

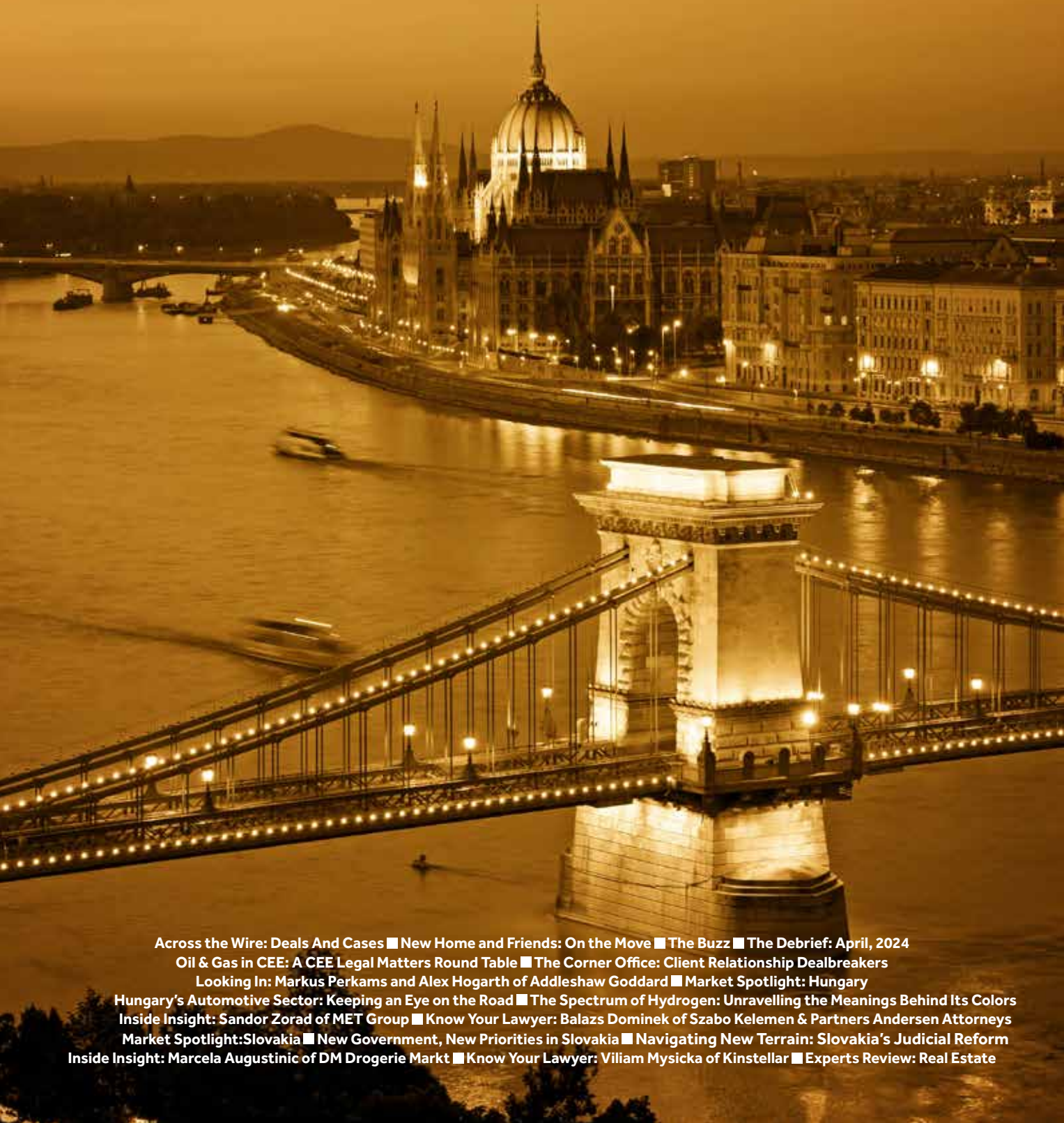


CEE

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# LEGAL MATTERS

IN-DEPTH ANALYSIS OF THE NEWS AND NEWSMAKERS THAT SHAPE  
EUROPE'S EMERGING LEGAL MARKETS



Across the Wire: Deals And Cases ■ New Home and Friends: On the Move ■ The Buzz ■ The Debrief: April, 2024

Oil & Gas in CEE: A CEE Legal Matters Round Table ■ The Corner Office: Client Relationship Dealbreakers

Looking In: Markus Perkams and Alex Hogarth of Addleshaw Goddard ■ Market Spotlight: Hungary

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Inside Insight: Sandor Zorad of MET Group ■ Know Your Lawyer: Balazs Dominek of Szabo Kelemen & Partners Andersen Attorneys

