

### Seek and ye may find

By **Marcin Jakubaszek**,  
partner, attorney at law,  
Miller, Canfield, W. Babicki,  
A. Chelchowski i  
Wspólnicy Sp.k.



### New regulations may speed up the creation of the shale gas industry in Poland

On July 11, 2014, the Polish Parliament adopted a long-awaited set of regulations governing the exploration and production of hydrocarbons. (Incidentally, two weeks later, on July 25, the Parliament also adopted a new law on a special hydrocarbons tax.) On August 5, the President of Poland signed the July 11 act, and it will come into force on January 1, 2015.

The new hydrocarbons law came as a result of a long legislative process, beginning two years ago. For all that time, the

a major political and economic problem. Poland and other countries in Europe in a similar position in terms of their gas supply undergo special price-setting mechanisms which put their economies at a disadvantage. Consequently, Poland is not a very competitive economy when it comes to the prices of energy. Rapid development of the shale gas industry would inevitably improve the country's energy competitiveness.

#### New legal reality

The new regulation provides for

separate concessions for the various phases of search, exploration and production. The new regulation also provides for one combined type of documentation to be prepared for the exploration process, instead of separate geologic and investment documentation. The new law also delays the expensive and complicated procedures for assessment of the environmental impact of exploration. This has been postponed until the final phase, prior to commencement of exploration of hydrocarbons. The legislation also

year). This should allow stakeholders to make their business cases and prepare their business plans with some confidence.

However, the new legislation just shapes the legal framework for searching for, exploring and producing hydrocarbons. It cannot and it will not guarantee success. The question of the feasibility of commercial production of shale gas in Poland will be answered in the field. Now that the legal spadework is finally done, we may only keep our fingers crossed and see whether the real business pans out.

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industry hoped to finally see an act that would provide a clear legal environment for the exploration and production of hydrocarbons, particularly Poland's vast deposits of shale gas. The existing regulations governing the exploitation of natural resources are outdated and in no way could support the requirements of a modern energy sector seeking to develop as successfully as it has in the US and Canada.

The need for the new regulation was especially pressing because Poland depends on Russia for its natural gas supply. Even before the current political situation and the Russia-Ukraine crisis, the dependency on Russian gas had always been

much simpler and quicker procedures for searching for, exploring and producing hydrocarbons. It is structured in particular to speed up the process of exploring and producing shale gas.

The new regulation permits searching for hydrocarbons based on only a notification to the appropriate authorities. It also allows for exploration on one part of a site while the search of the rest of the site has not yet been completed. Instead of many various types of concessions, it provides for one compact search-explore-produce concession. This is a big improvement for business compared to the old regulation, which in this respect requires

provides for tender procedures for granting concessions and establishes requirements for the security which will need to be provided by entities exploring hydrocarbons.

Rights acquired on the basis of the current law will be preserved.

The new legislation should make life easier and is designed to speed up the process of exploration. As always, whether the new law lives up to expectations will be seen from application of the law in practice.

The law on the special hydrocarbons tax also promises a degree of certainty (as much certainty as any law can provide which may be amended—bearing in mind that income tax regulations may change every