

**Encouragement of Small and Medium Fields and Declaration of an of Emergency in the
Natural Gas Market¹**

Government Decision 2592 dated 2.4.2017

It was decided that

Signature of contracts with Leviathan and Tamar	
1.	To register the date that the Petroleum Commissioner approved the transfer of the transferred rights in Karish and Tanin as 26.12.2016; therefore “the date of opening of the option” as defined in appendix “A” of government decision #476 dated 16.8.2015 is 25.12.2020
Allocation of gas to the market during times of emergency	
2	Order the Minister of National Infrastructure, Energy and Water (hereinafter – the Minister) to act in accordance with the powers vested in him in accordance to section 91(A) of the Natural Gas Sector Law and to declare an emergency in the natural gas market, after receiving the government’s approval in accordance with the section under the following conditions:
A	As long as the supply of natural gas to the market relies on the Tamar field as the only continuous supplier that supplies natural gas to the national transmission system – whereas the maximum volume supplied that can be obtained during any particular hour from the Tamar field is lower than 75% than the maximum volume that the Tamar field is supposed to be supplying.
B	As of the date of connection of at least another field, in addition to Tamar to the national transmission system not from the system that is being used by Tamar – and when it is not possible to supply gas to the national transmission system from one of the fields (Tamar and any other significant field that will be connected after it and including the Karish-Tanin field and the Leviathan field), and as long as one of the following is expected to occur on the next business day:
	i. The maximum supply volume that can be obtained for the market during peak consumption time is lower than 85% than the volume that the market consumes in regular times during peak demand hours.
	ii. The maximum volume of supply that can be received during any particular hour from one of the fields is lower than 20% than the maximum volume that this particular field is expected to supply.
C	The above does not derogate from the Minister’s ability to use the authority vested in him according to section 91(A) of the Natural Gas Market Law to declare a time of emergency in the natural gas market, insofar as there should be the need for this in other cases/conditions.

¹ The English version of all translated law and regulation documents is a non-binding, unofficial translation from the original, binding, Hebrew version and is published for the convenience of the Public. Only the Hebrew version, as officially published in the official gazette (Reshumot) or in the Ministry of Energy website, or in the Israel Government Secretariat, as applicable, shall be binding.

3	If the Minister has declared a state of emergency in the natural gas market according to section 91(A) of the Natural Gas Law, the Director of the Natural Gas Authority will notify about this to the chairman of the Higher Emergency Economy as defined in Government Decision number 1716, dated 6.7.1986.	
4	To approve the Natural Gas Regulations (Management of the Natural Gas Market during Times of Emergency), 2017, attached, which will apply when a state of emergency has been declared.	
5	To vest in the Minister the duty to pass regulations according to section 68 of the Natural Gas Law in the matter of the obligation to report about agreements, including about every kind of back-up agreements in the natural gas market, insofar as such agreements should be entered into, to the Director of the Natural Gas Authority.	
6	To register the notification by the Antitrust Authority that if any back-up agreements are entered into as specified in section 4, such agreements will be subordinate to the Antitrust Law.	
Forbiddance to discriminate		
7	To register the announcement by the Antitrust Authority which states that according to the Antitrust Law, it is forbidden to the partners in the Tamar field, jointly or separately, to discriminate against consumers who will or who are holding negotiations with the Karish-Tanin field or that have entered into an agreement with it, compared to consumers who have not acted as aforesaid or that have or are holding negotiations with the Leviathan field or entered into an agreement with it, as well as relating to any type of back-up agreement in the natural gas market	
Planning of natural gas and renewable energy based power stations for creating an inventory of plans for the electricity market		
8.	By the power vested in it under Section 76B (c) of the Planning and Building Law, 5725-1965 (hereinafter: “the Planning and Building Law”), the government hereby establishes conditions and certification criteria for the preparation of a national infrastructure plan for electricity generation and its submission to the National Infrastructure Committee (as defined in the Planning and Building Law), pursuant to this decision and its appendixes, which shall be submitted to the Ministry of Energy as follows:	
	a.	A certification application shall be submitted to the Ministry of Energy in accordance with Appendix 1.
	b.	The applicant shall sign the attached form by which he declares and affirms that the certification to prepare and submit a plan does not constitute any future obligation by the state to issue a license, approval or permit in accordance with the Electricity Sector Law, 5756-1996, or an obligation to approve the plan in accordance with the Planning and Building Law, as detailed in Appendix 2.
	c.	The plan is for a power station for generating electricity from natural gas, renewable energy or pumped storage.

