EUROPEAN NEWS

**EC Urges France To Comply Fully With The Third Energy Package**

The European Commission sent a reasoned opinion to the French government requesting the correct implementation and application of the latest Electricity Directive. The European Commission found that French legislation prevents undertakings other than the incumbent national electricity system operator from building and operating interconnectors to other EU Member States. France has two months to inform the Commission of the measures taken to remedy the situation; otherwise, the European Commission may decide to refer the case to the European Court of Justice.

*European Commission; 22/07/16*

**EC Presents Proposal On Binding Greenhouse Gas Emission Reductions For 2021-2030**

The European Commission set out a proposal on binding annual greenhouse gas emissions targets for Member States from 2021 to 2030. These targets would apply to sectors of the economy not regulated by the EU Emissions Trading System (EU ETS), such as transport, buildings, agriculture, waste, land-use, and forestry. According to this proposal, reduction targets for each Member State take into account its GDP per capita and are expressed as a percentage reduction from 2005 emission levels. Depending on the Member State, reduction targets in the sectors covered by the proposal range from 0% to 40% and achieve an overall EU reduction of 30%.

*European Commission, 20/07/16*
EC Launches Consultation On Priorities For The Development Of Network Codes
The European Commission launched a public consultation on establishing annual priority lists for the development of network codes and guidelines in 2017 and beyond. This consultation will run until 14 October 2016 and is open to authorities of Member States, private organisations, industry associations, SMEs, consultancies, other relevant stakeholders, and citizens in general.
European Commission, 18/07/16

ACER Publishes Position Paper On Regulatory Oversight Of Entities Performing Monopoly Or Near-Monopoly Functions At EU-Wide Or Regional Level
The Agency for the Cooperation of Energy Regulators (ACER) published a position paper on the regulatory oversight of entities performing monopoly or near-monopoly functions, many of which arise from implementation of the Third Energy Package. ACER proposes that it should have responsibility for regulatory oversight of these entities when they perform monopoly or near-monopoly functions at the EU-wide level or at the regional level with a clear roadmap for EU-wide integration. According to ACER’s proposal, National Regulatory Authorities cooperating at the regional level would be responsible for the regulatory oversight of entities performing those functions at the regional level. However, ACER would still check that such entities and their regulatory oversight remain in line with the principles of the Internal Energy Market.
ACER, 06/07/16

Austria
Austrian-Slovenian Electricity Day-Ahead Markets Coupled
Day-ahead market coupling on the Austrian-Slovenian border was successfully completed on 21 July 2016. This implies that day-ahead capacity on the Austrian-Slovenian border is allocated by the Price Coupling of Regions (PCR) method, a set of harmonised procedures already in operation across Europe. This border is now part of the pan-European Multi-Regional Coupling, which currently covers 19 European countries, accounting for electricity consumption of about 2,800 TWh per year.
EpexSpot, 21/07/16
**Belgium**

**CREG Sets Out Approach To Evaluating And Remunerating Infrastructure Investment Risk**

In response to the requirements of European legislation, the Belgian energy regulator, CREG, set out its methodology for compensating infrastructure investors for investment risks. In Belgium, the regulator is not in charge of identifying the investment projects deemed necessary and useful for the efficient operation of the network. Instead, these projects are defined in the federal development plan, and CREG oversees the execution of the projects. Implementation of these investments is a binding commitment for the network operator, and efficiently incurred investment expenditure is recovered through network tariffs. CREG distinguishes between “normal” risks, which are covered through the allowed rate of return on invested capital, and “increased” risks, which may be remunerated through specific incentive premiums. Such premiums can be granted for timely project completion or for projects contributing to the integration of European energy markets (Projects of Common Interest). Special remuneration mechanisms can also apply to interconnectors, for example.

CREG, 15/07/16

**France**

**Public Consultation On New Tariffs For Electricity And Gas Networks**

The French energy regulator, CRE, published a draft of the new tariff methodology applying to regulated electricity distribution networks (TURPE 5 HTA/BT) and transport networks (TURPE 5 HTB) as well as gas transport networks (ATRT 6). For all of these tariff regimes, the next regulatory period will begin in 2017 and last for approximately four years. New tariffs for gas distribution (ATRD 5) were published earlier this year.

