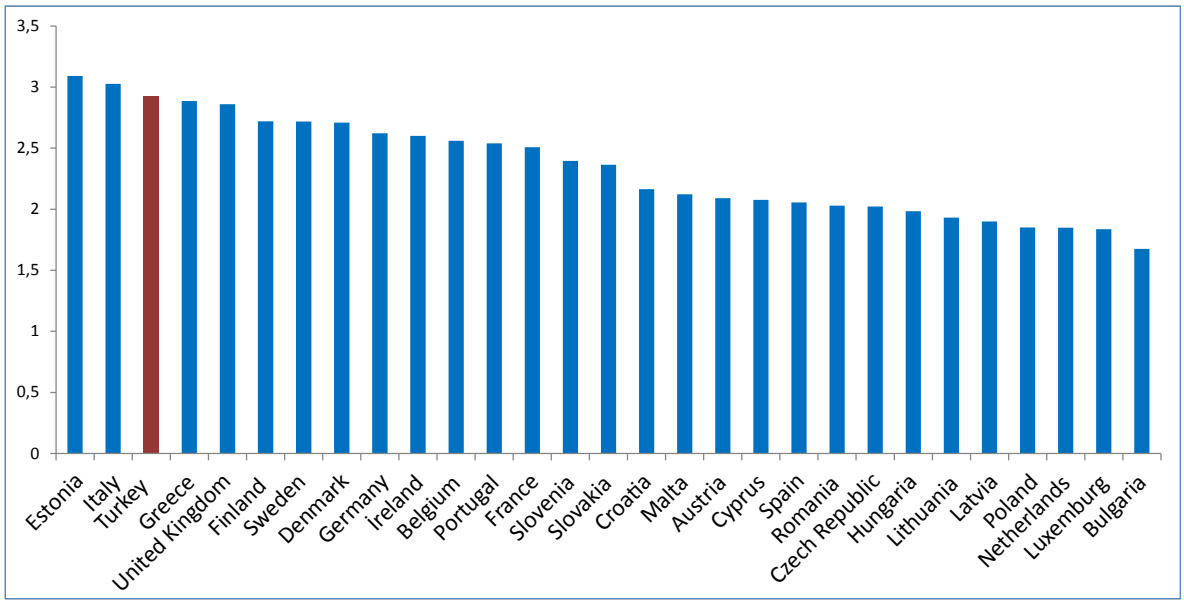


Figure 12: 2104 Average Taxes in Gasoline in EU and Turkey (TL/lt)

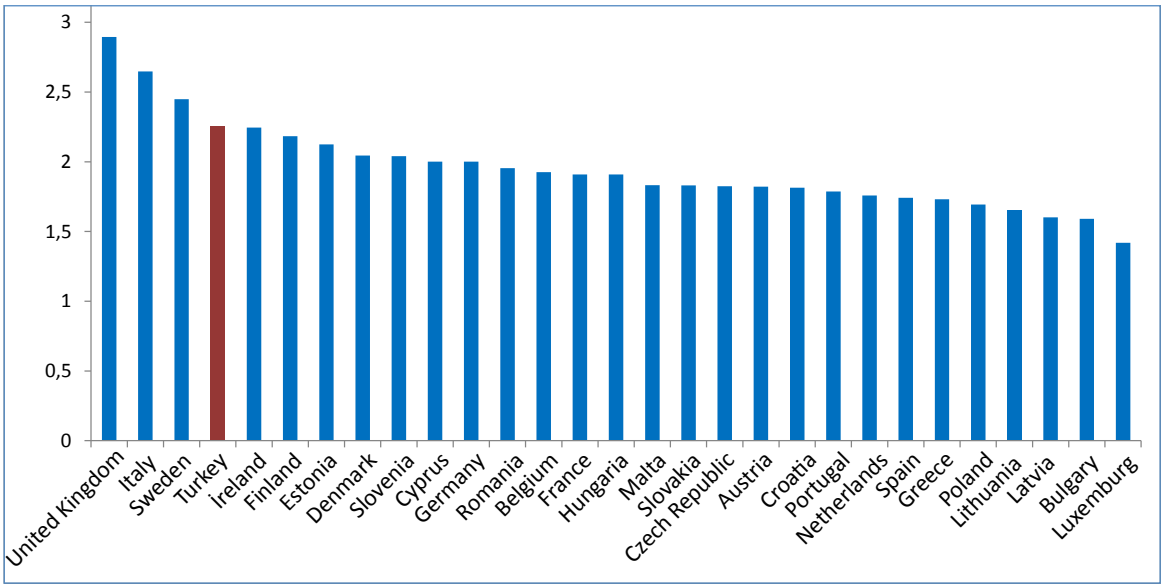


Figure 13: 2104 Average Taxes in Diesel in EU and Turkey (TL/lt)
(*Source: http://ec.europa.eu/energy/en/statistics/weekly-oil-bulletin*)

Besides the difference in figures in indirect taxes, another issue to be taken into consideration is the difference in tax collection methods. In Turkey, the SCT paid by distributors ex-refinery is collected after sale, creating a financing cost. In addition, the SCT accrued until the 15th is to be paid until the 25th of the same month and the SCT accrued until the 31st is to be paid until the 10th of the following month.

In some EU countries these periods are extended. For instance, in Italy, the SCT accrued within the month is to be paid until the 15th of the following month and in Spain until the 20th of the following month. This situation has negative effects on national economy as a result of financing costs.

There are three components of fuel prices in Turkey:
- Product prices
- Taxes (SCT and VAT),
- Market profit margin shared by three legal entities, involving gross profit margins of refineries, distributors and stations.

A direct comparison of taxed and tax-free fuel prices in Turkey and in EU countries leads to inaccurate and incomplete evaluations. In addition to several factors affecting the margins in the countries, profit margins might change in time based on these. There are also significant differences between EU countries themselves depending on the conditions in each country.

It is necessary to take into consideration the following factors when making a comparison of fuel prices in Turkey and in EU countries. Both in the EU Oil Bulletin and in the surveys conducted by EU on the prices announced in this bulletin, it is stated that comparisons between prices and price trends in different countries should be carefully made.

- In the weekly oil bulletin, the extent that standard categories are representative of the total sales of a given product, differences in product quality, in marketing practices, in market structures;
- In the survey report, discount sales in the countries, application of different methodologies in price reporting, variations in biofuel components and differences in taxation systems are highlighted.

Differences in market structures between Turkey and EU countries should be considered while comparing fuel prices.

There are significant differences between the market dynamics in these countries and Turkey.

Fuel is sold only at self-service stations in some European countries and at self-service stations along with regular stations in others. The operating models shaped by distributor/dealer station ownership in these countries are different from those in Turkey. The average sales per station in some countries are 2-3 times the average sales of stations in Turkey. In all these countries, the share of pipelines in fuel transportation is far above Turkey. In most of these countries tax collection methods are different than in Turkey and do not require additional financing for the companies. Comparing these prices with the station retail prices in turkey leads to inaccurate results.

There are differences in price indication methods.

Countries notify their prices to the EU Oil Bulletin in different methods such as weekly average/single day, including/excluding discount sales, lowest price, supermarkets/hypermarkets and including/excluding self-service stations. Therefore, it is stated in reports that it is important to pay attention to such factors when making comparisons.

There are additional costs due to legal obligations in Turkey which do not exist in these countries.

High taxes imposed on liquid fuel products as a fact and requirement of our economy result in illegal and illicit liquid fuel activities and the industry has to deal with this problem constantly. Unlike several European countries, the main additional costs in Turkey as a result of the measures and other legal obligations, which have been imposed to prevent such activities and which PETDER supports, are;

- Dealer automation system operating and reporting in order to register fuel movements and operations,
- Implementation of national marker in order to detect smuggled fuel,
- Financing cost caused by cash payment of the SCT,
- Operation and maintenance of cash registers located at each station separately for each pump,
- National inventory holding costs,
- Investments for e-book, e-bill, e-registration transition period,
- The costs for bank guarantee letters in import,
- Shipping costs,
- Annual EMRA payments of distributor companies,
- Dealer sampling cost,
- Employment of Occupational Health and Safety Specialists.

Such factors as a result of legal obligations have reached significant amounts in terms of investment and operating costs.

There are differences in National Economies.

There are significant structural differences between the general economic structure in Turkey and in the other European countries and as a result of such differences, the inflation rate and financing costs are much higher in Turkey. This situation creates additional costs in loans and bank guarantees and when using credit cards. In the Recommendations section of the EU Oil Bulletin in which the prices in European Union countries are compiled and shared, it is stated that “some Member States expressed concerns that inconsistencies in the reporting process might impede direct consumer price comparisons”. When making price comparisons with or without tax between countries the factors listed above should be taken into consideration and comparisons should be interpreted accordingly.

6.3 OIL AND LPG INDUSTRY STATISTICS

6.3.1 Number of Refineries, Distributor Companies and Stations

As of the end of 2014, there were 4 refineries (6 licensed refineries), 78 distributor companies, 12,667 fuel stations operating in the petroleum market with EMRA licenses. In the Liquefied Petroleum Gas (LPG) market, 79 distributor companies, 10,360 autogas stations were operating with EMRA licenses. Data indicates that number of autogas stations keeps increasing. The number of fuel and LPG distribution companies peaked in 2014.

	2004	2006	2007	2008	2009	2010	2011	2012	2013	2014
Refinery Licenses	4	4	5	5	5	6*	6*	6*	6*	6*
Fuel Stations	10.118	11.543	11.645	12.317	12.702	12.894	12.348	12.460	12.623	12.667
Distributor Licenses	21	51	47	45	54	53	50	58	77	78
LPG Stations	4.922	5.686	6.586	7.702	8.163	8.721	9.377	9.802	10.089	10.360
LPG Distributor Licenses	56	56	58	61	64	65	70	72	73	79

Table 3: Number of Licenses in Petroleum and LPG Markets
***4 out of 6 licensed refineries are active**
(*Source: EMRA*)

The number of fuel stations of each company between 05.08.2010-31.12.2014 is given in the figure below. It is observed that there is a decrease in the number of fuel stations of the top four distribution companies.