	d.	The certification application shall include a recommendation by the Planning Administration on the planning/ or technical feasibility as detailed in Appendix 3.
	e.	The certification application shall include an approval by the Electricity Authority of the existence of a connection/interest in the land as detailed in Appendix 4. The Minister may decide that the approval shall be granted by a different entity.
9.		The Minister shall be tasked with reviewing the certification applications, in accordance with the conditions and the criteria detailed in the appendixes of the decision, and submit a draft decision to the government, in order to certify the suitable entity for preparing and submitting the plan.
10.		The approval of certification applications, as aforementioned, shall be carried out until the approval of plans for a total scope of 25,000 MW, which are required until 2040, out of which 13,000 MW will be from renewable energies including pumped storage. This addition exceeds the currently approved plan. The Ministry of Energy may from time to time update the capacity and mix in keeping with the developments in the market and the Minister's policy under Section 57a of the Electricity Sector Law.
11.		The above shall not derogate from the obligation of any aforesaid entity to obtain an individual certification by the government.
12.		The bodies listed in Appendix 5 of this decision shall be certified to prepare a national infrastructure plan and submit it to the National Infrastructure Committee in accordance with Section 76b (c) of the Planning and Building Law. The aforesaid bodies have submitted an application for an individual certification prior to the date of this government decision, as well as documents proving an interest/connection in the land to the Electricity Authority prior to the date thereof, conventional electricity generation sites using natural gas in the center and north or the expansion of existing power stations, and passed all examinations detailed in Appendixes 1, 2 and 4 (except the planning feasibility clause in appendix 1). This certification is subject to the receipt of an approval of an interest/connection in the land from the Electricity Authority within 60 days of the date of the government decision.
13.		One manpower position shall be transferred from the Ministry of Energy to the National Infrastructure Committee for the purpose of promoting statutory planning in the energy market.
Government Decision number 442 dated 23.6.2013		
14		To instruct the Petroleum Commissioner to examine the means to implement what is stated in section 1(C) of government decision number 442 dated 23.6.2013, for the purpose of encouraging small and medium size fields
The State's participation in the construction of natural gas transmission and treatment infrastructure		
15		To order the minister to undertake any action required, including obtaining the approval of the Minister of Finance in order to update Appendix "A" of Israel Natural Gas Lines' (hereinafter - INGL) transmission license, that it may establish and operate a section of the transmission system for the small fields (hereinafter – the section), so that the construction will be carried out, insofar as is possible, by the lease holder of the first small or medium size field in that selfsame area (for this purpose – the lease holder), unless the Director of the Natural Gas Authority decides, with the agreement of the

	Petroleum Commissioner and the Budget Commissioner, to adopt another way to construct the section taking into consideration the time table for the construction in accordance with the development plan determined by the Petroleum Commissioner for the lease holder, the agreements reached between INGL and the lease holder and the efficiency of constructing the section and its characteristics.
16	After the update of the transmission license by the ministers, and after the Director General of the Ministry of Energy and the Budget Commissioner have reached the conclusion that the construction of the section will contribute to the development of the small fields, as well as after receiving the decision of INGL's board of directors regarding the construction of the section insofar as said decision will be taken, then 100 million shekels will be transferred from the State Budget to INGL in return for the allocation of shares to the State from INGL, for the purpose of the construction of the section and all conditional to all laws and the approval of the Finance Committee of the Knesset in accordance with clause 10 of the Government Companies Law, 1975.
17	The Government hereby acknowledges the announcement made by the Director of the Natural Gas Authority, that he intends to bring the decision regarding the funding of the costs of the construction of the section, to the Natural Gas Market Council, so that the additional funding beyond the 100 million shekels will be paid via the national transmission tariff, after the Council reached the conclusion that these costs do not digress from reasonableness.
18	The Government hereby acknowledges the announcement made by the Minister, that insofar as the lease holder shall be granted, including to the first lease holder as aforementioned, a transmission license in accordance with section 10 of the Natural Gas Law in this matter, then the lease holder will have to provide third party access (TPA) in the transmission line to the coast to other consumers.
Encouraging local demand for natural gas and the development of infrastructure	
19	To instruct the Ministry of Finance and the Ministry of Transportation to promote the purchase of compressed natural gas or electricity operated busses or mini-busses (hereinafter – alternative energy), so that in all the tenders for the “Hanyon Hanativ Ha'Mahir” it will be determined that at least 90% of the busses or mini-busses that the winner of the tender will operate, will be operated with alternative energy, unless if the inter-ministerial tender committee estimates that this could cause a delay or hurt the realization of the project – and this after consultation with the Alternative Fuel and Smart Transportation Administration in the Prime Minister's Office
20	In order to establish an initial demand base for natural gas for transportation and to encourage pioneer fleets of cars using natural gas, it is decided that the Ministry of Environmental Protection will be tasked with supporting fleets through the purchase and operation of compressed natural gas operated trucks. For this purpose, in 2017 the Ministry will allocate a sum of 10 million shekels in cash from the following sources: 1 million shekels from the budget of the Ministry of Finance; 2 million shekels from the budget of the Ministry of Energy, 3.5 million shekels from the budget from the Fuel Alternatives and Smart Transportation Administration in the Prime Minister's Office's budget and 3.5 million shekels from the Ministry of Environmental Protection budget.