CRE reviewed cost information submitted by the network operators and ordered external studies reviewing European regulatory practice and performing cost audits. On this basis, the regulator developed tariff methodologies that generally maintain the structural framework of the current regulatory period. Remuneration of invested capital is set to decrease, compared with the rate in the current period, as a consequence of the continuing decline in interest rates. Responses to the consultation must be submitted by 16 September 2016.

CRE, 28/07/16
Caisse Des Dépôts Reaches Agreement With EDF On Taking A Stake In RTE

The French public institution, Caisse des Dépôts, and its insurance branch, CNP Assurances, reached an agreement with EDF on the acquisition of a 49% stake in the French electricity transmission system operator, RTE. The offer values RTE at a total of about €8,500 million, substantially above the initial offer of €6,000 million to €7,000 million, making it one of the largest investments ever undertaken by the Caisse des Dépôts. The regulated operator of the largest electricity transmission system in Europe had also been the target of private infrastructure funds, but legal requirements calling for the involvement of a public institution made the Caisse des Dépôts the obvious choice. The sale of the infrastructure asset puts EDF in a better position to undertake its planned investments.

lesechos.fr, 28/07/16; lemonde.fr, 28/07/16

Germany

Bundestag Adopts New EEG 2017

On 8 July 2016, the Bundestag and Bundesrat passed an update to the Renewables Law, the EEG 2017. (The name signifies that the law comes into force on 1 January 2017.) The law largely mirrors the final draft published on 8 June 2016 but differs in a few details. The expansion path for offshore wind has been slightly amended from 730 MW p.a. previously, to lower levels up to 2025 and faster expansion between 2026 and 2030, to allow network operators time to connect wind farms to the network. The law also lifts previous restrictions on biomass units and now allows all existing plants to apply for a ten-year extension of their original subsidy. Further innovations include: (1) widening the range of energy intensive firms that may claim exemption from the EEG surcharge and (2) testing a new design for subsidy auctions that will cover up to 400 MW per year of both solar and wind generation between 2018 and 2020. On the same day, the Bundesrat also ratified the Law on the Functioning of the Electricity Market and the Law on the Digitisation of the Energy Transition. These laws were passed by the Bundestag in late June.

BMWi, 08/07/16
Bundesnetzagentur Publishes Draft Determination On Cost Of Equity For Gas And Electricity

On 6 July 2016, the German networks regulator, the Bundesnetzagentur (BNetzA), published its draft determination on the cost of equity in the next regulatory period for electricity and gas network operators. The publication triggered a one-month public consultation ending on 10 August 2016, with the final decision due in September 2016. The new regulatory periods will begin in 2018 and 2019 for gas and electricity network operators, respectively. The BNetzA set the same cost of equity for gas and electricity network operators on the grounds that they face comparable risks. The draft cost of equity is 6.91% after tax, almost a quarter less than the current rate of 9.05%. According to the president of the BNetzA, this rate reflects the lower level of overall returns observed in equity markets. The figure is calculated as the sum of a ten-year average of certain yields and a risk premium taken from a report by an external consultant. The BNetzA considers the figures to be in line with European precedent.

BNetzA, 06/07/16

Government Launches Appeal Against EEG 2012 Decision

The German government disputes the judgment issued by the Court of the European Union on 10 May 2016 (Case T-47/15), which classified the Renewable Law of 2012 (EEG 2012) as a form of “State Aid” under Article 107(1) TFEU. It has, therefore, lodged an appeal against the decision at the European Court of Justice (Case C-405/16 P). The government argues that the EEG 2012 does not violate State Aid regulations because the subsidies in question are financed through a surcharge tied to the electricity price and not through government funds or taxes. According to the Ministry for Economic Affairs and Energy (BMWi), the original decision by the Court of the European Union only applied to the EEG 2012 and has no implications for EEG 2014, the law currently in force, or for the new EEG 2017.