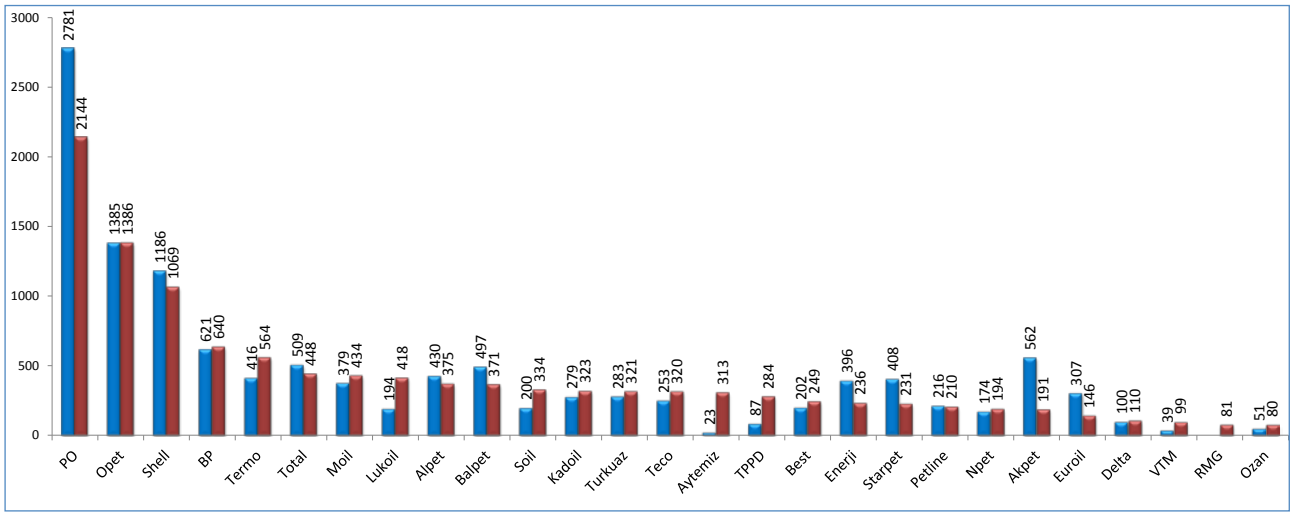


Figure 14: A comparison of the number of fuel stations of the distributor companies (between 05.08.2010 – 31.12.2014)
(*Source: EMRA*)

As of the end of 2014, there were 4 refineries, 78 distributor companies, 12,667 fuel stations operating in the petroleum market with EMRA licenses.

All diesel and gasoline types officially sold in Turkey are in compliance with the EU & Turkish standards and the technical regulations of the Energy Market Regulatory Authority (EMRA) and can be used in all types of vehicle.

6.3.2 Market/Trading Volumes

The total financial magnitude of the fuel sector in 2014 reached 118.4 billion TL with an increase rate of 6.0% compared to 2013, as a result of an increase in prices, consumption and taxes. The following two graphs below demonstrate sector magnitudes calculated for fuel and LPG comparatively and independently. In the same period, white products market volume increased by 5.9% reaching 103.9 billion TL, the LPG market volume reached 13.3 billion TL with an increase of 6.8 and black products market volume decreased by 2.0% totaling 1.2 billion TL.

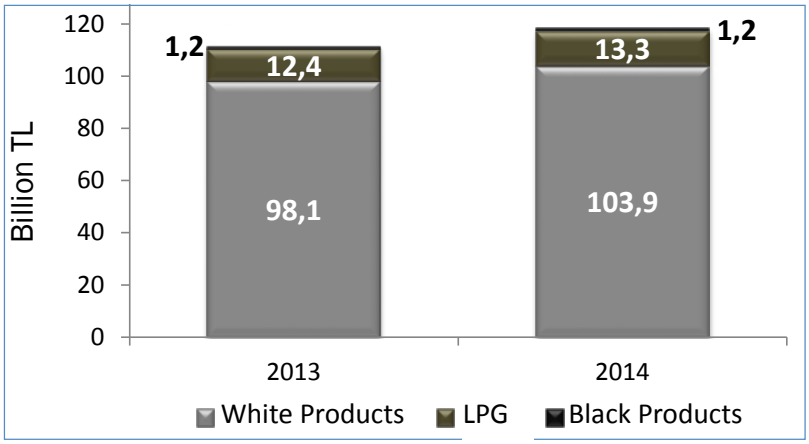


Figure 15: Trade Volumes in Fuel (billion TL)
(Source: EMRA, PETDER, TCMB)

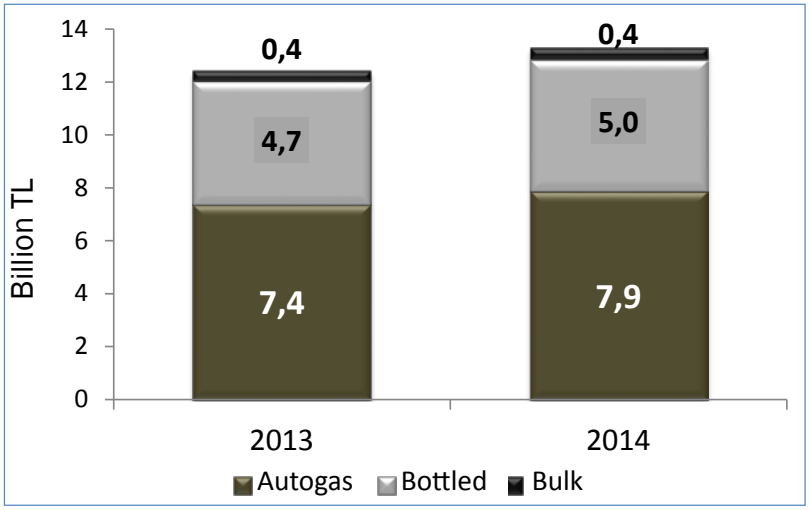


Figure 16: LPG Types Trading Volumes (billion TL)
(Source: EMRA, PETDER, TCMB)

In order to respond customers' quality and performance expectations, in a competitive environment, many oil companies offer consumers additional options of special/premium/ differentiated diesel and gasoline types which are developed through R&D activities.

6.3.3 Automotive Fuels (Gasoline, Diesel, LPG Autogas) Consumption

6.3.3.1 Diesel Consumption

Based on data compiled by PETDER, total consumption of diesel fuel types (diesel fuel and diesel fuel - other) in 2014 reached 20.9 million m^3 with an increase of 4.2% compared to 2013.

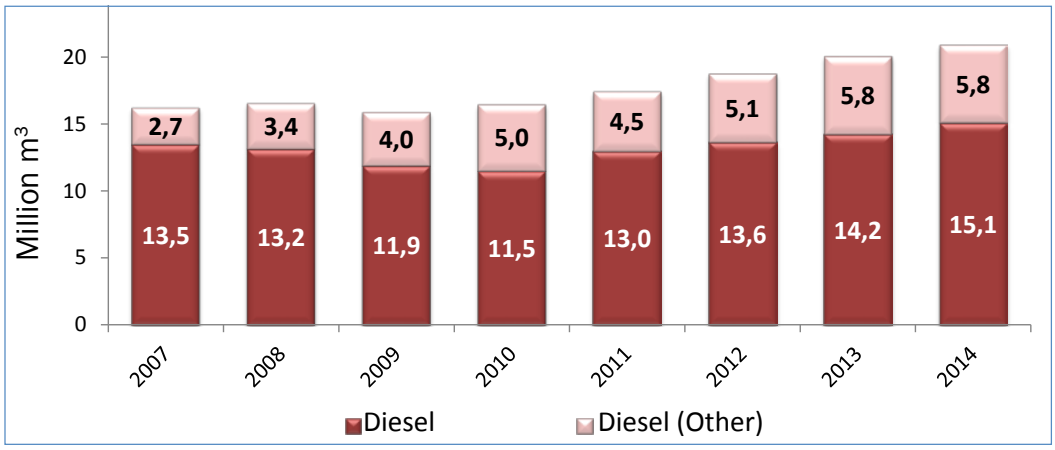


Figure 17: Total Diesel Consumption (million m^3) (Source: EMRA, PETDER)

As a result of the removal of high sulfur off-road diesel from the market following EMRA Communiqué in 2011, all diesel fuels at the pumps are being offered to consumers in Turkey as low sulfur (10 ppm) diesel fuel as of April 1, 2011 and gasoline and diesel fuels are in full compliance with EU standards. Therefore, the restriction of the sulfur content of the gasoline and diesel fuels to 10 ppm as a result of the harmonization process to EU Legislation regarding fuel quality, the amount of pollutant emissions are expected to decrease significantly. According to the report published by PETDER in September 2010, a decrease of 9,900 tons per year in the amount of emissions is expected. Fuel distribution companies continue to widen the product range of the special/differentiated diesel and gasoline products in parallel with the consumer demands in order to meet the quality and performance expectations of the consumers. Special/ Differentiated Diesel Fuel consumption decreased in 2014 constituting 28% of total diesel fuel consumption.

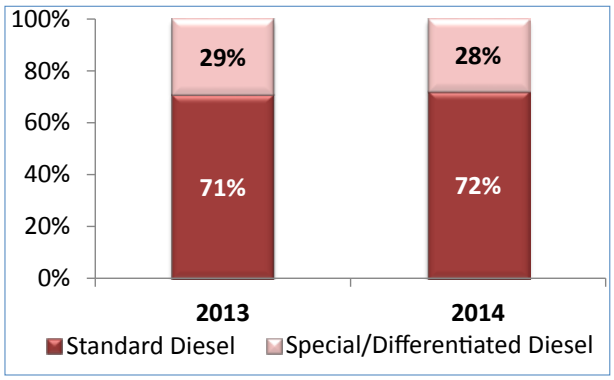


Figure 18: Shares of standard diesel fuel and special/differentiated diesel fuel in total diesel consumption (*Source: EMRA, PETDER*)

Diesel
20,9 m³

6.3.3.2 Gasoline Consumption

In 2014, total gasoline consumption increased by 3.2% compared to 2013 totaling 2.6 million m³. For the first time in recent years, gasoline consumption has increased significantly.

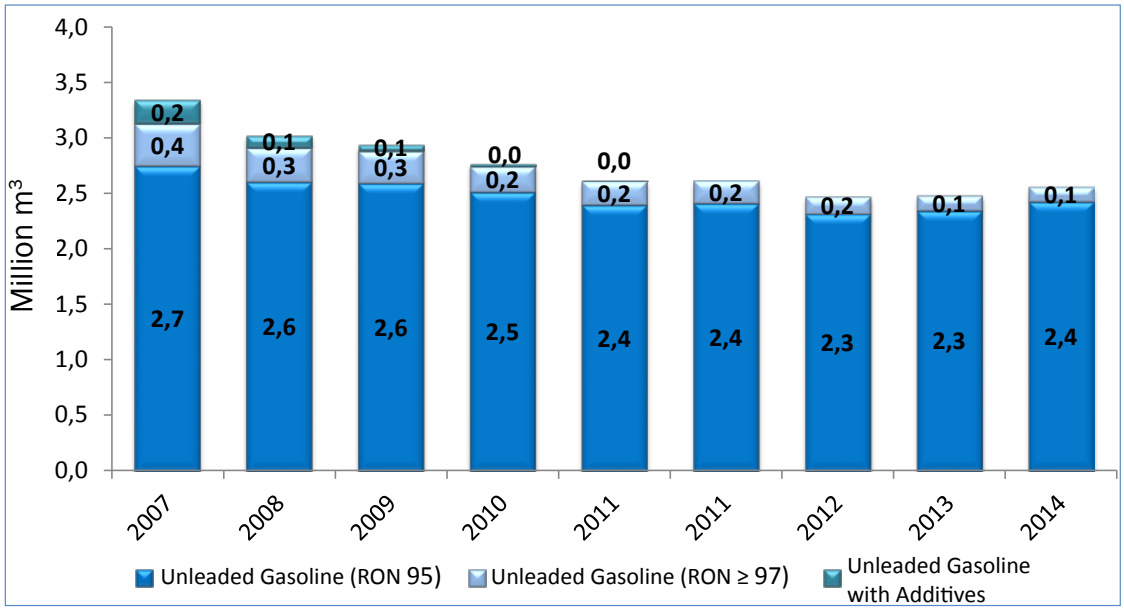


Figure 19: Change in total gasoline consumption over the years (*Source: EMRA, PETDER*)

Gasoline 95 Octane has the highest share (94.5%) in total gasoline consumption. The consumption of "unleaded gasoline with additives" that is used in older vehicles declined drastically almost reaching a near end.

