

Spain

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Description of domestic sector

- 1 Describe the domestic natural gas sector, including the natural gas production, liquefied natural gas (LNG) storage, pipeline transportation, distribution, commodity sales and trading segments and retail sales and usage.**

Spain is a renowned gas importer, with less than 1 per cent of the gas consumed within the country coming from domestic production. Spain received natural gas from 12 different countries in 2017, Algeria being the main supplier (48 per cent), followed by Nigeria (12 per cent), France (11 per cent), Qatar and Peru (10 per cent) and Norway (3 per cent).

Natural gas enters the Spanish gas system in the following ways:

- international interconnections of gas pipelines. The main supply routes are the Maghreb and Medgaz gas pipelines, which connect Spain with Morocco and Algeria respectively. There are other gas pipelines of smaller capacity that connect the Spanish and French networks as well as the Spanish and Portuguese networks; or
- in the form of LNG, to be regasified in domestic regasification plants. Spain has the highest number of regasification plants in Europe (seven at present), and is positioned as the gateway to Europe for the importation of LNG from anywhere in the world owing to its geographical location, capacity and operational flexibility.

In 2017, supplies obtained through international interconnection pipelines in the form of natural gas amounted to approximately 53 per cent, with the remaining 47 per cent coming as LNG.

The Spanish gas system is liberalised, entitling consumers to freely choose their supplier and negotiate on price (except for last-resort consumers, who have access at a regulated price).

Transportation and distribution activities are regulated, which entails, among other things, transporters and distributors receiving regulated remuneration. Access by third parties to the transportation and distribution network (TPA) is regulated, as well as the tolls to be paid for such access.

The Spanish gas technical system operator and main transporter is Enagas, which is responsible, among other duties, for guaranteeing the continuity and security of the gas supply and for ensuring proper coordination between the access points and transportation and distribution networks.

- 2 What percentage of the country's energy needs is met directly or indirectly with natural gas and LNG? What percentage of the country's natural gas needs is met through domestic production and imported production?**

According to the annual report on the Spanish gas market published by the Spanish energy regulator – the National Commission for Markets and Competition (CNMC) – in 2016 the total natural gas consumption in Spain amounted to 20.3 per cent of the total consumption of primary energy. In 2017, the total natural gas consumption in Spain was 348 TWh. This represented an increase of 9.1 per cent compared with 2016.

Internal gas production totalled 419 GWh in 2017, which covered 0.1 per cent of internal gas demand and meant that 99.9 per cent of internal gas consumption was met through importation.

Government policy

- 3 What is the government's policy for the domestic natural gas sector and which bodies set it?**

Spain's natural gas sector policies and legal regime are primarily governed by the EU through Directive 2009/73/EC concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC. The energy policies behind this directive are mainly focused on ensuring the security and safe supply of energy at the lowest possible cost, boosting energy efficiency, ensuring the functioning of the energy market, and promoting the interconnection of energy networks.

At state level, such policies and legal regime have been implemented in Spain through Law No. 34/1998 on Hydrocarbons (LH), as amended from time to time to transpose EU regulations. As per the Spanish Constitution, the LH is basic legislation, that is, legislation on the energy regime is reserved to the state, which establishes the National Energy Plan and determines the tolls for the use of facilities affected by TPA rights, among other functions. Also at state level, the role of the Ministry of Ecological Transition (MINET) includes granting the relevant authorisations for facilities when they affect the territorial scope of more than one autonomous community and providing instructions regarding the extension, improvement and adaptation of the transport and distribution infrastructures.

Broadly speaking, the regional administrative authorities of the Autonomous Communities are in charge of developing the basic state-level legislation. They also grant the necessary authorisations when the relevant gas infrastructure solely affects their territory, unless these authorisations are expressly reserved to the MINET.

The CNMC is the independent regulator in charge of supervising and controlling the proper functioning of the energy and gas sectors and safeguarding competition in these sectors.

Finally, there are no major differences as regards conventional and unconventional sectors, as detailed in question 4.