BMWi, 21/07/16
Four Firms Express Interest In Greek Electricity Grid

On 26 July 2016, Greece's main electricity utility, PPC, announced that four companies had expressed interest in purchasing a minority stake (24%) in its electricity network operator, ADMIE. PPC is 51% owned by the Greek state and is the sole owner of ADMIE. ADMIE operates more than 11,000 kilometres of high-voltage lines in Greece and in 2015, had a regulated asset base of €1,370 million (US$1,525 million). As specified in Greece's 2015 bailout agreement, PPC must either sell a minority stake in ADMIE or privatise the network completely by 2017. The companies that expressed interest were the Chinese State Grid (the world's largest utility), Italian network operator Terna, French network operator RTE (currently owned by EDF), and China Southern Power Grid Co., which said it would be willing to cooperate with one of the other three companies. A preferred bidder will be selected by 31 October 2016, with the sale expected to complete by February 2017.

Kathimerini, 31/07/16; Reuters, 26/07/16

Greece Continues With Gas Tariff Regulation, Jeopardises Sale Of Gas Network

On 20 July 2016, a senior official in the Greek energy ministry announced that it would not withdraw a bill amending gas tariffs, despite warnings from the Azerbaijani state-owned oil and gas company, SOCAR, that this could jeopardise its purchase of the Greek gas network (DESFA). The proposed legislation will contain tariff increases, but much less than expected, decreasing DESFA's expected profitability in the future. In 2013, SOCAR agreed to buy a 66% stake in DESFA for €400 million (US$448 million) as part of a privatisation scheme ordered by Greece's international lenders. The Chief Executive of SOCAR Energy Greece, Anar Mammadov, expressed concern that the tender might not proceed if the changes were implemented as planned.

Natural Gas Europe, 26/07/16; Reuters, 20/07/16
Italy

Reform Of The Regulated Energy Market And Introduction Of The Tutela Simile Offer
On 29 June 2016, the Italian energy regulator, Autorità per l’Energia Elettrica il Gas e il Sistema Idrico (Aeegsi), published a final decision on the reform of the retail energy market for both domestic and non-domestic customers. In this decision, Aeegsi amended the existing standard offer market and introduced a new standard offer segment, the “Tutela Simile” (“similar protection”), aimed at promoting the transition towards a fully liberalised market. With the introduction of the Tutela Simile as from 1 January 2017, energy will be supplied to domestic and non-domestic customers on a standardised contract by suppliers selected by the Single Buyer. To qualify as a supplier in the Tutela Simile market, companies will have to satisfy a set of financial and operational requirements and each company will be able to supply up to a maximum of 500,000 customers. This cap could be revised by Aeegsi based on the number of suppliers in the market segment and the number of customers switching to the Tutela Simile offer. The economic offer under the Tutela Simile will be fully comparable with the offer under the reformed regulated market and will include a one-off bonus granted to customers by suppliers.

Aeegsi, 28/07/16

Netherlands

ACM Denies Rubens An Exemption From The Tariff Code
The Consumer & Market Authority (ACM) published its decision on the application by Rubens Nurseries BV for an exemption from the Electricity Tariff Code under Article 37a of the Electricity Act 1998. On two occasions, Rubens overshot the electricity capacity it had contracted from network operator Liander NV, due to failures in Rubens’ own equipment. Liander applied the Electricity Tariff Code and set a new contracted transmission capacity on the basis of the transmission capacity that Rubens used at the time of the overshoot, thereby increasing Rubens’ transport charges. Rubens applied for an exemption from Article 3.7.11, part b of the Electricity Tariff Code to avoid the increase. ACM’s draft decision concluded that there was no particular reason to grant the exemption in this case. Rubens’ comments on the draft did not change ACM’s view, which is now published in a final decision.