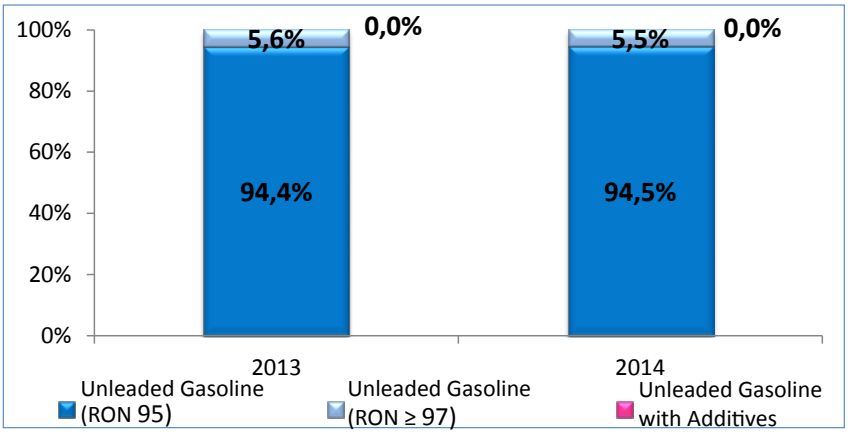


Figure 20: Shares of 95, 97 Octane gasoline and gasoline with additives in total gasoline consumption (*Source: EMRA, PETDER*)

LPG
4,9 m³

Gasoline
2,6 m³

6.3.3.3 LPG Autogas Consumption

LPG Autogas consumption, which was 4.9 million cubic meters in 2013, increased by 4.1% in 2014 and reached 5.1 million cubic meters. The chart below displays LPG consumption in the last 8 years. The increase in LPG autogas shares is mainly because of the lower pump price of this product due to lower Special Consumption Tax rates.

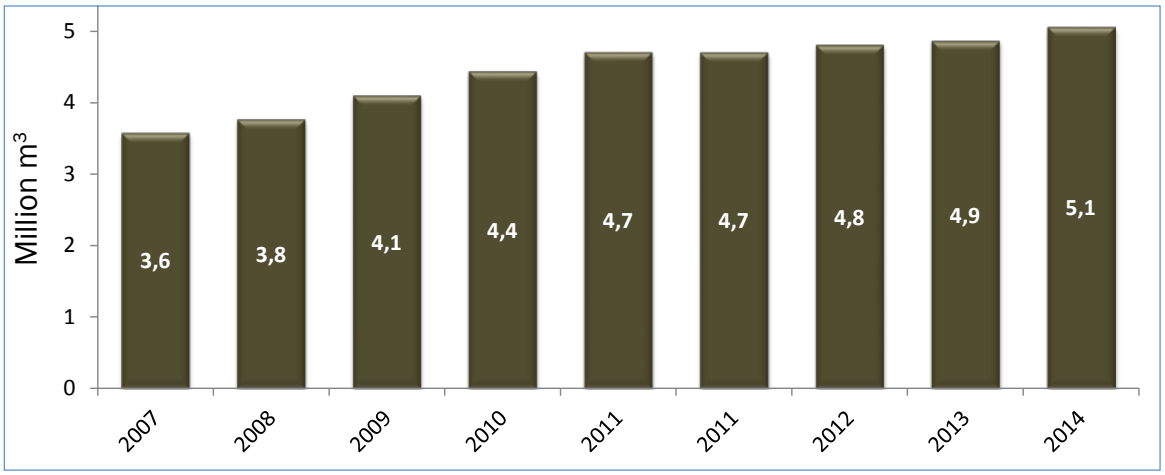


Figure 21: Change in LPG Autogas consumption over the years (*Source: EMRA, PETDER*)

6.3.3.4 Total Automotive Fuels Consumption

The total automotive fuel consumption increased by 4.1% compared to the same period of the previous year and reached 28.6 million m3 in 2014. The following figure demonstrates the consumption progression for the last 8 years for all automotive fuels.

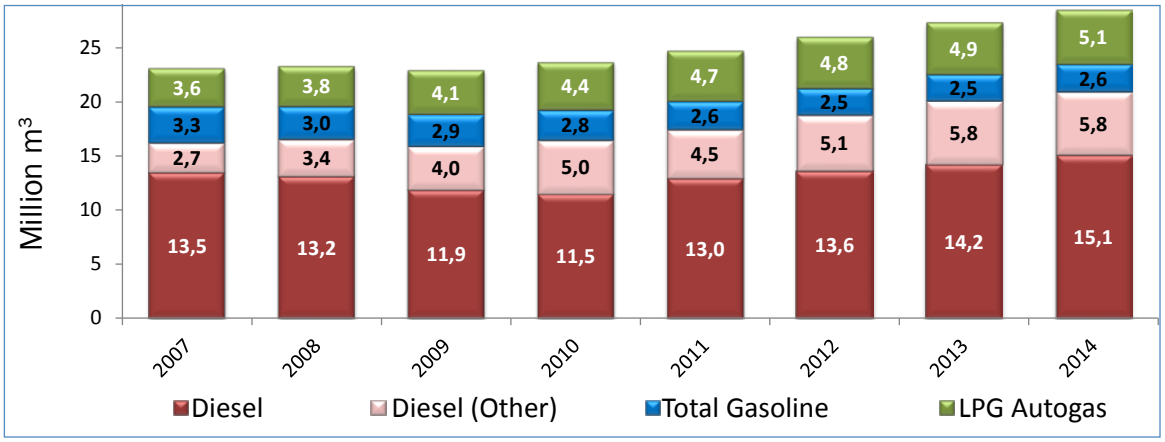


Figure 22: Change in the amount of automotive fuel consumption over the years
Source: EMRA, PETDER

Among the automotive fuels, the share of diesel increased while the shares of gasoline and LPG Autogas in total consumption decreased. The charts in Figure 23.a and Figure 23.b indicate that while the share of autogas (LPG) in automotive fuels gets smaller, LPG consumption has reached twice the amount of gasoline consumption. Autogas constitutes 17.7% of the total automotive fuel market.

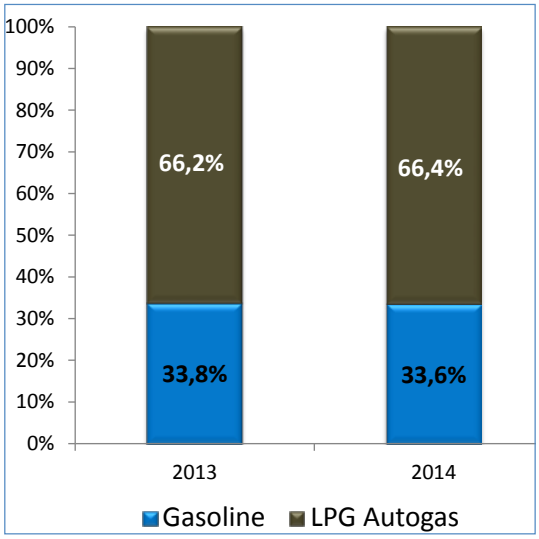


Figure 23a: Automotive Fuels Consumption (volume based %) (*Source: EMRA, PETDER*)

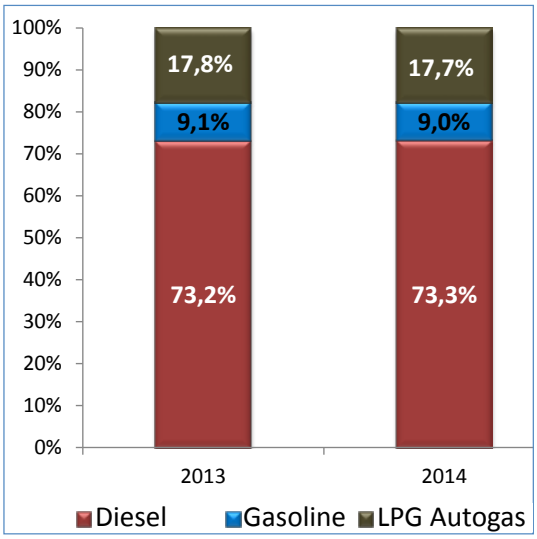


Figure 23b: Gasoline and LPG Autogas Consumption in 2012 and 2013 (volume based %) (*Source: EMRA, PETDER*)

6.3.4 Black Products (Fuel Oil, Heating Oil) Consumption

In 2014, black products consumption totaled approximately 528,000 tons with a decrease of 1.2% compared to the previous year. In this period, heating oil consumption totaled 97,000 tons with a total decrease of 14.6% and Fuel Oil consumption totaled 431,000 tons with an increase of 2.5%. Hence, the progressive decline in black products continued in 2014 due to the wide penetration of natural gas into the market. The changes in black products consumption can be seen clearly in the following graph.

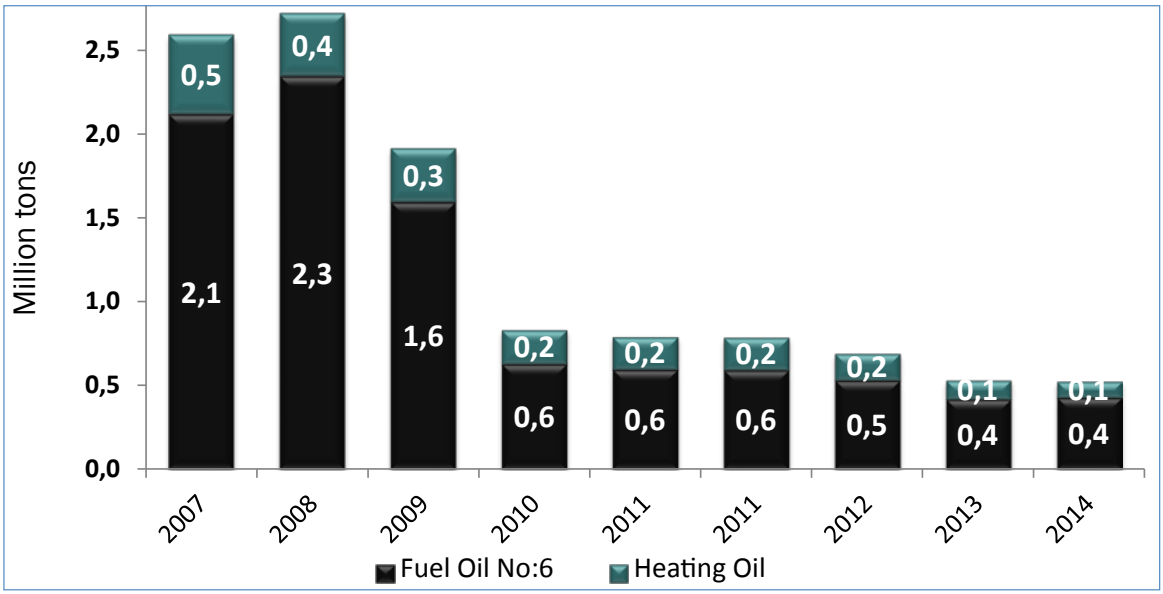


Figure 24: Change in Black Products Consumption over the years (*Source: EMRA, PETDER*)

Total fuel consumption in 2014

19,9 million tons

6.3.5 Fuel Consumption (Gasoline, Diesel, Heating Oil, Fuel Oil)

Total fuel consumption totaled approximately 19.9 million tons in 2014 with an increase of 3.9%. As the chart below demonstrates, fuel consumption after having excelled in 2007 and 2008 has fallen back in 2009 and 2010. This change is in great part due to the contracted consumption of black products because of the transition to natural gas, the adverse effects of the economic crisis in 2009 and the negative effects of Number 10 Oil consumption over diesel consumption.

