

Is a Balanced Partnership Between Fuel Dealers and Fuel Distribution Companies Possible?"



Fuel Dealers' Demand: 'Equal Conditions, Strong Future'



In this bulletin, we will examine the innovations introduced by the Regulation on

Amendments to the Licensing Regulation in the Liquefied Petroleum Gas (LPG) Market, published in the Official Gazette of the Republic of Turkey.

However, on the first page of our bulletin, we have also dedicated space to fuel dealers, whom we consider to be the party that needs protection in negotiations with global companies. We hope you find it useful.

Atty. Serdar Kaya

Fuel dealers have been engaged in a "Struggle for Equality and Justice" against distribution companies, which are the "major" element of the contract, from the very moment of signing the agreement—a prerequisite to commence their operations. At this point, local dealers, whose operational scope is almost entirely restricted by burdensome contract terms, are striving to find a foothold within the sector amidst numerous legal obligations, despite starting their journey with the aim of contributing to employment and the national economy. From a legal standpoint, dealers are compelled to accept many rigid contracts drafted by distribution companies, which are almost impossible to negotiate, simply to commence their activities.

Due to the strong and authoritative position of the distribution company and the dealer's eagerness to commence operations as soon as possible, the challenging phases during the agreement process are somehow overcome through certain concessions made by the dealers. However, when the distribution company-dealer dynamic and other factors are considered collectively, the significant regulatory obligations imposed by the legislation make it clear that dealers face considerable challenges.

Nevertheless, despite this unfavorable picture, it is not difficult for local dealers, who carry the flag of distribution companies, to achieve a balanced partnership through legal planning that anticipates potential risks. The key is to establish the necessary legal groundwork by identifying risks in advance and patiently negotiating with a fair and equitable distribution company that adheres to the principle of equality.

Dealers must remember from the outset that nothing is without alternatives this rule applies equally to distribution companies.

The guarantees given to fuel distribution companies may not be noticeable at the stage of the contract's establishment, but in a later situation, they can cause dealers to fall under a heavy debt burden.

One of the first and essential demands of distribution companies is the establishment of a usufruct right. In fact, local dealers, who are essentially the reason for the existence of distribution companies, have no legal obligation to grant usufruct rights. However, the establishment of usufruct has now become a rule dictated by distribution companies.

The same applies to mortgages and guarantee bonds; these guarantees should not be provided. However, since distribution companies fully utilize their strong position at the table, these guarantees are somehow obtained from the dealer.

The Guarantees must be limited,

If the dealer has been forced to provide guarantees, care should be taken to impose conditions and time limits on these guarantees. Regardless of whether it is a mortgage, usufruct, or guarantee bond, the guarantee provided by the dealer should not be agreed upon for a period longer than the duration of the contract. If a mortgage is to be provided, it must absolutely be a limited mortgage.

The slogan of the Regulation on Amendments to the Liquefied Petroleum Gas (LPG) Market Licensing Regulation, published in the Official Gazette of the Republic of Turkey on November 23, 2024, is "New Era in the LPG Market: Transparency, Supervision, and Digitalization!"

The amendments made by the Regulation on Amendments to the Liquefied Petroleum Gas (LPG) Market Licensing Regulation aim to make the licensing, contracting, notification, and inspection processes in the LPG market more transparent and consistent. The amendments include the following innovations.

1. New Definitions and Regulations

LPG Autogas Dealership Agreement Declaration:

It has been made mandatory to state that the contracts signed between autogas dealers and distributors are consistent with the sample contract templates previously submitted to the EPDK. These declarations must include essential information (facility address, contract dates, parties, etc.).

- **Template Contract:** It is stated that the contracts between dealers and distributors must conform to a standard template and be based on the type of contract previously reported to the EPDK. This ensures that contracts are not arbitrarily structured.

2. Notification and Licensing Obligations

- License holders are required to promptly notify the EPDK of the contracts related to their facilities and any changes to them. This regulation aims to enhance the oversight of the market
- A separate monitoring and inspection system has been introduced for LPG autogas dealership agreements among the types of licenses. This will ensure a stricter control over the compliance of license holders with market regulations.

3. Audit and Transparency

- The new rules governing the activities of license holders are designed to ensure greater transparency and competition in the market.
- **Notification of Facilities:** The obligation to report complete and accurate information about the facilities has been introduced. In cases of missing or incorrect information, penal sanctions may be applied.

4. Digitalization and Process Improvement

- The digital recording of all contracts and notifications will enable faster and more effective implementation of regulations.
- The storage and tracking of data in electronic form aims to ensure equality and order among market participants.

5. Purpose and Impact

- These changes have been made to support users in the LPG market by ensuring they receive services in a safe, economical, and competitive environment.
- The regulation of autogas dealership agreements and the enhancement of transparency under EPDK supervision stand out as a significant innovation..