ACM, 20/07/16
**Decision On Certification Of TenneT As Operator Of The Offshore Grid**

The Consumer & Market Authority (ACM) certified TenneT TSO BV as operator of the offshore grid, meaning that TenneT had met the unbundling requirement of complete separation between transport and energy production. ACM’s decision was needed before the Minister of Economic Affairs can designate TenneT as operator of the offshore grid. Only after that could TenneT start construction of the offshore grid, efficiently connecting future wind farms in the North Sea to the Dutch national grid.

*ACM, 15/07/16*

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**Spain**

**Spanish Energy Regulator Launches Consultation On Various Electricity Rules**

The Spanish energy regulator, CNMC, launched a public consultation on proposed new operating rules and methodologies submitted by the Spanish electricity market operator, OMIE, and by the Spanish electricity system operator, REE. These proposals were jointly developed by electricity market operators and system operators in the European Union and include the following: (1) Market Coupling Operator Functions Plan (MCO Plan); (2) Generation and Load Data Provision Methodology (GLDPM); (3) Common Grid Model Methodology (CGMM); and, (4) Congestion Income Distribution Methodology (CIDM). The consultation will be open until 5 September 2016.

*CNMC, 22/07/16*
Turkey

Turkey And Russia To Resume Talks On Turkish Stream Pipeline
On 26 July 2016, representatives of the energy ministries of Russia and Turkey met to discuss the proposed Turkish Stream pipeline. Both sides confirmed that they are ready to resume negotiations, which were suspended after Turkey downed a Russian fighter jet in November 2015. The freeze in relations between the countries began to thaw in June when Turkish President Recep Tayyip Erdogan apologised for the incident, and also due to Russia's support of Turkey during the failed military coup. Once completed, the Turkish stream pipeline will be 1,100 kilometres long and will have a capacity of 63 billion cubic metres (bcm). It will deliver Russian gas across Turkey and into the European Union at the Turkey-Greece border, with some gas remaining in Turkey for domestic consumption.
Kazakhstan Newsline, 29/07/16; RT, 26/07/16

Turkey And Russia Discuss Turkish Nuclear Power Plant Project
On 26 July 2016, deputy prime ministers of Turkey and Russia met to discuss progress on the Akkuyu nuclear power plant, to be constructed in Turkey by the Russian state-owned nuclear corporation Rosatom under a Build-Own-Operate (BOO) agreement. Progress on the power plant had not been formally suspended, despite Turkey's downing of a Russian fighter jet in November 2015. Russian Deputy Prime Minister Arkady Dvorkovich stated that he expected the project to move fairly quickly. Akkuyu is the first of three planned nuclear power plants in Turkey, designed to ease Turkey's reliance on energy imports. Construction on the US$20,000 million project is expected to begin in 2018, with the first generating unit commissioning in 2023 and construction finishing in 2026. Rosatom may decide to sell up to 49% of its stake, but a 51% stake, at a minimum, will remain in Russian hands.
Interfax, 26/07/16; Sputnik News Service, 26/07/16
UK

Ofgem Investigates SSE's Pre-Payment Meter Processes
The British energy regulator, Ofgem, launched an investigation into the pre-payment meter (PPM) processes of energy supplier SSE. The investigation follows concerns being expressed about SSE's approach to transferring customers onto PPM tariffs, especially customers in vulnerable situations. In particular, Ofgem will examine whether SSE breached the Standard of Conduct code, which ensures that energy suppliers treat all customers fairly and assess each customer's ability to pay when suggesting alternative payment methods.

Ofgem, 29/07/16; Energy Live News, 29/07/16

UK Government Delays Hinckley Nuclear Plant Approval
The UK government made a surprise announcement to delay approval of the Hinckley nuclear plant in Somerset. This decision comes only hours after energy company EDF, the project's French developer, gave the green light to the £18,000 million (US$24,000 million) plant following numerous delays. The government will now conduct another review of the Hinckley project and announce its final decision in early autumn.