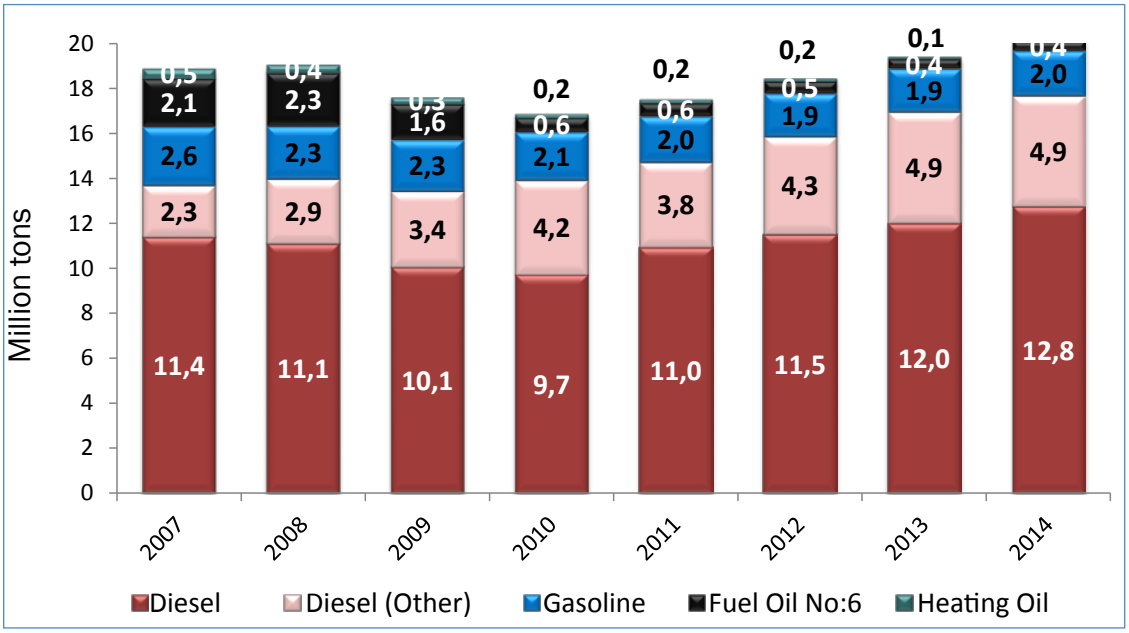


Figure 25: Change in Total Fuel Consumption (*Source: EMRA, PETDER*)

The shares of fuel types in total fuel consumption are given below and no significant change has been observed in 2014 compared to 2013. Diesel has the largest share in total consumption figures with 87%.

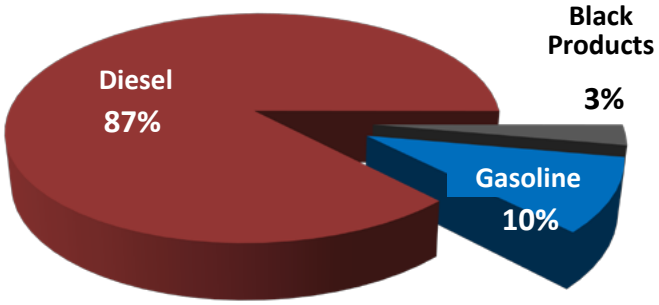


Figure 26: Shares of Fuel Types in Total Fuel Consumption (%) (*Source: EMRA, PETDER*)

There are still steps to be taken on Number 10 Oil problem.

6.3.6 Lubricating Oils Consumption

Developments in the Lubricant Market (Mineral and Synthetic) are followed through data compiled by PwC from lubricant producers on a voluntary participation basis. The shares of these companies in the total lubricant market have been determined through comparing data from EMRA, PIGM and Ministry of Environment and Urbanization. Based on this data, total domestic lubricant consumption in 2014 totaled 417,000 tons.

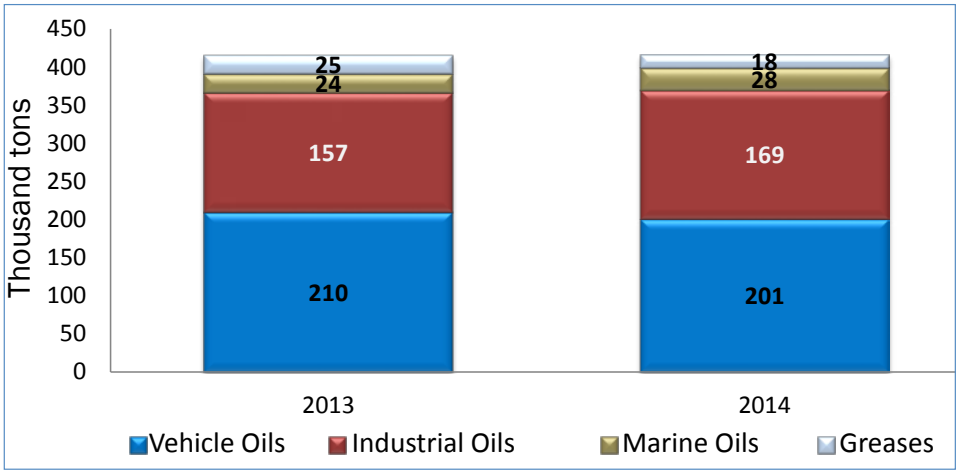


Figure 27: Lubricating Oil Consumption in Turkey (thousand tons)

In 2014, total lubricant consumption shares were as follows; 48% vehicle oils, 41% industrial oils, 7% marine oils and 4% greases.

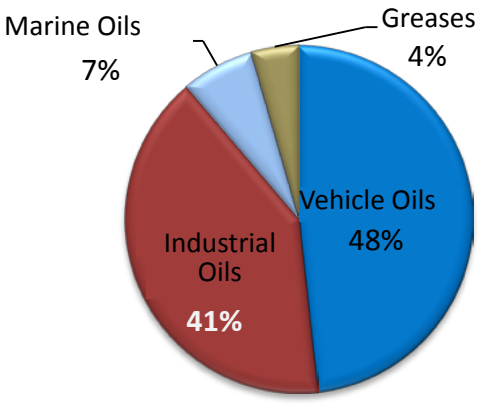


Figure 28: Lubricating Oil Consumption in Turkey, %

The figures displayed in Table 4 indicate that in the recent years an excessive amount of surplus lubricants, which have been imported as base oil to be used in lubricant industry, used and sold in the diesel market and used in illegal market activities under the name of Number 10 Oil, has been supplied to the market.

Base Oil (TON/YEAR)	2010	2011	2012	2013	2014
Base Oil Imported	955.659	1.033.622	832.627	743.795	591.346
Lubricants Imported	75.368	107.434	94.824	114.495	99.292
Additives and Preparations Imported	70.688	70.909	61.363	72.350	68.648
Refinery Base Oil Sales	316.426	380.104	266.000	154.291	119.697
SUPPLY to the Market (A)	**1.418.141**	**1.592.069**	**1.254.814**	**1.084.931**	**878.982**
Base Oil Exported	1.366	1.052	706	3.858	3.264
Lubricants Exported	143.338	139.580	135.000	174.070	165.457
Additives and Preparations Exported	10.958	5.514	6.551	13.695	4.979
Lubricants Domestic Sales	416.000	411.000	408.000	416.000	417.000
Total DEMAND (B)	**571.662**	**557.146**	**550.257**	**607.623**	**590.699**
DIFFERENCE (A-B)	**846.479**	**1.034.923**	**704.557**	**477.308**	**288.283**

Table 4: Import, Export and Consumption Figures of Lubricants in Turkey
(Source: *TÜİK, **TÜPRAŞ, ***PETDER, 2014)

Demand surplus in lubricants exceeded 1 million tons in 2011 but decreased to 288,283 tons with the measures taken. Despite the significant decrease in the surplus lubricants, there are still steps to be taken in order to prevent illegal activities under the name of Number 10 Oil.

Vehicle Oils (Motor Oils, Gear and Transmission Oils)

Turkey's total vehicle oil consumption totaled 201,000 tons with a decrease of 4.4% in 2014 compared to the previous year. While the amount of gear and transmission oils used in 2013 was 35,000 tons and motor oil consumption was 176,000 tons, in the same period of 2014, gear and transmission oil consumption totaled 32,000 tons and motor oil consumption totaled 169,000 tons.

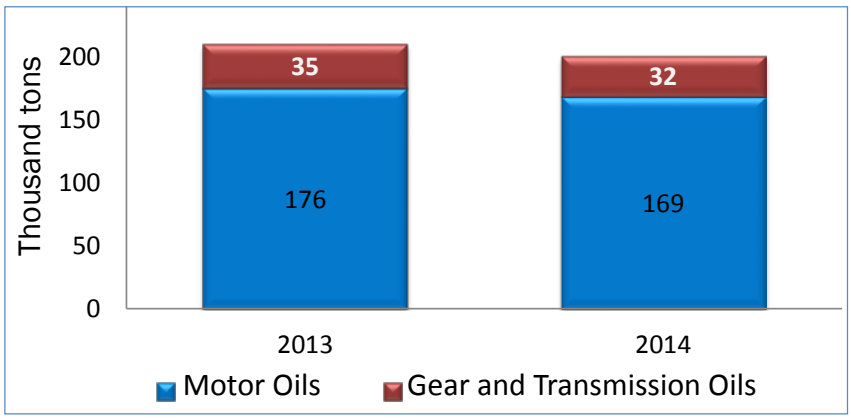


Figure 29: Vehicle Oil Consumption in 2013 and 2014 (thousand tons)

2014 Lubricants Consumption

Vehicle Oils
201.000 tons

Industrial Oils
169.000 tons

In 2014, consumption of motor oils decreased by 3.9% compared to the same period of the previous year and totaled 169,000 tons. In this period, motor oils' share in total lubricant consumption was approximately 41%. The figures below provide comparisons of motor oil consumption.