Regulation of natural gas production

- 4 What is the ownership and organisational structure for production of natural gas (other than LNG)? How does the government derive value from natural gas production?**

Gas production in Spain is very limited; as stated, less than 1 per cent of the gas consumed within the country comes from domestic production. However, despite its limited impact in the gas sector, domestic production is heavily regulated, as explained in question 5.

Under the LH, natural gas fields and underground stores existing within the state territory and in the territorial subsea and sea depths are under the sovereignty of Spain and shall be deemed to be public property belonging to the state (public domain goods). This affects the authorisation regime for the performance of these activities, which ranges from a simple administrative authorisation for exploration activities to the requirement of an administrative concession to exploit the gas deposit.

On 23 May 2015, Law No. 8/2015 was passed, amending the LH and establishing a tax on the value of the extraction of gas, oil and condensates. Further, several surface fees must be paid in order to obtain gas production licences.

5 Describe the statutory and regulatory framework and any relevant authorisations applicable to natural gas exploration and production.

Any person with legal, technical and financial capacity may perform exploration, research and exploitation of hydrocarbons by obtaining the corresponding authorisations, permits and concessions, which are granted by the MINET or by the competent regional administrative authority if such performance only affects its territorial scope.

The exploration authorisation grants its owner a non-exclusive right to carry out exploration in free areas. Thus, in practice, interested parties directly require a research permit.

Research permits grant their owner an exclusive right to conduct research on a given surface and to obtain operating concessions at any time during the period of validity of the permit. Permits are granted for six years and can be extended for a further three years under certain conditions. Once a research permit has been requested, the MINET begins a competitive process so that other operators may attempt to obtain the permit, which is ultimately awarded on the basis of the best offer received.

Exploitation concessions empower their owner to exploit resources that have been discovered. Concessions are granted for 30-year periods and can be extended for two additional periods, each of 10 years. The granting of exploitation concessions is an exclusive competence of the MINET.

Article 9.5 of the LH expressly permits non-conventional extraction of natural gas, such as fracking. The exploration, research and exploitation regime does not substantially differ from the conventional extraction regime explained above.

Mineral rights may also be leased to third parties provided that they fulfil the necessary requirements.

Authorisations, permits and concessions, and any administrative resolutions may be challenged in an administrative proceeding before either the administrative authority that granted them or the relevant superior administrative body. They can subsequently be challenged before the competent courts, which may be the Superior Court of Justice of an Autonomous Community, the Supreme Court or lower courts, depending on the specific administrative resolution being challenged.

Administrative authorities may also initiate infringement procedures against third parties not complying with their decisions.

6 Are participants required to provide security or any guarantees to be issued with a licence to explore for or to store gas?

To obtain research permits and exploitation concessions, operators must constitute a guarantee in favour of the administrative authorities. This guarantee must be established in the corresponding resolution and calculated to cover the investment, tax, social security and restoration obligations arising from the research permits or concessions.

Regulation of natural gas pipeline transportation and storage

7 Describe in general the ownership of natural gas pipeline transportation, and storage infrastructure.

The natural gas transportation network comprises:

- primary transport networks of natural gas pipelines with a maximum design pressure of 60 bar or more;
- secondary transport networks made up of pipelines with a maximum design pressure of between 60 and 16 bar;
- LNG regasification plants; and
- basic storage of natural gas.

The LH recognises free enterprise for the exercise of transportation activities. However, they must be carried out guaranteeing the supply of gas to final consumers within the national territory. Gas transportation facilities can be privately owned and any market operator can build infrastructure for the transportation of natural gas provided that it complies with the legal, technical and financial conditions set out in Royal Decree 1434/2002 and obtains the necessary administrative authorisations for the construction and exploitation of transportation facilities. (See question 8.)

Companies carrying out transportation activities are required to have such activity as their exclusive corporate purpose, and a vertically integrated group of companies carrying transport or distribution activities cannot carry out generation or trading activities either directly or through companies within its group of companies, unless it fulfils several unbundling obligations established in the LH (keep separate accounting for each activity, maintain different management for each activity, keep commercially sensitive information secret from other companies within the group, establish a group code of conduct to fulfil unbundling obligations, and so on).