Financial Times, 29/07/16; Energy Live News, 29/07/16

UK Government Abolishes Department Of Energy And Climate Change
UK’s newly-appointed Prime Minister, Theresa May, axed the Department for Energy and Climate Change (DECC) in a major departmental reshuffle. Instead, the functions of DECC will be shifted to a new Department of Business, Energy and Industrial Strategy (BEIS), led by Greg Clark, the former Secretary of State for Communities and Local Government. Amid concerns from campaigners that the decision to axe DECC signalled a negative move for climate policy, Mr Clark insisted in a statement that the focus of BEIS will be on “delivering affordable, clean energy and tackling climate change”, alongside a comprehensive industrial strategy.

Financial Times, 14/07/16; DECC, 14/07/16; Energy Live News, 15/07/16
**Minnesota Regulators Adopts Value Of Solar To Compensate Community Solar Customers**

On 21 July 2016, the Minnesota Public Utilities Commission voted to rely on the statewide “Value of Solar” (VOS) methodology as the basis for pricing the state’s community solar developments. Participating customers will receive a VOS-based credit on their bills, fixed for a 25-year period. The VOS rate approach is currently a voluntary option for utilities to determine compensation for distributed solar PV generation. The level of the VOS accounts for the estimated avoided costs of generation, transmission, and distribution, as well as solar generation’s environmental value. Supporters believe that VOS rates will increase price transparency for community solar customers, stakeholders, and regulators while reducing financing costs and will also encourage low- and middle-income customers to subscribe to community solar programs. In addition, VOS can partly solve cross-subsidy between community solar customers and non-solar customers. Xcel, the state’s largest investor-owned utility, is anticipating that 200 MW of community solar will enter service by the end of 2016, with an additional 250 MW by the end of 2017. A formal written decision on the adoption of VOS for community solar gardens is expected to be released in the second half of 2016.

*Utility Dive, 25/07/16; Midwest Energy News, 22/07/16*

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**Maryland’s Regulations For Community Solar Pilot Program Adopted**

The Maryland Public Service Commission (PSC) approved final regulations implementing a three-year pilot community solar program. The rules, which took effect on 18 July 2016, include significant customer protection, such as the prohibition of unreasonable fees and clear contract disclosure requirements. They also allow regulators to collect the data needed for evaluation of the pilot. The regulation aims to encourage more customers who do not have suitable rooftops, especially low- and moderate-income customers, to get access to solar electricity. The three-year program has a statewide cap of 200 MW, of which 60 MW will be set aside for low- and moderate-income customers. Electric companies are required to administer and accept applications from interested customers within six months of the effective date of application or when the company is first notified by a developer or third party of its plans to own or operate a community solar project.

*SNL, 11/07/16; Maryland Register, 08/07/16*
Hawaii LNG Imports Uncertain After Hawaiian Electric, NextEra Merger Blocked

Hawaiian Electric’s contract with the Tillbury liquefied natural gas (LNG) facility of FortisBC in British Columbia to import 800,000 million tonnes per year of LNG is in jeopardy after the Hawaii Public Utilities Commission blocked a merger between Hawaiian Electric and NextEra Energy. The contract, with deliveries starting in 2021, was contingent on the Commission approving the merger. The Commission did not cite LNG imports as a reason for rejecting the merger but did indicate that the merger was not in the public interest, saying that the companies’ commitments to meet Hawaii’s 100% renewable standard were too broad and too vague and that the merger would diminish competition.

Platts, 18/07/16

FERC Issues Final Environmental Impact Statement For Golden Pass LNG

The Federal Energy Regulatory Commission (FERC) issued its Final Environmental Impact Statement (FEIS) for the Golden Pass LNG export project in Texas and Louisiana. The proposed project includes construction, modification, and operation of liquefaction facilities at the existing Golden Pass Export Terminal, including three liquefaction trains, alternate marine delivery facilities, a 2.6 mile, 24-inch pipeline loop, three new compressor stations, and five new pipeline connections. The FERC staff concluded that construction and operation would result in some adverse environmental impacts but that implementation of Golden Pass’s proposed mitigation measures and staff recommendations would reduce those impacts to acceptable levels.