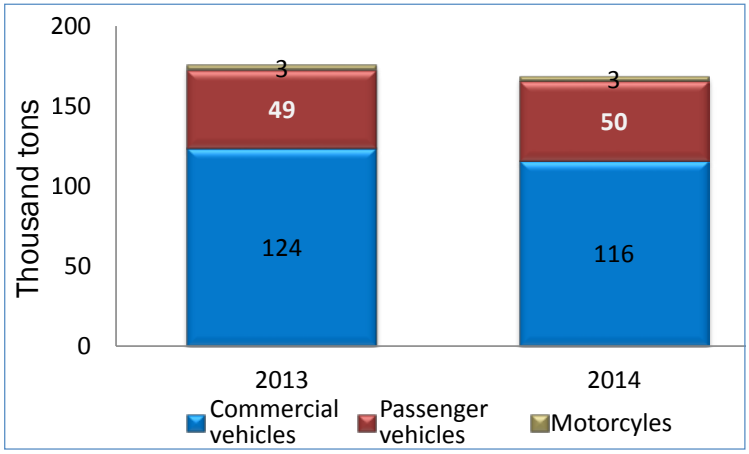


Figure 30: Motor Oil Consumption in 2013 and 2014 (thousand tons)

Industrial Oils

Total consumption of industrial oils totaled approximately 169,000 tons with an increase of 10.1% in 2014 compared to the previous year. During this period, industrial oils had approximately a 41% share within the total lubricating products. The comparative charts of industrial oil consumption are given below.

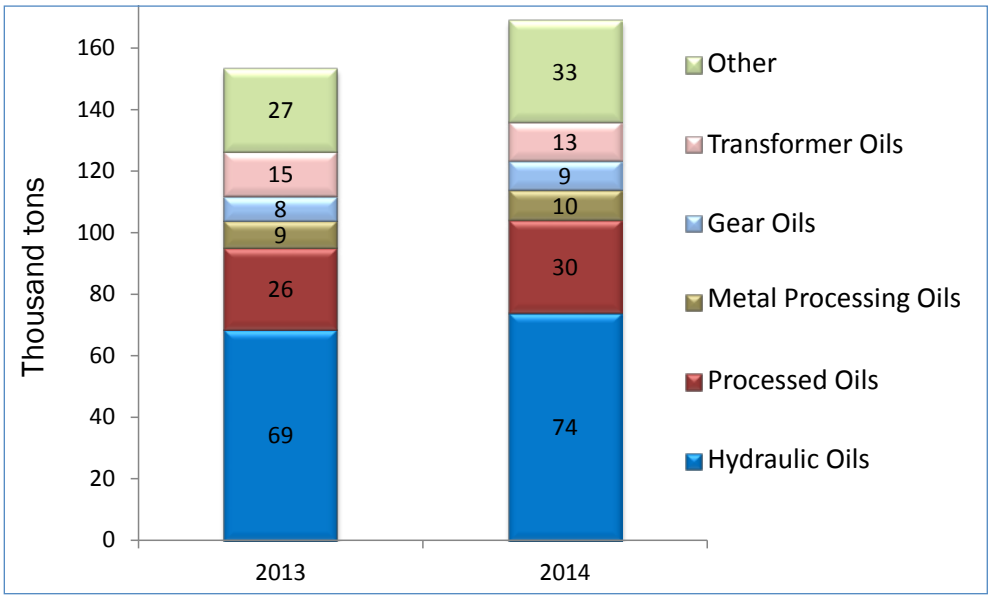


Figure31: Industrial Oil Consumption in 2013 and 2014 (thousand tons)

Marine Oils
28.000 tons

Greases
18.000 tons

Special Products (Antifreeze and Hydraulic Brake Fluids)

The total amount of antifreeze and hydraulic brake fluids produced in lubricant production facilities increased by 2.2% compared to previous year's figures and totaled 35,000 tons.

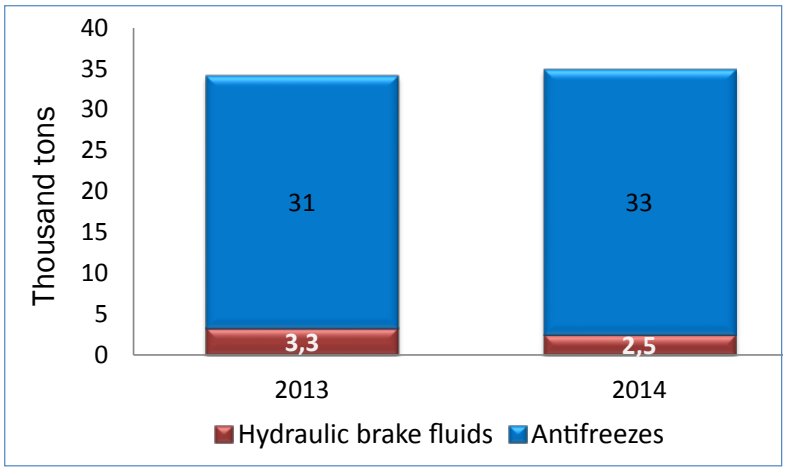


Figure 32: Chemicals Consumption in 2013 and 2014 (thousand tons)

7. OTHER STATISTICS

7.1 NUMBER OF MOTOR VEHICLES

Based on data from Turkish Statistical Institute, the total number of vehicles registered as of the end of 2014 was 18,828,721 and the shares were divided as follows; 52.4% automobiles, 16.3% vans, 15.0% motorcycles, 8.6% tractors, 4.1% trucks, 2.3% minibuses, 1.1% buses, and 0.2% special purpose vehicles.

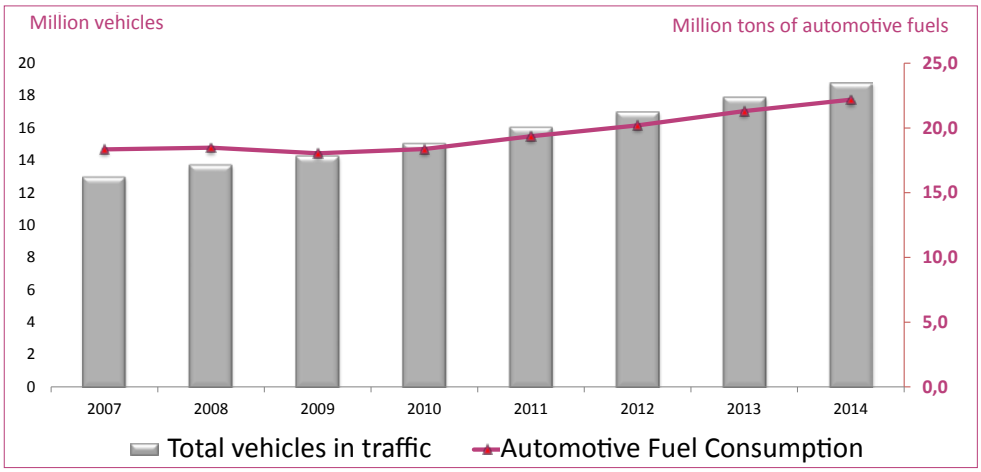


Figure 33: Number of Vehicles in Traffic and Change in Automotive Fuel Consumption (*Source: TÜİK, PETDER, EMRA*)

There was a significant increase in the number of diesel and autogas LPG powered vehicles. On the other hand, there was a slight increase in the number of gasoline powered vehicles in 2014. Number of gasoline powered vehicles has had a downward trend in the recent years. When the breakdown of fuel types of automobiles registered to traffic as of the end of 2014 is analyzed, it is observed that the number of LPG powered vehicles is 4,076,730, the number of diesel powered vehicles is 2,882,885 and the number of gasoline powered vehicles is 2,855,078. The change in the total number of vehicles in traffic and automotive fuel consumption is displayed in the chart below.

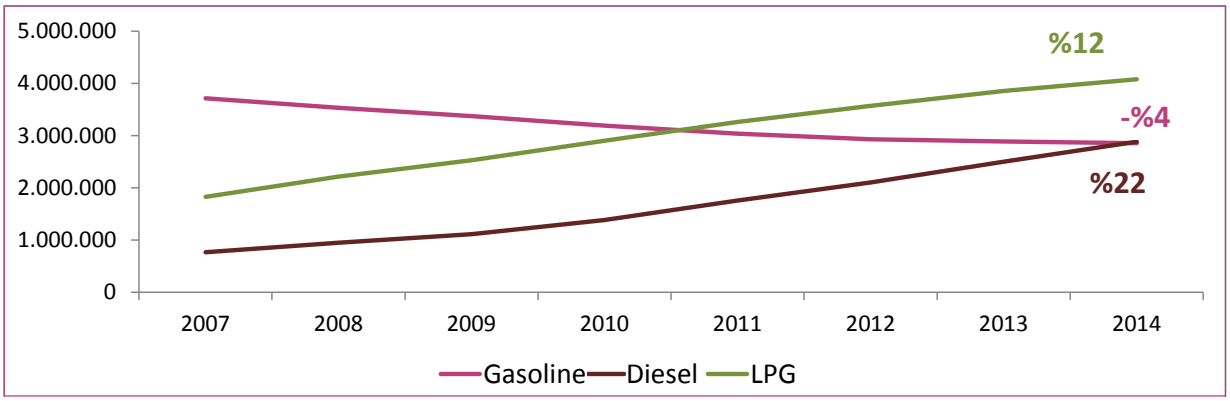


Figure 34: Number of Vehicles Registered to Traffic According to Fuel Types (million) (*Source: TÜİK*)