21	<p>To instruct the Accountant General to examine the use of alternative propulsion in fleets of cars purchased via the government car administration and by the other governmental ministries and authorized units. For this purpose, a team will be established headed by the Accountant General or Deputy AG, and with the participation of representatives from the Budget Department in the Ministry of Finance, from the Alternative Fuel Administration, the Ministry of Energy and the car administration.</p> <p>The team will submit its conclusions to the Minister of Finance no later than 1.8.2017, including annual quantitative targets. The team’s conclusions will also be submitted to the Government’ Companies Authority, which will present them to the relevant government companies, no later than 6 months following the submission of the team’s conclusions.</p>
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Appendix 1 – Request to the Minister of Energy for certification for the purpose of promoting the power generation plan within the National Infrastructure Committee

This appendix is an administrative appendix explaining the procedures within the committee and I am not translating it

Appendix 2 – Commitment by the entity asking to get certification, according to clause 76B(C) of the National Planning Law

Same as above, not translating it.

Appendix 3 - Planning feasibility	
The assessment principles for the planning feasibility	
1.	<u>Power station siting</u>
	The proposed locations shall <u>not</u> apply in the following areas:
	<ul style="list-style-type: none"> ● In existing, proposed or planned residential zones in accordance with approved detailed plans. ● In security zones and their restrictions. ● In the coastal environment, other than in areas designated for industrial or engineering facilities in the detailed plan of the site. ● In nature reserves and national parks which have been declared or approved in a detailed plan. ● In areas of very high hydrological sensitivity (relevant for conventional power stations).
2.	<u>Preference for power station siting</u> (relevant for conventional power stations)

	<ul style="list-style-type: none"> Preference for sites adjacent to regional industrial zones and/or industrial zones with industrial or manufacturing uses or engineering facilities (which do not stand on their own as a single facility in the open area, such as water reservoirs)
	<ul style="list-style-type: none"> Preference for sites in the center and north of the country.
	<ul style="list-style-type: none"> Preference for areas that are not defined as being highly environmentally and scenic sensitive according to TAMA 35
3.	<u>Required documents</u>
	<ul style="list-style-type: none"> A map that includes markings of: <ul style="list-style-type: none"> - The area designated to the power stations with reference to the National Outline Plans, the comprehensive District Outline Plan that applies to the site, detailed plans. - Existing or approved power stations in a 10 kilometer radius. - Possible routes for electricity transmission lines and their manner of connection to the grid. - Possible routes for connecting the power station to the natural gas system and to the fuel lines (relevant for conventional power stations) All material shall be submitted as files and shall also include the markings of the designated site and routes of infrastructure lines as a GIS file.
4.	<u>Review of documents</u>
	The Planning Administration shall submit its comments to the applicant within 30 days of receiving all documents detailed in above clause 3.