FERC, 29/07/16
Maine Utilities Commission Approves Plan For Electric Customers To Pay For Gas Pipeline Capacity Expansions

The Maine Public Utilities Commission (PUC) provided conditional approval for a plan to charge electric consumers for gas pipeline capacity expansions. In June, the PUC staff found that there was no benefit to consumers underwriting natural gas capacity contracts. The staff report found that low oil and gas prices and new pipelines already proposed or under construction would temper winter gas and related power prices—the main concern of electric companies in New England—without regulatory intervention. The ability to charge electric consumers as part of rates is conditional on all other New England states following suit. A similar plan is under scrutiny by the Supreme Court in Massachusetts.

Portland Press Herald, 21/07/16

Mexico

SENER Publishes The Public Policy For The Implementation Of The Natural Gas Market

The Mexican Energy Ministry (SENER) presented the final document on the public policy for implementing the natural gas market. The document was released for public consultation in May 2016. The final document includes comments received from the private and public natural gas sectors during the consulting process and in the seminars organized by SENER.

SENER, 28/07/16

CNH To Tender 15 Hydrocarbon Exploration And Production Contracts

Mexico’s National Hydrocarbons Commission, the CNH, published the terms of reference for Round Two of the tender for 15 oil exploration and production contracts in shallow waters in the Gulf of Mexico. This new tender aims to award contracts that were not allocated to first and second bids in Round One. In order to increase the attractiveness of the tender, the size of the exploration and extraction blocks has been doubled and participants will be allowed to participate in four different consortia, so long as they do not submit more than one bid for each individual block. Total investment of US$11,250 million is expected throughout the 40-year duration of the contracts and oil is expected to be extracted as early as 2020.

La Razón, 28/07/16; El Economista, 23/07/16
Mexico Launches E&P Tender For Partnership Contract With Pemex To Exploit Trion Oil And Gas Block

Mexico’s National Hydrocarbons Commission, the CNH, published the terms and conditions of the bidding process for the Trión oil and gas block, covering an area of 1,285 square kilometres in the Gulf of Mexico with depths up to 2,500 metres. It has “3P” (proven, probable and possible) reserves of 485 million barrels of oil equivalent. Investment of approximately US$11,000 million will be required for exploration and production. This will be the first time that the state-owned company Pemex will partner with private firms for exploration and production. The terms and conditions contain the prequalification criteria for interested companies, the terms for obtaining the license, and the Joint Operation Agreement (JOA) that Pemex will sign with the winning partner. According to these terms, Pemex will maintain a 45% share in the project, and the contract will have a duration of 35 years with two potential extensions of 10 and 5 additional years.

SENER, 27/07/16; Pemex, 27/07/16

CENTRAL & SOUTH AMERICAN NEWS

Argentina

Ministry Of Industry Publishes Terms Of Reference For New Renewable Auction

Argentina’s Ministry of Industry published the terms of reference for an auction under the recently approved RenovAr renewable energy scheme, of up to 1,000 MW of new renewable generation capacity. The division among renewable technologies will be as follows: (1) 600 MW of wind; (2) 300 MW of solar; (3) 65 MW of biomass; (4) 20 MW of mini-hydro; and, (5) 15 MW of biogas. Bids with technical and economic terms must be submitted by 5 October 2016, and the results will be released on 7 October 2016. According to the auction rules, winners will be granted Power Purchase Agreements with a 20-year duration, and winning projects must be in operation within two years. The auction also includes an incentive scheme offering a higher electricity purchase price if projects come into operation sooner.

El Inversor, 26/07/16; Ministry of Energy and Mines, 25/07/16
Chile

Government Approves Electricity Transmission Law
The President of Chile, Michelle Bachelet, has approved a new electricity transmission law. This law establishes new electricity transmission systems and creates an Independent Coordinator of the National Electricity System, responsible for monitoring the efficient operation of the system. The law will facilitate the integration of the General Interconnected System with the Central Interconnected System, as it mandates an interconnection to be completed by late 2017. This interconnection is also expected to facilitate the incorporation of renewable energy into the system. Other major changes introduced by this law include: (1) enabling local communities to participate in the design of the network; (2) ordering the publication of 30-year development plans every five years, identifying areas where specific investments in transmission are required to attract new generation capacity; and (3) mandating that consumers are to be compensated in cases of supply interruptions with up to 15 times the value of lost load.