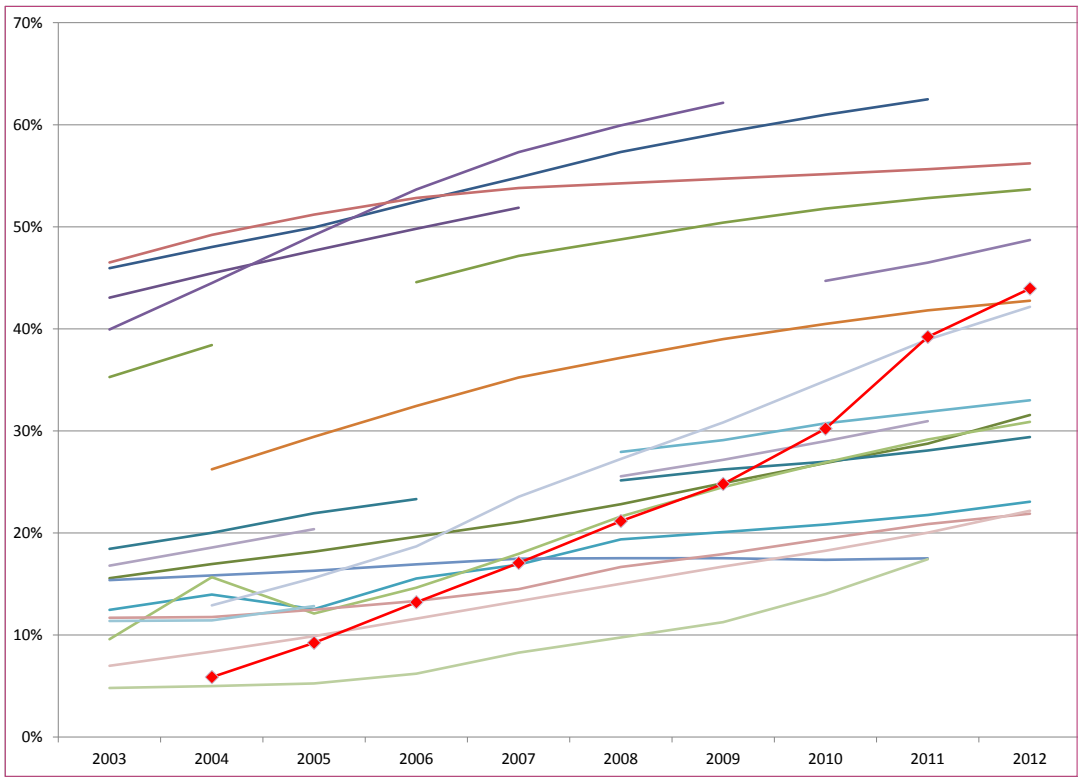
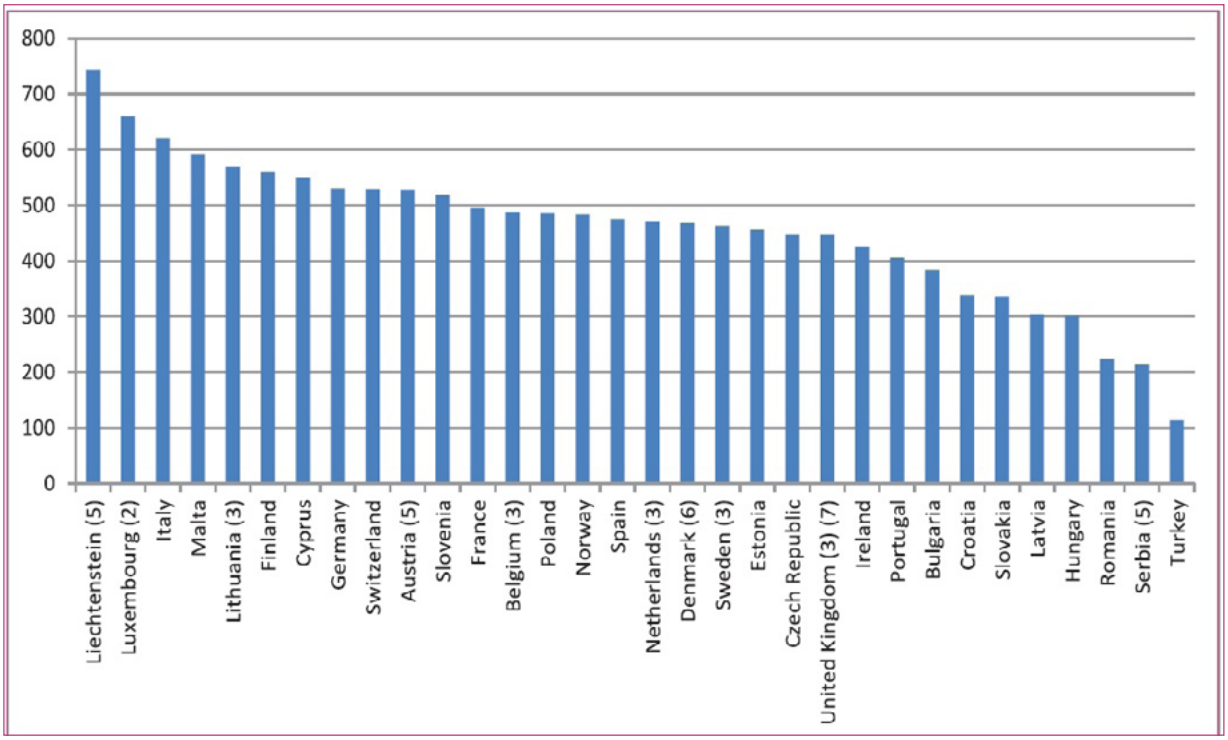


Figure 35: Transition from Gasoline Powered Vehicles to Diesel Powered Vehicles (*Source: Eurostat*)

The figure above displays the transition from gasoline powered vehicles to diesel powered vehicles in Turkey and Europe. Turkey, where the transition was at the lowest rate in 2003, ranked among top 7 countries in 2012.



Number of Vehicles per 1000 People (Source: Eurostat)

(1) Greece, Iceland, Montenegro: No data
(2) 2009 data
(3) 2011 data
(4) Aland included
(5) 2010 data
(6) 2008 data
(7) Only Great Britain
(8) The vehicles that have not undergone technical inspection within the last 5 years are not included
(9) Estimated values

7.2 GROSS DOMESTIC PRODUCT AND AUTOMOTIVE FUEL CONSUMPTION RATES

Growth rates that are regarded as one of the most significant macroeconomic indicators are also closely followed by the oil sector. As the economic growth rates are related to industrial growth and transportation sector, they serve as an important indicator of the growth figures especially in the diesel fuel market. Turkish economy completed 2013 with a growth rate of 4% and grew by 2.9% in 2014.

The chart below displays the changes in economic growth rates and total automotive fuel consumption. A general overview indicates that a there is a parallel between economic growth and automotive fuel consumption. However, although this balance was disturbed especially in the period after 2010, it remained stable after 2012. Fuel consumption outgrew GDP figures in 2013 and 2014. It is considered that this is partly due to the progress in the fight against smuggled and illegal fuel.

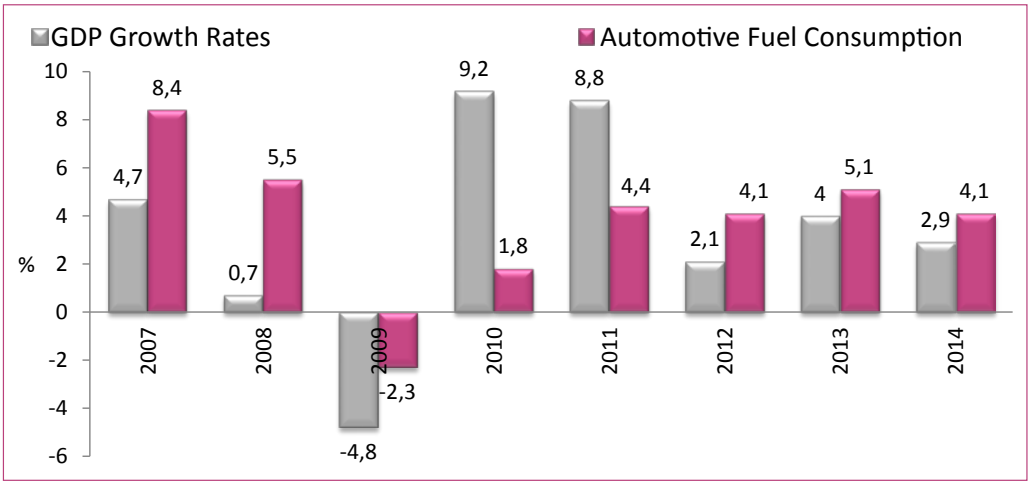


Figure 37: Annual Automotive Fuel Consumption and GDP Growth Rates (%)
(*Source: TÜİK, EMRA, PETDER*)

8. LEGAL

JANUARY 2014

January 1	EMRA	Decision on the 2014 Share Rates for License Holders Operating in the LPG Market
January 4	Ministry of Customs and Trade	Customs General Communiqué – Sectoral Incentives
January 8	EMRA	Communiqué Amending the Communiqué on Packaging and Offering Lubricants to the Market
January 8	TSE	Announcement on Terminations
January 9	EMRA	Regulation Amending the LPG Market Training and Managing Director Regulation
January 10	Ministry of Science, Industry and Technology	Communiqué on the Implementing Procedures and Principles of Type Approval of Motor Vehicles in Respect to Emissions from Heavy Duty Vehicles and in terms of Access to Vehicle Repair and Maintenance Information
January 13	TSE	Announcement on Termination of Contracts Granting the Right to use TSE-HYB Brand
January 21	Ministry of Customs and Trade	Customs General Communiqué – Collection Procedure
January 22	Ministry of Energy and Natural Resources	Turkish Petroleum Law Implementation Regulation
January 23	Ministry of Finance	Tax Procedure Law General Communiqué No 434
January 25	Ministry of Science, Industry and Technology	Amendment to the Communiqué on the Implementing Procedures and Principles of Type Approval of Motor Vehicles in Respect to Emissions from Commercial Vehicles and in terms of Access to Vehicle Repair and Maintenance Information
January 26	EMRA	Announcement on Fines and Penalties
January 28	Ministry of Energy and Natural Resources	Communiqué on Administrative Fines to be imposed in 2014 in accordance with Article 10 of Energy Efficiency Law no.5627
January 28	Ministry of Customs and Trade	Regulation Amending the Regulation on the Activities of Customs Laboratories
January 30	Ministry of Environment and Urbanization	Communiqué Amending the Communiqué on Carriage of Wastes by Road

FEBRUARY 2014

February 2	EMRA	Announcement on Fines and Penalties
February 4	Ministry of Labor and Social Security	Communiqué Amending the Communiqué on Occupational Health and Safety Workplace Hazard Classification
February 8	TSE	Announcement on Terminations
February 9	EMRA	Announcement on Fines and Penalties
February 12	Ministry of Customs and Trade	Communiqué Amending Customs General Communiqué – Processing Under Customs Control
February 14	Ministry of Customs and Trade	Trade Names Communiqué
February 14	Social Security Institution	Communiqué Amending the Employer Implementation Communiqué

REGULATIONS

February 18	Ministry of Finance	Income Tax General Communiqué - Serial No 286
February 19	EMRA	Announcement on Fines and Penalties
February 19	Social Security Institution	Regulation Amending Highway Traffic Regulation
February 19	TSE	Announcement on Terminations
February 22	EMRA	Announcement on Legal Entities Who are Granted a License and Whose Licenses are Cancelled
February 26	TSE	Announcement on Terminations

MARCH 2014

March 2	EMRA	Announcement on Fines and Penalties
March 9	EMRA	Announcement on Legal Entities Who are Granted a License and Whose Licenses are Cancelled
March 12	EMRA	Announcement on Fines and Penalties
March 15	TSE	Announcement on Terminations
March 18	Ministry of Finance	Communiqué (Serial No:33) Amending Special Consumption Tax Communiqué (Serial No: 25)
March 18	Ministry of Finance	Communiqué (Serial No:31) Amending Special Consumption Tax Communiqué (Serial No: 6)
March 18	Ministry of Finance	Communiqué (Serial No:32) Amending Special Consumption Tax Communiqué (Serial No: 18)
March 18	Ministry of Finance	Communiqué (Serial No:30) Amending Special Consumption Tax Communiqué (Serial No: 1)
March 18	Social Security Institution	Communiqué Amending Social Security Institution Health Practices Communiqué
March 26	EMRA	Regulation Abolishing the Regulation on the procedures and Principles for Determination and Disposal of Smuggled Petroleum
March 26	Ministry of Customs and Trade	Implementation Regulation on Delivery, Storage, Disposal of Fuel Seized Pursuant to Anti-Smuggling Law No.5607 and Incurred Expenses
March 27	EMRA	Regulation Amending Petroleum Market License Regulation
March 28	EMRA	Announcement on Fines and Penalties