Appendix 4 – Affinity/connection/interest in the land
For the purpose of proving having an interest/connection the land, the following documents must be submitted to the Electricity Authority.
I am not translating the list of the documents

Appendix 5 – Certification for entities to prepare a national infrastructure plan
Further to Section 11 of the attached decision, the following bodies shall be certified in accordance with Section 76b (c) of the Planning and Building Law to prepare a national infrastructure plan for a natural gas based electricity generation project and submit it to the National Infrastructure Committee.
1. <u>Or Power Energies (Dalia) Ltd.</u> – plan for the construction of a gas fired power station with a maximum capacity of no more than 1,450 MW after adjusting the approved

	capacity to the conditions and size of the area provided that it is constructed in one of the following sites:
	<ul style="list-style-type: none"> ● Or 3 power station – kibbutz Gan Shmuel
	<ul style="list-style-type: none"> ● Or 4 power station – kibbutz Gan Shmuel
	<ul style="list-style-type: none"> ● Or 5 power station – moshav Sde Ya’akov
	<ul style="list-style-type: none"> ● Or 6 power station – moshav Moledet
	<ul style="list-style-type: none"> ● Or 7 power station – kibbutz Nir David
	<ul style="list-style-type: none"> ● Or 8 power station – kibbutz Nir David
2.	<u>Or Power Energies (Dalia) Ltd.</u> – to prepare a plan for the construction of a gas fired power station with a maximum capacity of 850 MW at the Dalia 2 power station Tzafit site.
3.	<u>Edeltech Energy & Infrastructure Ltd.</u> - to prepare a plan for the construction of a gas fired power station with a maximum capacity of 1,260 MW provided that it is constructed in one of the following sites:
	<ul style="list-style-type: none"> ● Ramat Tzvi – “Kochav Hataavor”
	<ul style="list-style-type: none"> ● Tzur Natan – “Tzur Energy”
	<ul style="list-style-type: none"> ● Kfar Hasidim – “Rosh Carmel Energy”
	<ul style="list-style-type: none"> ● Yad Hanna – “Yad Hanna Energy”
4.	<u>IC Power Israel Ltd.</u> – to prepare a plan for the construction of a gas fired power station with a maximum capacity of 800 MW at the “OPC Hadera 2” site.
5.	<u>IC Power Israel Ltd.</u> – to prepare a plan for the construction of a gas fired power station with a maximum capacity of 530 MW at the “OPC Rotem 2” site.
6.	<u>Reindeer Energy Ltd.</u> - to prepare a plan for the construction of a gas fired power station with a maximum capacity of 1,300 MW at the “Mifgash Hashalom” site.
7.	<u>Dorad Energy Ltd.</u> - to prepare a plan for the construction of gas fired power station with a maximum capacity of 650 MW at the “Dorad Expansion” site.
This certification is subject to an approval of an interest/connection in the land from the Electricity Authority within 60 days of the date of the government decision.	

Natural Gas Market Regulations (Management of the Natural Gas Market in Times of Emergency), 5777-2017

By the authority vested in me under Section 91(b) of the Natural Gas Sector Law-2002² (hereinafter “**the Law**”), in consultation with the Director of Budgets at the Ministry of Finance³ and the approval of government, I hereby establish the following regulations:

Chapter A: Interpretation

Definitions 1. In these regulations –

“Transmission license holder” – The recipient of a transmission license in accordance with Section 11a(a) of the Law;

“Hourly demand” – The total orders for natural gas supply from an offline (failed) gas supplier by the consumers thereof during a given hour;

“Daily surplus gas” – The total amount of natural gas that can be supplied per day from a specific field, minus the orders received that day by the gas supplier and the transmission license holder from all the consumers of said field and which were approved by the transmission license holder (Proper Nomination), provided that the amount of each order does not exceed the amount that can be ordered under the contract with the consumer that was in effect prior to the declaration;

“The Declaration” – A declaration by the Minister in accordance with Section 91(a) of the Law regarding a state of emergency in the natural gas market;

“Lease” – As defined in the Petroleum Law-1952⁴;

“Natural Gas supplier” – The supplier of natural gas from a field;

“Offline (failed) gas supplier” – A natural gas supplier which due to its inability to supply all or some of the gas from a given field, a declaration has been issued with respect to that field;

² *Sefer Hachukim* (Book of Laws), 5762, p. 55

³ *Yalkut Hapirsumim* (Official Gazette), 5777, p.4648

⁴ *Sefer Hachukim* (Book of Laws), 5712, p. 322

“Residential consumers” – Consumers of an offline gas supplier who meet the conditions in sub-section (2) in the definition of distribution consumers and who consume gas for residential purposes;