Ministry of Energy, 11/07/16

ASIA PACIFIC NEWS

New Zealand

Electricity Authority Declines “Undesirable Trading” Claim
The New Zealand Electricity Authority has rejected a claim by electricity retailer Electric Kiwi that a wholesale price spike on 2 June 2016 amounted to an “undesirable trading situation” (UTS). On 2 June, wholesale electricity prices spiked as high as NZ$4,000/MWh (US$2,900/MWh), which Electric Kiwi alleged was due to electricity generators manipulating prices and causing an artificial generation shortage in the South Island. The Electricity Authority considered whether these events amounted to a UTS, or a situation that threatens confidence in, or the integrity of, the wholesale market. The Authority found no evidence that this threshold had been met. However, the Authority’s investigation did highlight a number of issues that would need further analysis and consideration, and it will consider these as part of a broader market performance review.

EA, 06/07/16
### Singapore

**Utilities Bill Redesigned In Singapore To Encourage Energy And Water Savings**

Starting in August 2016, residential consumers in Singapore will receive a redesigned utilities bill to help them track their energy and water usage and to take steps to reduce consumption. The new layout will enable customers to compare their own consumption with the average consumption of residents living in similar housing types or streets, as well as with the national average. The bill will also provide personalised advice on how to improve energy and water efficiency. This initiative is a joint effort by Singapore Power Services, the Energy Market Authority (EMA), national water agency PUB, and City Gas.

*Channel NewsAsia, 01/08/16; The Straits Times, 01/08/16*

### MIDDLE EAST

### Saudi Arabia

**Saudi Aramco Signs Contracts To Build Fadhili Gas Project**

State oil giant Saudi Aramco announced on 20 June 2016 that it had signed four engineering contracts to build a large gas processing project at the Fadhili site. The contracts, with firms including Saudi Electricity Co and France’s Engie, are expected to permit completion of the US$13,000 million project by the end of 2019, the company said. Other contracts for the project were signed in late 2015. The plan for Fadhili includes a 1,500 MW power plant, which will use 400 MW of electricity to power the gas project and send the remaining 1,100 MW to the domestic network. The agreement with Engie provides a buyer for the electricity produced by the plant for 20 years. The Fadhili plant, which will process 2.5 bcf (billion standard cubic feet) of gas per day, is set to boost Saudi Arabia’s gas production capacity to more than 17 bcf per day by 2020. The project is important in the kingdom’s push to reduce the use of oil for electricity generation and water desalination, to reduce costs, and to increase the amount of oil available for export.

*Reuters News, 20/07/16; The National, 20/07/16*
About Our Practice
NERA is at the forefront of the continuing transformation of energy industries worldwide. Our experts have developed approaches for introducing competition in segments such as power generation, where competition is workable, and for improving the regulation of sectors where it is not. We work with companies and governmental bodies worldwide to design competitive power markets and to develop tariffs and rules of access for regulated transmission and distribution systems for electricity and gas and transport of oil and oil products. With industry restructuring, we also help companies develop strategies for exploring new opportunities and minimising new risks, including issues related to climate change and other environmental initiatives.

NERA helps our clients to develop new regulatory strategies and, when needed, support our clients with analysis and testimony before regulatory commissions, antitrust and competition policy agencies, and domestic and international courts. Our economists help clients to decide which lines of business to pursue; to divest assets no longer consistent with their strategy; to identify and evaluate opportunities for mergers, acquisitions and investment; and to develop bidding, trading, contracting, and marketing strategies and organisations. Our work also includes designing and conducting energy auctions and providing strategy and valuation advice on mergers and acquisitions, the financing of energy companies, and the financial restructuring of distressed companies.

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