APRIL 2014

April 3	Ministry of Finance	Tax Procedure Law General Communiqué No: 435
April 4	Ministry of Energy and Natural Resources	Ministry of Energy and Natural Resources Regulation on Statistics System Data
April 4	Ministry of Finance	Regulation Amending the Regulation on Printing and Distribution of Documents Used by Tax Payers Pursuant to Tax Procedure Law
April 5	TSE	Announcement on Terminations
April 8	EMRA	Fuel Naphtha Technical Regulation Communiqué (Liquid Fuel Serial No: 27)

April 8	Ministry of Finance	Motor Vehicles Tax General Communiqué (Serial No: 44)
April 9	EMRA	Announcement on Fines and Penalties
April 10	Social Security Institution	Communiqué Amending Social Security Institution Health Practices Communiqué
April 17	Ministry of the Interior	Regulation Amending Highway Traffic Regulation
April 18	Ministry of Labor and Social Security	Communiqué Amending the Communiqué on Occupational Health and Safety Workplace Hazard Classification
April 18	Social Security Institution	Regulation on General Health Insurance Practices
April 18	Social Security Institution	Regulation on Registration, Premium and Entitlement Practices in General Health Insurance
April 19	Ministry of Finance	Special Consumption Tax General Communiqué (Serial No: 34)
April 26	Ministry of Finance	Value Added Tax General Communiqué

MAY 2014

May 2	Ministry of Labor and Social Security	Regulation Amending the Regulation on Health and Safety Requirements in Work Equipment Use
May 3	Ministry of Labor and Social Security	Communiqué on Supporting Occupational Health and Safety Services
May 3	Social Security Institution	Regulation Amending the Regulation on Social Security Practices
May 4	TSE	Announcement on Terminations
May 6	TSE	Announcement on Terminations
May 16	Ministry of Science, Industry and Technology	Regulation Amending the Regulation on the Type Approval of Motor Vehicles in Respect to Emissions from Heavy Duty Vehicles and in terms of Access to Vehicle Repair and Maintenance Information
May 17	Ministry of Environment and Urbanization	Regulation on Monitoring Greenhouse Gas Emissions
May 18	EMRA	Decision to Implement Energy Market Regulatory Authority Organization Regulation
May 21	Ministry of Customs and Trade	Communiqué Amending Customs General Communiqué on Approved Person Status
May 21	Ministry of Customs and Trade	Regulation Amending Customs Regulation
May 21	Ministry of Customs and Trade	Regulation on Facilitating Customs Transactions
May 21	Ministry of Transportation, Maritime Affairs and Communications	Communiqué on Dangerous Goods Safety Consultancy
May 27	EMRA	Energy Market Notification Regulation

JUNE 2014

June 5	EMRA	Communiqué Amending the Communiqué On The Procedures And Principles Of Supplying Non-Fuel Petroleum Products From Domestic And Foreign Resources
June 8	EMRA	Announcement on Legal Entities Who are Granted a License and Whose Licenses are Cancelled
June 9	EMRA	Announcement on Fines and Penalties
June 12	Ministry of Customs and Trade	Ministry of Customs and Trade Market Surveillance and Inspection Regulation
June 14	TSE	Announcement on Terminations

June 22	EMRA	Announcement on Fines and Penalties
June 22	EMRA	Communiqué Amending the Communiqué on Blending Ethanol to Gasoline Types
June 27	TSE İzmir	Announcement on Terminations
June 28	Ministry of Customs and Trade	Price Tag Regulation
June 28	Ministry of Customs and Trade	Customs General Communiqué Serial No: 2
June 28	Ministry of Finance	Communiqué Amending Tax Procedure Law General Communiqué

JULY 2014

July 3	EMRA	Announcement on Fines and Penalties
July 4	Council of Ministers	Decision Amending the Decision on Transportation of Crude Oil and Jet Fuel through Turkey by Road or Railway
July 4	Ministry of Economy	Communiqué Amending the Communiqué on Import and Tariff Quotas
July 10	TSE	Announcement on Terminations
July 11	EMRA	Announcement on Legal Entities Who are Granted a License and Whose Licenses are Cancelled
July 15	Ministry of Customs and Trade	Regulation Amending the Regulation Procedures and Principles For Paying a Bonus to Informants and Confiscators of Contraband Goods
July 17	Council of Ministers	Bylaw Abolishing the Bylaw on the Measures to be Taken in Works and Workplaces where Inflammable, Explosive, Dangerous and Harmful Substances are Present
July 17	EMRA	Board Decision Amending the Board Decision on License Applications and Declarations in Liquefied Petroleum Gases (LPG) Market
July 22	Ministry of Environment and Urbanization	Communiqué on Monitoring and Reporting Greenhouse Gas Emissions
July 22	Ministry of Customs and Trade	Communiqué (Transit Regime) (Serial No:7) Amending Customs General Communiqué (Transit Regime) (Seri No:3)
July 23	Council of Ministers	Bylaw Abolishing Occupational Health and Safety Bylaw

AUGUST 2014

22 August	EMRA	Announcement on Legal Entities Who are Granted a License and Whose Licenses are Cancelled
26 August	Council of Ministers	Decision Amending the Supplemental Decision on Import Regime
27 August	EMRA	Announcement on Fines and Penalties
27 August	Ministry of Transportation, Maritime Affairs and Communications	Regulation Amending the Regulation on Carriage of Dangerous Goods by Road
30 August	EMRA	Board Decision
30 August	EMRA	Regulation amending the Regulation pertaining to the Procedures and Principles to be implemented during Audits, Preliminary Investigations and Investigations in the Petroleum Market
30 August	EMRA	Regulation amending the Regulation pertaining to the Procedures and Principles to be implemented during Audits, Preliminary Investigations and Investigations in the Liquefied Petroleum Gases (LPG) Market

A ceiling price was implemented on 21 March 2014 to be effective for two months and the Board Decision on Monitoring Fuel Prices was enacted on 3 November 2014.

SEPTEMBER 2014

Sept. 5	TSE Şanlıurfa	Announcement on Terminations
Sept. 10	Ministry of Environment and Urbanization	Environment Permit and License Regulation
Sept. 10	EMRA	Announcement on Fines and Penalties
Sept. 19	EMRA	Announcement on Legal Entities Who are Granted a License and Whose Licenses are Cancelled
Sept. 24	EMRA	Announcement on Fines and Penalties
Sept. 24	Ministry of Finance	Tax Procedure Law General Communiqué No 440
Sept. 25	Ministry of Science, Industry and Technology	Communiqué on assigning Turkish Standards Institute as an accredited institution within the scope of Regulation on Measuring Instruments

OCTOBER 2014

Oct. 9	EMRA	Announcement on Fines and Penalties
Oct. 14	EMRA	Announcement on Legal Entities Who are Granted a License and Whose Licenses are Cancelled
Oct. 17	Council of Ministers	Decision on Promulgation of the Decision on Determination of Special Consumption Tax Amount in the event it is determined that the Liquefied Petroleum Gas is used in Aerosol Production
Oct. 20	Council of Ministers	Decision on Promulgation of the Decision Amending the Decision on Implementation of Several Articles of the Customs Law No.4458
Oct. 24	TSE	Announcement on Terminations

NOVEMBER 2014

Nov. 7	EMRA	Board Decision on Monitoring Fuel Prices
Nov. 7	EMRA	Announcement on Fines and Penalties
Nov. 12	EMRA	Announcement on Legal Entities Who are Granted a License and Whose Licenses are Cancelled
Nov. 14	TSE	Announcement on Terminations
Nov. 17	EMRA	Announcement on Fines and Penalties
Nov. 17	Ministry of Finance	Tax Procedure Law General Communiqué No 441
Nov. 25	Ministry of Environment and Urbanization	Environmental Impact Assessment
Nov. 27	EMRA	Announcement on Fines and Penalties
Nov. 28	EMRA	Regulation Amending Petroleum Market License Regulation
Nov. 28	EMRA	Board Decision

DECEMBER 2014

Dec. 2	Ministry of Customs and Trade	Regulation Amending Customs General Regulation
Dec. 5	Ministry of Customs and Trade	Customs General Communiqué (Serial No: 119)
Dec. 12	EMRA	Communiqué on Fines to be Imposed Pursuant to Article 19 of Petroleum Market Law no 5015
Dec. 12	EMRA	Communiqué on 2015 Fines to be imposed pursuant to LPG Market Law 5307 and Article 16 of Law Amending Electricity Market Law
Dec. 12	Ministry of Environment and Urbanization	Communiqué on the Minimum Requirements regarding Institutions and Organizations Which Will Prepare Risk Assessment and Emergency Response Plans for Contamination of Marine Environment with Petroleum and Other Harmful Substances
Dec. 13	EMRA	Announcement on Legal Entities Who are Granted a License and Whose Licenses are Cancelled
Dec. 16	Competition Authority	Communiqué on Increasing the Minimum Administrative Fine Set Forth Under Article 16 of Law 4054 on Protection of Competition
Dec. 20	EMRA	Board Decision
Dec. 20	Ministry of Customs and Trade	Communiqué Amending Customs General Communiqué Serial No: 70
Dec. 22	Ministry of Science, Industry and Technology	Communiqué on TS 11939 T3: LPG -Automotive refueling stations - Safety rules
Dec. 23	Ministry of Environment and Urbanization	Communiqué Amending the Communiqué on Fuel, Additional Fuel and Alternative Raw Material Made From Waste
Dec. 24	EMRA	Regulation Amending LPG Market License Regulation
Dec. 24	EMRA	Board Decision Amending the Board Decision on License Applications and Notifications in LPG Market
Dec. 24	EMRA	Energy Market Notification System Instruction Manual
Dec. 26	EMRA	Regulation Amending Petroleum Market License Regulation
Dec. 28	EMRA	Communiqué Amending the Communiqué On The Procedures And Principles Of Supplying Non-Fuel Petroleum Products From Domestic And Foreign Resources
Dec. 30	EMRA	Board Decision Pertaining to Crude Oil, Fuel, Bunker, Lubricants, Base Oil and Petroleum Related Products
Dec. 30	EMRA	2015 LPG and Petroleum Market License Fees and Petroleum Market Participation Fees
Dec. 30	Ministry of Finance	Act of Fees General Communiqué - Serial No 73
Dec. 30	Ministry of Finance	Tax Procedure Law General Communiqué No 442
Dec. 30	Ministry of Finance	Communiqué Amending Tax Procedure Law General Communiqué No 443
Dec. 30	Ministry of Finance	Act of Fees General Communiqué - Serial No 74
Dec. 30	Ministry of Finance	Income Tax General Communiqué - Serial No 287
Dec. 30	Ministry of Finance	Motor Vehicles Tax General Communiqué – Serial No 45
Dec. 30	Ministry of Finance	Stamp Tax Law General Communiqué – Serial No 58
Dec. 30	Ministry of Finance	Communiqué Amending Value Added Tax General Communiqué - Serial No 2
Dec. 31	EMRA	Regulation Amending the Regulation on the Implementation of Technical Criteria in the Petroleum Market
Dec. 31	Ministry of Customs and Trade	Communiqué (Transit Regime) (Serial No: 8)Amending Customs General Communiqué (Transit Regime) (Serial No: 3)

9. ABOUT

PETDER (Petroleum Industry Association) was established on 23 September 1996 by a group of leading fuel distribution companies with the aim of supporting a spectrum of activities ranging from production to consumption of oil products. PETDER has fifteen members. These members are Alpet, Aytemiz, Belgin, BP, Gulf, ExxonMobil, Opet, Petline, Petroyağ, OMV Petrol Ofisi, Shell, Shell & Turcas, Total, Turcas and Turkuaz. Founding members of PETDER are BP, ExxonMobil, Opet, Petrol Ofisi, Shell and TOTAL.