“Natural gas consumers” – Distribution consumers, electricity generation consumers or non-electricity generation consumers;

“Distribution consumers” – Consumers who are one of the following, provided that they are not electricity generation consumers:

- (1) The holder of a compressed natural gas supply license in accordance with the Gas Law (Safety and Licensing), 1989⁵;
- (2) The recipient of natural gas distribution services from a distribution license holder;

“Electricity generation consumers” – Consumers of an offline gas supplier that generates electricity from gas at a minimum capacity of 45 megawatts;

“Non-electricity generating consumers” – Consumers of an offline gas supplier who are not electricity generation consumers or distribution consumers;

“Field” – An area for which a lease has been granted, including an additional area for which a different lease has been granted if said leases have been granted to the same parties and at identical rates and if the gas produced from said areas is delivered via the same transmission system which is connected to the system operated by the transmission license holder;

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|-------------|----|---|
| Validity | 2. | These regulations shall be valid and remain in effect throughout a declaration of a state of emergency and subject to Regulation 3. |
| Application | 3. | <p>(a) The provisions of Chapters B and D shall apply if prior to the declaration coming into effect the following conditions exist:</p> <ol style="list-style-type: none">(1) At least 90% of the natural gas supply to the market was supplied from a single field whose transmission system is connected to the transmission system of the transmission license holder (hereinafter: “significant field”);(2) There is no transmission system delivering natural gas from another field. |

⁵ *Sefer Hachukim* (Book of Laws), 5749, p.108

- (b) The provisions of Chapters C and D shall apply, if prior to the declaration coming into effect natural gas to the Israeli market was supplied from at least two fields whose transmission systems are each connected to the system of the transmission license holder.

Chapter B: Operation of the natural gas market in an emergency state when a significant field exists

Allocation of natural gas from a significant field in an emergency

- 4. (a) Should the hourly demand in any given hour exceed the maximum amount that can be supplied by the offline gas supplier from the significant field, the offline gas supplier and transmission license holder shall allocate the available amount for supply from the significant field to the gas consumers in the manner described in sub-regulations (b) through (d).
- (b) The first allocation of gas shall be to distribution consumers; this said allocation shall be based on the maximum hourly amount of gas consumed by the distribution consumers in the 12 months preceding the date of declaration as detailed below (hereinafter: “the reserved amount”), provided that the consumer receiving an allocation under this sub-regulation does not sell the allocated amount to others:
 - (1) A maximum amount of 3,600 MMBTU per hour or less – the allocation shall be based on the gas ordered by each of the distribution consumers;
 - (2) A maximum amount of more than 3,600 MMBTU per hour – 3,600 MMBTU per hour shall be allocated as follows:
 - (a) Residential consumers first; the Director of the Natural Gas Authority may include a different distribution consumer as part of the allocation under this sub-section among the residential consumers, provided that he determines that it is essential that said consumer receives the full amount of gas required thereby;
 - (b) The remainder of the allocation shall be allocated to distribution consumers who are not included in sub-section (a) after calculating the amount per distribution consumer by multiplying the amount ordered thereby by the ratio between the total available amount for allocation under this sub-section and the total amount ordered by distribution

consumers who are not included in sub-section (a), provided that the amount ordered by each aforementioned distribution consumer does not exceed the maximum hourly amount of natural gas supplied to that consumer by the offline gas supplier in the 12 months preceding the date of the declaration.

- (c) After allocating the reserved amount, the offline gas supplier and transmission license holder shall allocate the remaining gas available for supply from the significant field to electricity generating consumers and to non-electricity generating consumers proportionally according to the average aggregate daily consumption of each of the two types of said consumers in the corresponding month of the year preceding the year of the allocation.
- (d) The amount assigned to non-electricity generating consumers under sub-regulation (c) shall be based on the ratio between the hourly capacity reserved to each under their transmission agreement with the transmission license holder and the total hourly capacity reserved to these consumers under their transmission agreements with the transmission license holder.