Further, there are additional unbundling obligations for transporters owning specific high-pressure pipelines that are fundamental to the security and functioning of the system (Red Troncal) and that are part of a vertically integrated group of companies. In such cases, transporters must obtain a certificate granted by the CNMC qualifying them as managers of the transportation network. This certificate will follow one of the models established in the LH pursuant to EU regulations: a transmission system operator model (under which the transporter still has ownership of the assets but specific unbundling obligations have to be implemented); or an independent system operator model (ISO) (where the transporter still has the property but the specific asset is managed by another ISO-certified transporter).

8 Describe the statutory and regulatory framework and any relevant authorisations applicable to the construction, ownership, operation and interconnection of natural gas transportation pipelines, and storage.

Pursuant to the LH and Royal Decree 1434/2002, the construction, enlargement, modification and operation of natural gas transportation facilities are subject to the following authorisations:

- administrative authorisation, to be granted in conjunction with the environmental impact study, which provides the applicant with the right to install a facility subject to certain conditions;
- approval of the execution project implementation plan for the facility, which allows the applicant to carry out its construction; and
- operating authorisation, which allows the applicant, once the project has been constructed, to inject gas in the facilities and to proceed to commercial exploitation and obtain the specific remuneration regime established for transportation activities.

To obtain these authorisations, transporters must also comply with the legal, technical and financial conditions set out in Royal Decree 1434/2002:

- legal capacity: the entity must be a Spanish trading company or a company of another EU member state;
- technical capacity: which will be directly recognised if the company (or one of its shareholders, provided it holds at least 25 per cent of the share capital) has carried out transportation activity during the previous three years; and
- financial capacity: which will be directly recognised if a certain amount of the company's equity is dedicated to the transportation activity (the larger figure of the following: €5 million or 25 per cent of the budget for the facilities to be authorised).

The applicant company must provide a guarantee (2 per cent of the budget of the project).

Administrative authorisations are preferably awarded through public tenders. However, direct awards are also envisaged under certain circumstances (when a facility is considered as a necessity – properly justified and agreed by the relevant authority – and no tender procedure has begun).

The MINET is the relevant authority for the award of the authorisations regarding the facilities that belong to the basic natural gas network. The corresponding regional administrative authority awards authorisations for secondary transmission facilities, unless the scope of the facility affects more than one autonomous community, in which case authority again falls to the MINET.

As explained in question 5, administrative resolutions may be challenged in an administrative proceeding either before the same administrative authority that granted them or before the relevant superior administrative body. They can subsequently be challenged before the competent court, which may be the Superior Court of Justice of

an Autonomous Community, the Supreme Court or a lower court depending on the specific administrative resolution being challenged. Administrative authorities may also initiate infringement procedures against third parties not complying with their decisions.

9 How does a company obtain the land rights to construct a natural gas transportation or storage facility? Is the method for obtaining land rights to construct natural gas distribution network infrastructure broadly similar?

According to the provisions of article 102 of the LH, the holders of the different authorisations and permits have a right to occupy the public domain and any other areas of public easements of access and ways. The relevant public authority will provide the necessary authorisation for such occupation.

Further, article 103 of the LH establishes that natural gas transportation, storage and distribution facilities are declared to be of public utility. Consequently, on private domain lands, transporters may negotiate and reach private agreements with the owners to obtain the corresponding rights and easements. If a private agreement cannot be reached, operators can apply to the administrative authority to obtain such rights by means of a compulsory expropriation process. This procedure aims to establish the price to be paid for such rights over the land (which either party can subsequently challenge in court) and enables operators to obtain the rights before the price is fixed.

10 How is access to the natural gas transportation system and storage facilities arranged? How are tolls and tariffs established?