PETDER was founded with the aim of;

- Protecting the environment and human health by improving the measures to be taken during clearance, storage, transportation and marketing of crude oil and petroleum products,
- Ensuring that petroleum products are delivered to end users in compliance with the standards set by relevant authorities,
- Discussing technical and administrative measures to be taken towards protection of ends users and the environment after sale and consumption of the products,
- Discussing administrative measures and determining technical applications regarding the foregoing.

Since its establishment, PETDER's primary aim has been to serve as a professional nongovernmental organization equipped with strong, reliable and objective principles and has always worked towards this goal. PETDER's main activities are;

- the provision of the safe and economic supply of gasoline, LPG and lubricants oils to the market,
- maintenance of transparent, fair and stable industrial environment,
- prevention of unfair competition, any act violating consumer and human health,
- improving industrial standards.

Activities and important developments in the industry are shared with the public through sector reports published periodically.

PETDER is in cooperation with EUROPIA, which represents the European fuel industry.

PETDER

Waste Oil Management Project

Following the "Regulation on Control of Waste Oils", PETDER initiated the "Waste Oil Management Project" in 2004 in order to fulfill the members' liabilities resulting from the Regulation by collecting the waste motor oils generated at car maintenance and repair shops, fuel stations and public car maintenance stations by licensed and authorized personnel under appropriate conditions. Waste motor oils collected by PETDER within the framework of the project are recycled, used as energy or disposed at facilities licensed by the Ministry of Environment and Urbanization to eliminate the negative impacts on environment and human health and public awareness is raised on the negative impacts of waste oil and how it should be reclaimed. PETDER is the only institution authorized by the Ministry for the collection of waste motor oil.

One Barrel One Tree Social Responsibility Project

PETDER provides free of charge service with licensed transportation vehicles across Turkey and plants one tree for each barrel of waste oil collected in cooperation with the "Ministry of Environment and Urbanization" and the "Ministry of Forestry and Water Affairs".

Within the framework of this project financed by PETDER, 71,500 trees have been planted in four years. The number of trees planted in 2014 was 15,000. The number of trees planted continues to increase over the years.

Traffic Safety Platform Fuel Committee

PETDER became a member of Traffic Safety Platform on 15 July 2013. PETDER plans and carries out Fuel Committee activities with its members.

Management System Certification

PETDER has been the first non-governmental organization which was granted the three certificates TS EN ISO, TS EN ISO 14001 and TS 18001 and certified in three areas of "Quality, Environment and Occupational Health". PETDER has had both the activities of the Association and "Waste Oil Management" activities certified by S&Q Mart Certification Company accredited by TÜRKAK and aims to sustain the policy it has committed at each phase of its activities.

BOARD MEMBERS (As of September 2015)

Chairman	Martin THOMSEN	BP Petrolleri A.Ş.
Vice Chairman	Tamas MAYER	OMV Petrol Ofisi A.Ş.
Board Member	Adnan Ünal	Petline Petrol Ürünleri A.Ş.
Board Member	Ahmet ERDEM	The Shell Company of Turkey Ltd.
Board Member	Ahmet İzzet EKE	Aytemiz Akaryakıt Dağıtım A.Ş.
Board Member	Antoine TOURNAND	Total Oil Türkiye A.Ş.
Board Member	Ekrem EKMENCİ	OPET Petrolcülük A.Ş.
Board Member	Yılmaz TECMEN	Turcas Petrol A.Ş.

ORGANIZATION

Niyazi İLTER
Secretary General

Serkan BEREKET
Management and External Affairs Coordinator

Bahattin ERKORKMAZ
Technical Affairs Manager

Yasemin DAĞ
Corporate Communications Executive

Zeynep ERSEN
Financial and Customer Relations Executive

Ebru AYDIN
Office Assistant

Volkan SİĞİNÇ
Operations Manager

Hasan HIRAOĞLU
Planning Executive

Osman AKSOY
Planning Executive

Serdar BEKDEMİR
Planning Specialist

COMMITTEES

PETDER committees in different fields of expertise carry out studies and activities with regulatory authorities and the stakeholders in the industry and study current and legal developments in their fields. The committees mainly meet once a month regularly and also when deemed necessary.

PETDER committees are;

- Law Committee
- Supply Committee
- Corporate Communications Committee
- LPG Sectoral Board
- LPG Technical Committee
- Lubricants Technical Committee
- Automation Committee
- Health, Safety and Environment Committee
- Transportation Committee
- Engineering Committee
- Taxation Committee

CONTACT INFORMATION

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4444 924 YAĞ
WASTE MOTOR OIL CALL CENTER

REFERENCES

- Data regarding Oil and LPG sectors is based on EMRA Oil and LPG Sector Report.

- Fuel data used in this report have been compiled from statements provided by 13 fuel distributors whose aggregate market share is calculated to be above 85% of the market and reported to the independent research organization on voluntary participation basis. For data on fuel distributors who did not participate in this voluntary data formation system, calculations were made using data from previous periods obtained from EMRA.

- Lubricant data used in this report is reported to PETDER through an independent audit organization on a voluntary participation basis.

- Inflation, GDP, CPI, exchange rates, vehicle numbers and total vehicle station data is obtained from Turkish Statistics Institute (TurkStat) and the Central Bank public reports. Crude oil prices and pump tax rates are obtained from Argus and European Commission sources.

- Turkish pump prices used in this report are obtained from EMRA and company websites. Data related to European pump prices is obtained from:
European Commission, EC Oil Bulletin, http://ec.europa.eu/energy/observatory/oil/bulletin_en.htm

- Global developments section is based on World Energy Outlook 2014.

Table 5: 2004-2014 Fuel and LPG Consumption Figures

m3		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Unl. Gasoline with additives	m3	625.519	365.822	214.237	110.902	57.709	22.588				
Unl. Gasoline (RON 95)	m3	2.607.834	2.878.464	2.744.871	2.602.498	2.589.832	2.513.068	2.410.987	2.313.900	2.345.180	2.425.220
Unl. Gasoline (RON ≥ 97)	m3	262.218	123.889	383.340	310.926	294.493	235.700	208.426	163.095	140.382	139.930
Total Gasoline	m3	3.495.570	3.368.175	3.342.448	3.024.326	2.942.034	2.771.356	2.619.413	2.476.995	2.485.562	2.565.150
Kerosene	m3	34.792	25.993	18.880	13.624	11.171	32.714	65.079	56.194	59.109	50.341
Diesel	m3	12.291.514	12.495.561	13.505.394	13.161.773	11.919.770	11.516.166	12.970.291	13.643.591	14.231.355	15.099.928
Diesel (Other)	m3	783.791	1.588.775	2.742.552	3.415.699	4.007.423	4.987.982	4.484.992	5.141.038	5.841.868	5.824.790
Total Diesel	m3	13.075.305	14.084.336	16.247.946	16.577.472	15.927.193	16.504.148	17.455.283	18.784.629	20.073.223	20.924.718
Heating Oil	Ton	612.175	480.401	475.526	384.736	320.531	203.709	194.259	159.970	114.083	97.371
Fuel Oil No:6	Ton	3.399.622	2.448.296	2.119.093	2.373.363	1.596.687	630.061	594.624	533.149	420.109	430.505
LPG Autogas	m3	3.128.282	2.768.938	3.582.613	3.770.638	4.105.857	4.445.538	4.710.386	4.812.245	4.869.509	5.068.586
mTon		**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Unl. Gasoline with additives	Ton	484.777	283.512	166.034	85.949	44.724	17.506	0	0	0	0
Unl. Gasoline (RON 95)	Ton	2.021.071	2.230.810	2.127.275	2.016.936	2.007.120	1.947.628	1.868.515	1.793.272	1.817.515	1.879.546
Unl. Gasoline (RON ≥ 97)	Ton	203.219	96.014	297.089	240.968	228.232	182.668	161.530	126.398	108.796	108.446
Total Gasoline	Ton	2.709.067	2.610.336	2.590.397	2.343.853	2.280.076	2.147.801	2.030.045	1.919.671	1.926.311	1.987.991
Kerosene	Ton	27.834	20.794	15.104	10.899	8.937	26.171	52.063	44.955	47.287	40.272
Diesel	Ton	10.386.329	10.558.749	11.412.058	11.121.698	10.072.206	9.731.160	10.959.896	11.528.834	12.025.495	12.759.439
Diesel (Other)	Ton	662.304	1.342.515	2.317.456	2.886.266	3.386.272	4.214.845	3.789.818	4.344.177	4.936.379	4.921.948
Total Diesel	Ton	11.048.633	11.901.264	13.729.514	14.007.964	13.458.478	13.946.005	14.749.714	15.873.012	16.961.874	17.681.387
Heating Oil	Ton	612.175	480.401	475.526	375.318	320.531	203.709	194.259	159.970	114.083	97.371
Fuel Oil No:6	Ton	3.399.622	2.448.296	2.119.093	2.346.240	1.596.687	630.061	594.624	533.149	420.109	430.505
Black Products	Ton	4.011.797	2.928.697	2.594.619	2.721.558	1.917.218	833.770	788.883	693.119	534.192	527.876
Total White Products	Ton	13.785.533	14.532.394	16.335.016	16.362.716	15.747.491	16.119.977	16.831.822	17.837.637	18.935.472	19.709.650
Total Fuel	Ton	17.797.330	17.461.091	18.929.635	19.084.274	17.664.709	16.750.038	17.426.446	18.370.786	19.355.581	20.140.155
LPG Autogas	Ton	1.751.838	1.550.605	2.006.263	2.111.557	2.299.280	2.489.501	2.637.816	2.694.857	2.726.925	2.838.408
Total Automotive	Ton	15.537.371	16.082.999	18.341.279	18.474.273	18.046.771	18.609.478	19.469.638	20.532.494	21.662.397	22.548.058

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