Obligation to offer to sell Liquefied Natural Gas (LNG)

- 5. (a) The Israel Electric Corporation (hereinafter: "IEC") shall offer to sell liquefied natural gas (hereinafter: "LNG") to distribution consumers and non-electricity generation consumers at the price it purchased the LNG for, plus up to 10%, subject to the provisions of sub-regulations (b) through (d), provided that the consumer who purchased the LNG under this regulation does not sell the purchased amount to others.
- (b) IEC shall not sell the projected amount of LNG required for electricity generation in the coming period to the consumers defined in above sub-regulation (a), provided that said amount was calculated based on the maximum utilization of the electricity generation capacity using non LNG gas or by means of coal fired power stations and renewable energies; in this sub-regulation, "the coming period": ten days starting with the date of the declaration, or three days starting with the date of the declaration should the Director of the Natural Gas Authority, after consulting with the Petroleum Commissioner as defined in the Petroleum Law 1952, determine that the need for LNG use during the emergency period shall be for three days or less and has notified IEC thereof.

- (c) IEC shall report to the Director of the Natural Gas Authority about the existing amount of LNG at that time and the amount that shall be offered for sale under this regulation; IEC shall issue the first report under this sub-regulation immediately after the declaration and shall continue to report on a daily basis throughout the declaration period, thereby enabling the buyer to use the LNG in the day succeeding the reporting day.
- (d) In the event the amount of gas for sale under this regulation is insufficient for distribution consumers and non-electricity generation consumers, IEC shall sell the amount to said consumers after calculating the amount per consumer by multiplying the amount requested thereby by the ratio between the total available amount for sale to said consumers and their total requested amounts, provided that the amount requested by each non-electricity generation consumer does not exceed their reserved daily capacity under their transmission agreement with the transmission license holder minus the amount of gas allocated thereto that day from any source, and that the amount requested by each distribution consumer does not exceed the maximum hourly amount they consumed from the offline gas supplier in the 12 months preceding the date of the declaration minus the amount of gas allocated thereto that day from any source.

Chapter C: Operation of the natural gas market in an emergency when at least two fields exist

Obligation to offer to sell surplus gas

- 6. (a) Each one of the natural gas suppliers shall be obligated to offer to sell their surplus gas that day (hereinafter: “the selling supplier”) to the offline gas supplier.
- (b) The price of gas offered for sale under sub-regulation (a) shall be determined by consent between the selling gas supplier and the offline gas supplier; in the event the gas suppliers fail to reach an agreement, the price of gas offered for sale shall be based on the average price in the market; in this respect, “the average price in the market” – the total revenues from the sale of natural gas to consumers in Israel from all fields during the quarter preceding the quarter preceding the date of the declaration, divided by the aggregate amount of natural gas in units of MMBTU that was supplied to consumers in Israel during the quarter preceding the quarter preceding the date of the declaration, as published from time to time by the Natural Gas Authority on its internet website.

Allocation of surplus gas in an emergency state during the existence of at least two fields

7. (a) Should the hourly demand in any given hour exceed the maximum amount that can be supplied by the offline gas supplier from the field for which a declaration has been issued, the offline gas supplier and transmission license holder shall allocate the surplus gas amount purchased by the offline gas supplier from other gas suppliers in accordance with Regulation 6 solely to natural gas consumers in the Israeli market, and in the event the surplus gas amount assigned to overall said consumers is insufficient, it shall be allocated in accordance with sub-regulations (b) through (e).
- (b) The first allocation of natural gas shall be to distribution consumers; said allocation shall be based on the maximum hourly amount of natural gas consumed by the distribution consumers who consume gas from the offline gas supplier in the 12 months preceding the date of the declaration as detailed below (hereinafter in this regulation: “the reserved amount”), provided that the consumer receiving an allocation under this sub-regulation does not sell the allocated amount to others:
 - (1) A maximum amount that does not exceed the result obtained by 3,600 MMBTU per hour minus the amount supplied to distribution consumers by gas suppliers who are not offline – the allocation shall be based on the gas ordered by each of the distribution consumers;
 - (2) A maximum amount exceeding the result obtained by 3,600 MMBTU an hour minus the amount supplied to distribution consumers by gas suppliers who are not offline – an amount of 3,600 MMBTU per hour shall be allocated minus the amount supplied to the distribution consumers by gas suppliers who are not offline in the following manner:
 - (a) Residential consumers first; the Director of the Natural Gas Authority may include a different distribution consumer as part of the allocation under this sub-section among the residential consumers, provided that he determines that it is essential that said consumer receive the full amount of gas required thereby;
 - (b) The remainder allocation shall be allocated to distribution consumers who are not included in sub-section (a) after calculating the amount per distribution consumer by multiplying the amount

ordered thereby by the ratio between the total available amount for allocation under this subsection and the total amount ordered by distribution consumers who are not included in sub-section (a), provided that the amount ordered by each distribution consumer does not exceed the maximum hourly amount of gas supplied thereto from the offline gas supplier in the 12 months preceding the date of declaration.