According to Royal Decree 984/2015, the parties with TPA rights to access the transmission and distribution networks are:

- direct market consumers;
- traders;
- transportation and distribution operators;
- the technical system operator; and
- the corporation for strategic reserves of oil.

The process for obtaining TPA rights is based on principles of non-discrimination, transparency and objectivity. The process is carried out through a unique telematic platform managed by the technical system operator, in which parties request and contract access to the transportation and distribution networks, entering into a standard model contract approved by the Secretary of Energy of the MINET, which cannot be amended by the parties.

The aforementioned platform includes five products that entitle the use of contracted capacity for a certain period of time:

- annual product: during all the days of a year. The annual capacity can be offered, at most, for the next 15 years of gas;
- quarterly product: during all the days of a quarter;
- monthly product: during all the days of a natural month, beginning on the first of each month;
- daily product: during a gas day; and
- intraday product: from the effective time of contracting until the end of the gas day.

The CNMC resolves any discrepancies involving the denial of a request to access the network.

Tolls and tariffs to be paid to the network for the TPA are calculated each year and approved by means of a Ministerial Order of the MINET. They are mainly established for the following services: regasification, transportation, distribution, underground storage and LNG storage.

The calculation of the tolls and tariffs follows a criterion such that income from TPA tolls and tariffs is essentially sufficient to cover the regulated remuneration of transporters and distributors: the investment made in transport and distribution facilities is recovered during their lifespan and the tariffs allow for a reasonable return on the investment. Thus, calculation of the tolls and tariffs is mainly based on the gas demand forecast, the remuneration of regulated activities and the forecast for the use of regasification, storage and transport and distribution facilities.

There is also a secondary capacity market in which parties that have already obtained capacity through the aforementioned procedure can sell or sublease such contracted capacity to other parties.

As regards balancing, third parties with TPA rights must pay a tariff in case of unbalancing between their entries and exits of natural gas through the gas system. The methodology for establishing this tariff is approved by the CNMC.

11 Can customers, other natural gas suppliers or an authority require a pipeline or storage facilities owner or operator to expand its facilities to accommodate new customers? If so, who bears the costs of interconnection or expansion?

Pursuant to article 4 of the LH, transport assets considered obligatory for the security of supply are subject to the National Energy Plan approved by the government. In such cases, the MINET initiates a public tender. Direct awards can also be made and if no transporter requests the administrative authorisations for the obligatory assets, then the MINET can directly request the technical system operator (Enagas) to execute them.

The applicant for expansion authorisations bears the costs of any expansion, which are reflected in the corresponding regulated transporter remuneration.

12 Describe any statutory and regulatory requirements applicable to the processing of natural gas to extract liquids and to prepare it for pipeline transportation.

See questions 5 and 8 (as regards regasification). In addition, once the LNG has been duly regasified in order for it to enter the transportation pipelines it has to fulfil specific technical requirements established in Ministerial Order ITC/3126/2005 approving the technical regulations on the management of the gas system.

13 Describe the contractual regime for transportation and storage.

Transportation and distribution facilities need to obtain the necessary administrative authorisations (see question 8). The conditions for the use and exploitation of such facilities are hence mainly included in the administrative authorisations. Further, the contractual regime to access transportation and storage is regulated through TPAs (see question 10).

Regulation of natural gas distribution

14 Describe in general the ownership of natural gas distribution networks.

The distribution network comprises the distribution of natural gas through the pipeline network to the points of final consumption. It encompasses pipelines whose pressure is \leq 16 bar as well as any others, regardless of pressure, that conduct the gas to a single consumer.

As for the ownership of the distribution facilities, they are privately held and any market operator can build distribution infrastructures. In this sense, question 7 in relation to transport facilities applies *mutatis mutandis* to distribution facilities.

However, financial capacity will be directly recognised if a certain amount of the company's equity is dedicated to the distribution activity (the larger figure of €1 million or 25 per cent of the budget for the facilities to be authorised).

15 Describe the statutory and regulatory structure and authorisations required to operate a distribution network. To what extent are gas distribution utilities subject to public service obligations?

