



Ukraine: Deregulation in Oil and Gas Upstream Sector

On 1 March 2018 the Ukrainian Parliament adopted the Law of Ukraine No. 2314-VIII On Deregulation of the Oil and Gas Industry (“**the Law**”). The Law became effective on 1 April 2018 after being signed by the President.

The Law had been highly anticipated by local market players and foreign investors for several years and its enactment could not have been achieved without the market’s input. The industry expects that simplification of the regulatory procedures shall foster a more rapid development of the oil and gas sector and boost production of hydrocarbons within the country.

In particular, the Law provides for the following deregulation:

Cancellation of numerous permitting procedures:

- oil and gas licence holders shall no longer be required to obtain a number of permits and approvals, including:
 - mining allotment (a permit setting three-dimensional borders of the production field in addition to the field parameters established by the production licence (a special permit) itself);
 - numerous construction approvals from the local authorities (by virtue of the exclusion of oil and gas wells from the legal definition of “construction facilities”);
 - extensive state approvals for pilot production or commercial production of hydrocarbons (in particular, such works may be carried out directly on the basis of the protocol submitted to the State Service for Geology and Mineral Resources);
 - other permits and approvals for commencement of commercial production activities (for example, state review of the plan for commencement of commercial production and plan for field infrastructure development shall no longer be required);
 - state approvals for transfer of the company’s geological information to third parties;
 - approval of the State Service of Ukraine for Geodesy, Cartography and Cadastre for relocation of the fertile soil layer and land re-cultivation.
- environmental impact assessment (the “**EIA**”) shall be required only for production activities (i.e. a special permit for exploration works may be obtained without the EIA);

Simplification of land allocation procedures:

- a specific type of servitude is introduced for construction of oil and gas extraction facilities and pipeline infrastructure, which would generally allow location of such facilities at the relevant land plots without the need for changing their designated purpose;
- use of land plots (for example, for construction of oil and gas wells in non-urban areas) will not require a detailed zoning plan to be obtained, except in cases expressly provided for by the Law (for example, where land is located within a natural reserve or has a historical value or recreational purpose, etc.);

- procedures for allocation and use of land plots for the purpose of pilot and commercial production of hydrocarbons shall be significantly simplified;

Evaluation of oil and gas reserves:

- once exploration is completed, evaluation of oil and gas reserves may be performed by any authorised institutions, not only by the State Commission on Reserves of the Mineral Resources, as was the case before;

Other regulatory improvements:

- registration of exploration and geological survey works shall be non-mandatory;
- cancellation of fees for extension or reissuance of special permits for subsoil use;
- special permits for subsoil use may be suspended only subject to state geological control (inspection) and works must be stopped only within 20 days following such suspension.

Legislation: Law of Ukraine No. 2314-VIII On Deregulation of the Oil and Gas Industry adopted on 1 March 2018 and effective since 1 April 2018

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