- (c) After allocating the reserved amount, the offline gas supplier and the transmission license holder shall allocate the daily remaining surplus gas available for supply to electricity generation consumers and to non-electricity generation consumers, proportionally according to the average aggregate daily consumption of each of the two types of said consumers in the corresponding month of the year preceding the year of the allocation.
- (d) If in addition to the daily surplus amount of gas remaining for supply, the offline gas supplier can supply natural gas from the field to his consumers (hereinafter in this regulation: “the additional amount”), the offline gas supplier and the transmission license holder shall allocate the daily surplus amount of gas remaining for supply to electricity generating consumers and non-electricity generation consumers proportionally according to the average aggregate daily consumption of each of the two types of said consumers in the corresponding month of the year preceding the year of the allocation minus the additional amount allocated to each type.
- (e) The amount assigned to non-electricity producing consumers under sub-regulation (c) or (d) shall be based on the ratio between the hourly capacity reserved to each under their transmission agreement with the transmission license holder and the total hourly capacity reserved to these consumers under their transmission agreements with the transmission license holder, minus the additional amount, if allocated, to each of the non-electricity producing consumers.

Chapter D: General Provisions

Authority in special circumstances

- 8. (a) Notwithstanding the provisions of Chapters B and C, should the Minister, after consulting with the Director of the Natural Gas Authority and on matters related to the electricity market with the Director of the Electricity Authority, find that all of the following conditions exist, he may instruct a different

allocation of the natural gas amounts for supply and issue different instructions regarding the amounts of LNG for sale, provided that the deviation from the provisions of Chapters B and C does not exceed the extent required for resolving the situations detailed in said conditions and provided that residential consumers receive the full amount of gas required thereby:

- (1) At least one of the following conditions exists:
 - (a) The shortage of natural gas is causing continuous or extensive damage to one or more of the following:
 - (1) The stable functioning of the market;
 - (2) The stable supply of electricity to the Israeli market;
 - (b) The Minister of Environmental Protection has notified the Minister that the continued shortage of natural gas is causing significant damage to the environment in a manner harmful to public health and has recommended to the Minister the necessary steps to be taken for minimizing the damage;
 - (2) Said damage in section (1) cannot be overcome by a reasonable use of other fuels;
 - (3) The provisions of Chapters B and C do not provide a solution for aforesaid sections (1) and (2).
- (b) Should the Minister, after consulting with the Director of the Natural Gas Authority and on matters related to the electricity market with the Director of the Electricity Authority, find that all conditions stated in sub-regulation (a) exist, he may also instruct the means of using other backup sources available to the natural gas market in addition to those set out in said sub-regulation.
- (c) Without derogating from the aforementioned in sub-regulation (d), the Minister's directive under this regulation shall be in effect for a maximum period of 5 days, however, the Minister may extend the duration of the directive or issue other directives under this regulation for additional periods of 5 days each should he determine that the conditions described herein continue to exist.

(d) Should the Minister decide to act in accordance with this regulation, he shall notify the government at the earliest possible time; should the Minister determine that he must continue acting in accordance with this regulation for a period exceeding 10 days, he may extend the period by virtue of this regulation provided that he obtains the government's approval therefor.

Preservation of remedies and reliefs based on contracts

9. These regulations shall not detract from the remedies and reliefs available to the signatories of an agreement with the offline gas supplier and pursuant to said agreement.

Preservation of state authorities

10. These regulations shall not detract from the authorities of the state in accordance with the statutes or the Petroleum Law-1952, including the authorities under the licenses or deeds of lease issued by force of those laws.