Question 8 applies *mutatis mutandis* to the distribution network.

The relevant authority for the award of the distribution facility administrative authorisations is the competent regional administrative authority, unless the facility affects more than one autonomous community, in which case the MINET will be the competent authority.

16 How is access to the natural gas distribution grid organised? Describe any regulation of the prices for distribution services. In which circumstances can a rate or term of service be changed?

Question 10 applies *mutatis mutandis* to the distribution network.

17 May the regulator require a distributor to expand its system to accommodate new customers? May the regulator require the distributor to limit service to existing customers so that new customers can be served?

Pursuant to the provisions of article 74 of the LH, the obligations of natural gas distributors include extending the distribution facilities in the geographical scope of their authorisation to meet new gas supply demand when necessary. Where there are several distributors in a given area and none of them decides to undertake expansions to serve new customers, the administrative authorities will determine which of these distributors should take responsibility, taking into account their individual conditions.

18 Describe the contractual regime in relation to natural gas distribution.

See question 13.

Regulation of natural gas sales and trading

19 What is the ownership and organisational structure for the supply and trading of natural gas?

The trading of natural gas in Spain is carried out by suppliers who acquire natural gas from producers or other traders for its sale to consumers or to other traders, or for international transit, and access the facilities of transporters and distributors to vehicle the acquired gas.

Unregulated activities are conducted on the free market; therefore, the market is open to all economic agents and prices can be set freely (with the exception of the tariff of last resort (TUR), as described in question 20).

20 To what extent are natural gas supply and trading activities subject to government oversight? What authorisations are required to engage in wholesale trading of gas?

Any entity wishing to carry out trading activities must be a Spanish trading company or equivalent in its country of origin. It must be able to prove its technical capacity at any time, be able to prove at any time that it can guarantee the supply of natural gas and grant the necessary guarantees to cover its supply undertakings.

Trading may only be carried out by companies that have filed a prior declaration of responsibility with the relevant awarding authority stating that they fulfil the above-mentioned requirements. Prior administrative authorisation is not needed.

Trading companies must have their business activity dedicated to gas trading, not being able to carry out any transportation, regasification, basic storage or distribution activities (see question 7 in relation to unbundling obligations for vertically integrated groups of companies).

If the trading company is not from an EU member state, it will have to obtain prior administrative authorisation to carry out trading activities. However, if the country of origin has agreed the mutual recognition of natural gas trading licences with any EU member state, then it will be deemed to fulfil the conditions to carry out activities in Spain, though it must satisfy the obligation to grant any necessary guarantees.

In addition, traders sell the natural gas at market prices (to direct consumers in the market or those directly accessing third-party gas networks) or, in the case of TUR traders, at regulated prices to TUR customers, for customers meeting the specific requirements of being connected at pressures below 4 bar and having an annual consumption not higher than 50,000 kWh/year.

Trading companies are subject to the oversight of the CNMC and also to trading activity regulations implemented by the MINET.

21 How are physical and financial trades of natural gas typically completed?

The gas market in Spain operates under a free market regime. The sale of natural gas is completed through bilateral over-the-counter contracts, whose conditions are set exclusively by the intervening parties. To simplify and accelerate negotiations, marketers sign framework agreements, the most common of which are European Federation of Energy Traders, International Swaps and Derivatives Association and Specific Spanish Master Agreement (designed by Spanish players for the national market). These agreements essentially regulate operational and economic risk, allowing the renegotiation of gas volumes with third parties.

The basic and defining characteristic of the gas market in Spain in previous years was that neither the technical system manager nor third parties outside the agreement knew the purchase price of the gas. The only available information was the volume traded between the contracting parties (declared by the parties on the electronic platform managed by Enagas).

Royal Decree 984/2015 was enacted in October 2015 and created the organised Iberian (Spain and Portugal) gas market (MIBGAS) as a key element to provide greater transparency as regards price-fixing in the sale and purchase of gas, as well as to increase competition in the gas sector and encourage the entry of new traders. The MIBGAS operations began in December 2015 and both number of participants and volumes traded have been steadily increasing since that time. In 2017, the transaction volume in the MIBGAS amounted to 13,376 GWh, which represents 3.8 per cent of the total natural gas consumption in Spain in 2017.

22 Must wholesale and retail buyers of natural gas purchase a bundled product from a single provider? If not, describe the range of services and products that customers can procure from competing providers.

In general terms, customers contract gas supply from a trader as a bundled product. Therefore, the traders acquire the gas, enter into the necessary TPA contracts and pay the TPA tolls to access the transportation and distribution network.

It should also be noted that direct market consumers (qualified consumers) directly connected to the transportation network may acquire gas without having to engage a trader, and to do so they will directly enter into TPA agreements.

Regulation of LNG

23 What is the ownership and organisational structure for LNG, including liquefaction and export facilities, and receiving and regasification facilities?

As explained in question 1, the production of natural gas in Spain is very limited, meaning no LNG export facilities are in operation. However, Spain is host to the largest number of regasification plants in Europe.

LNG regasification activities (regasification plants) to supply the transportation network are considered transportation activities.

Further, satellite LNG plants to supply the distribution network are considered distribution facilities.

Therefore, questions 7 and 14 would apply *mutatis mutandis* to regasification plants and satellite LNG plants.

24 Describe the regulatory framework and any relevant authorisations required to build and operate LNG facilities.

See questions 8 and 15.

25 Describe any regulation of the prices and terms of service in the LNG sector.

See question 10.

Mergers and competition

26 Which government body may prevent or punish anticompetitive or manipulative practices in the natural gas sector?

The CNMC is the public authority in charge of preventing and punishing anticompetitive practices.

27 What substantive standards does that government body apply to determine whether conduct is anticompetitive or manipulative?

Spanish law mainly identifies the following practices as anticompetitive or manipulative:

- concerted practices with the purpose of preventing, restricting or distorting competition in the national market, such as:
 - fixing of price or commercial terms;
 - limits or controls over production, distribution, technical development or investments; and
 - market sharing; and

- abuse of a dominant position, including, among other actions:
 - imposing unfair prices or commercial terms;
 - limiting production, distribution or technical development to the detriment of consumers or other companies;
 - unjustified refusal to satisfy demand for products or services; and
 - applying in their commercial relationships unequal terms for equal services in commercial relationships, thereby placing some competitors at a comparative disadvantage.

28 What authority does the government body have to preclude or remedy anticompetitive or manipulative practices?

The CNMC is vested with powers to investigate anticompetitive practices, to initiate infringement proceedings and impose the relevant sanctions and remedies.

29 Does any government body have authority to approve or disapprove mergers or other changes in control over businesses in the sector or acquisition of production, transportation or distribution assets?

As regards merger control, under Spanish law a given transaction must be notified to the CNMC where either of the following thresholds is met:

- the combined turnover of the parties to the transaction in Spain is in excess of €240 million and the individual turnover of each of at least two parties to the transaction in Spain is in excess of €60 million; or
- as a result of the transaction the party or parties will acquire a share of 30 per cent or more of the Spanish market or of a market within Spain.

Spanish law establishes a two-stage procedure. The first (with a one-month maximum term) analyses concentrations that do not entail a competition issue. A more detailed analysis is carried out at the second stage, with interested third parties participating in the procedure so that the CNMC can adopt its final resolution for clearance or impose conditions. If the CNMC bans the concentration or makes it conditional on the assumption of certain undertakings, the issue will be referred to the Ministry of Economy and Competitiveness. Within 15 days the Ministry will then refer it to the Spanish Council of Ministers, which will adopt a final resolution within one month.

If the given transaction would have an EU dimension pursuant to the thresholds established by Council Regulation (EC) No. 139/2004, the CNMC will not be competent to analyse the transaction and a notification before the European Commission will be deemed necessary.

30 In the purchase of a regulated gas utility, are there any restrictions on the inclusion of the purchase cost in the price of services?