Nisan 10, 5777 (April 6, 2017)

Yuval Steinitz

Minister of National Infrastructure, Energy and Water Resources

Planning of natural gas and renewable energy based power stations for creating an inventory of plans for the electricity market

By law, independent power producers are not authorized to promote the planning of power stations in which permits for large stations of more than 250 MW can be issued by the planning institutes in general and the National Infrastructure Committee in particular, without obtaining a license from the Electricity Authority and from the Minister of Energy.

Electricity demand in the market is increasing by hundreds of megawatts a year. As such, additional power stations need to be constructed in Israel, which only independent power producers are authorized to do under the Electricity Sector Law.

To date, most of the power stations have operated within the framework of regulated tariffs set by the Electricity Authority. In light of the growing number of players in the electricity generation segment, the state aims to promote power stations that shall be selected through a competitive bidding process that enable to reduce costs for the electricity consumers. To this end, the state must ensure a set of plans for a number of power stations in Israel.

The decision is designed to certify electricity producers to begin the statutory procedures with the National Infrastructure Committee, provided that they meet the following conditions:

1. A submission of a certification application to the Ministry of Energy in accordance with Appendix 1.
2. An affirmation that the certification to prepare and submit a plan does not constitute a future obligation by the state to issue a license, approval or permit and does not constitute an obligation to approve the plan.
3. The plan is for a power station for generating electricity from natural gas, renewable energy or pumped storage.
4. A submission of a recommendation from the Planning Administration on the planning feasibility of the proposed site ensuring that it meets the conditions stipulated in Appendix 3.
5. A submission of an approval of an interest/connection in the land from the Electricity Authority, or any other body authorized therefor by the Minister, in accordance with Appendix 4.

The Minister shall review certification applications in accordance with the conditions and criteria detailed in the appendixes of the decision, and submit a draft decision to the government certifying the applicant and the plan, if they are found to be suitable for certification. Said certifications shall be carried out until the completion of a 25,000 MW addition to the approved plans – thus ensuring that the overall plans for the market do not lead to the construction of power stations with a capacity exceeding that required until 2040.

The decision includes an individual certification of several potential electricity producers that have submitted an application for an individual certification prior to the date of this government decision.

The potential power producers certified by the decision have submitted documents proving an interest/connection in the land to the Electricity Authority, to sites for conventional electricity generation using natural gas in the northern and central districts or for the expansion of existing power stations.

The certification thereof to begin the planning process with the National Infrastructure Committee is subject to an approval of an interest/connection in the land within 60 days. The decision to establish this fast-track procedure was made in light of the urgent need to increase the number of plans for gas fired stations and in light of the fact that the National Infrastructure Committee is the only body who can de fact review construction plans for medium and large gas fired stations.

In order to promote statutory planning in the electricity market, which is expected to increase following this decision, one manpower position shall be transferred from the Ministry of Energy to the National Infrastructure Committee

Encouraging local demand for natural gas and the development of infrastructure

Government decision #5327 dated 13.2.2013 determines that it is necessary to promote the conversion of transportation in Israel to alternative energy sources than oil, and this in order to bring a diversification of energy resources to the market, to reduce the emission of pollutants and to reduce the price of energy to consumers.

The significant technological progress that has taken place over the last few years in the alternative propulsion sector, especially in propulsion by electricity and natural gas, helps to meet the targets set by the government. Thus, and in order to encourage the quick adoption of alternative methods of propulsion, the government would like to encourage demand in this sector in the market.

Natural gas propulsion is a significant source of alternative propulsion, mostly for heavy duty vehicles, and it is characterized by lower emissions of pollutants than from oil products. The availability of natural gas offshore Israel makes its price competitive compared to the price of oil. In addition, the transfer over to alternative propulsion, whether through natural gas or electricity, is expected to bring about a hike in market demand for natural gas and to increase the financial feasibility to develop additional small and medium size gas fields, if such should be discovered. Moreover, the entry of additional entities into the natural gas supply sector to the Israeli market is expected to promote competition in this sector, to improve the efficiency of supply and to bring about a fall in prices to consumers, thus bringing about savings in energy costs for the whole market.

It is therefore proposed to promote the purchase of compressed natural gas or electricity busses or mini-busses (hereinafter - alternative energy), so that the vehicles that will be available to the “Hanyonei Hanativ Ha’Mahir Authority” will mostly be ones based on alternative energy and to set up a team that would examine including alternative energy vehicles as part of the government’s purchase of vehicles.