Transporters and distributors are subject to the government-approved TPA tolls. In addition, traders supplying services to customers under the TUR may not increase the cost of such services.

31 Are there any restrictions on the acquisition of shares in gas utilities? Do any corporate governance regulations or rules regarding the transfer of assets apply to gas utilities?

The Ninth Additional Provision of Law No. 3/2013 (NAP) establishes the obligation to notify the MINET upon either of the following events:

- acquisition by companies that carry out regulated activities (such as transport or distribution of natural gas) in other companies or assets, which may have a significant impact on the development of the activities of the transport or distribution companies owing to their value or other circumstances. Such acquisition could be made directly or indirectly, in the latter case through other companies controlled by the regulated companies; and
- acquisition of shares of transport or distribution companies, or of shares of companies that carry out such regulated activities indirectly, through companies under their control.

In addition, if the transaction implies a real and sufficiently serious threat to the guaranteed supply of gas and hydrocarbons within the scope of the companies with regulated activities, conditions related to the exercise of such activities may be imposed.

The CNMC has temporarily taken responsibility for this function of the MINET until the latter creates the relevant body to assume it. The notification period for acquisitions is within 15 working days of the acquisition taking place.

On the other hand, article 34 of Royal Decree Law 6/2000 establishes limits on the holding of stakes in the main operators (production and supply) of the gas system. The CNMC publishes an annual resolution establishing the main operators. If a shareholder holds stakes, directly or indirectly, in two or more gas main operators, limits as to voting rights and appointment of directors in such operators will apply.

In addition, Royal Decree 1434/2002 establishes the need for previous authorisation for the direct transfer of transmission and distribution assets.

International

32 Are there any special requirements or limitations on foreign companies acquiring interests in any part of the natural gas sector?

Pursuant to the NAP, when the acquisition is carried out by entities of states that are not members of the EU or the European Economic Area, if it considers that there is a real and sufficiently serious threat to the guaranteed supply of gas and hydrocarbons within the scope of the acquirer's activities, the MINET may establish conditions relating

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to the exercise of the activity of the companies subject to the transaction, as well as certain specific obligations that may be imposed on the acquirer to ensure compliance with competition laws. See 'Update and trends'.

33 To what extent is regulatory policy affected by treaties or other multinational agreements?

As Spain is an EU member state, Spanish regulatory policies on gas have to be developed and implemented in accordance with EU directives relating to the energy sector. Spain is also affected by the Energy Charter Treaty.

34 What rules apply to cross-border sales or deliveries of natural gas?

No specific requirements apply to international sales of natural gas. However, access to the capacity of the international transport pipeline interconnections in Europe is regulated at an EU level: Commission Regulation (EU) No. 984/2013 of 14 October establishes a network code on capacity allocation mechanisms in gas transmission systems, supplementing Regulation (EC) No. 715/2009 of the European Parliament and of the Council on conditions for access to natural gas transmission networks.

Both European regulations have been transposed in Spain by the CNMC in Circular (letter) 3/2017, establishing capacity allocation mechanisms to be applied at international gas pipeline connections

with Europe, and Circular (letter) 1/2013 establishing congestion management mechanisms to be applied at international gas pipeline connections with Europe. The PRISMA European Capacity Platform GmbH is the electronic platform that is primarily used to allocate capacity at interconnection points between EU member states.

Transactions between affiliates

35 What restrictions exist on transactions between a natural gas utility and its affiliates?

As explained, companies carrying out transportation and distribution activities are required to have such activity as their exclusive corporate purpose, and a group of companies carrying transport or distribution activities cannot carry out generation or trading activities either directly or through companies within their group of companies, unless they fulfil several unbundling obligations established in the LH (see question 7).

36 Who enforces the affiliate restrictions and what are the sanctions for non-compliance?

The MINET, relevant authorities of the autonomous communities and the CNMC enforce restrictions and may impose sanctions for any infringement, each of them within the scope of their respective competencies. Sanctions can include not only fines but also revocation of authorisations or disqualifications to carry out the activity.