Market Spotlight: Slovakia ■ New Government, New Priorities in Slovakia ■ Navigating New Terrain: Slovakia's Judicial Reform

Inside Insight: Marcela Augustinic of DM Drogerie Markt ■ Know Your Lawyer: Viliam Mysicka of Kinstellar ■ Experts Review: Real Estate

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**Letters to the Editors:**

If you like what you read in these pages (or even if you don't), we really do want to hear from you. Please send any comments, criticisms, questions, or ideas to us at: [press@ceelm.com](mailto:press@ceelm.com)

## GUEST EDITORIAL: A DECADE-LONG JOURNEY THROUGH THE CEE LEGAL LANDSCAPE

By Ivan Zornada, Attorney-at-Law, Vrtaric and Partners in cooperation with Deloitte Legal



Ten years have passed since the day I picked up my diploma and embarked on my professional journey as a lawyer. Right from the start, I've been working for law firms deeply rooted in the region, offering continuous opportunities to collaborate with colleagues from different areas, engage in cross-border projects throughout CEE, share experiences, and, most importantly, observe the landscape in which we operate. While the past decade has shaped my own growth, it's also been – in my view – a period of remarkable transformation for lawyering in CEE.

One of the main segments that I've noticed has changed throughout the years is simply the workforce marketplace. At the time I started my career, there was fierce competition among law graduates, all striving for positions in firms where we could both professionally grow and earn a salary. Today, a noticeable decline in the number of individuals opting for a law career is evident, and finding an adequate associate has become a challenge. Beyond still typically modest salaries, there is at least one more circumstance contributing to this situation: unlike other professions that have embraced a more balanced lifestyle, the legal sphere still clings to a culture where success is often correlated with extended working hours. Such a mindset has given rise to a surge in professional burnout as lawyers push themselves tirelessly to meet the demands of their roles and partners' high-level expectations. Interestingly, such a mindset often transcends mere responses to external pressures; rather, it is fueled by an inner passion that we have for helping clients as we would help ourselves, even if it backfires as a burnout – it's a glitch successfully surviving in the genes of each person who loves their work.

Legal work has changed as well, and I believe this applies worldwide. The comfortable focus on purely legal matters and completing tasks has now expanded to constant consideration of challenges such as those imposed by the usage of AI, sophisticated in-house teams, and the rising desire of clients to keep industry-specific professionals under one roof. Being “only” a lawyer is often not enough anymore; we are supposed

to act as equipped business advisors and have a strong multi-disciplinary character.

We even dress differently. Once, a tie was a symbol of professionalism but today, if we need to dress up, it is acceptable to show up in jeans and a blazer, wearing sneakers. As work demands and professional challenges rise, physical appearance becomes more relaxed. Sometimes, thanks to virtual skills developed during the COVID-19 times, we are not required to dress up at all.

Despite all the challenges, I would say that in the past ten years of my experience, the perception of lawyering in CEE has drastically transformed. Most importantly, I have a feeling that we have gained more respect from our Western colleagues. In the past, teaming up with international law firms (usually involving merely locally supporting their large international clients) gave off a vibe as if we were the underdogs. There was a subtle skepticism, making it seem like their advice was a notch above, their templates more sophisticated, and our English-language skills could use a second look. Sometimes, it felt like they really believed that, in addition to the client, they needed to advise us as well. That was especially obvious at the associate level.

Since then, things have taken a turn, and lawyering in the CEE has evolved. We've demonstrated our capabilities, refined our expertise, and now find ourselves on equal terms. Even the power centers are being reshaped and cities such as Zagreb and Belgrade emerge as legal hubs for large clients, challenging the traditional dominance of Vienna or Prague.

What changed for me personally is that most of my mentors through the years have become my true friends (Dora Gazi Kovacevic, Ira Peric Ostojic, Tarja Krehic, and others). I have met one of the most significant people in my life (Katarina Kezic) and learned to depart from my former law firm, with a quote shared by likely the most inspiring amongst us (thanks, Ron Given): the award for doing good is the opportunity to do it better. And I know it for sure: the next ten years, during which I will hopefully still be lawyering in the CEE, will be awesome. ●



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# ACROSS THE WIRE: DEALS AND CASES

| Date   | Firms Involved   | Deal/Litigation   | Deal Value       | Country  |
|--------|--|---|------------------|--|
| 01-Mar | Schoenherr   | Schoenherr advised the Erste Group Bank on a EUR 300 million share buyback followed by a cancellation of treasury shares and the reduction of its share capital.  | EUR 300 million  | Austria  |
| 04-Mar | BPV Huegel;<br>Oberhammer  | BPV Huegel advised AI researcher Josef Hochreiter on founding the NXAI company together with Netural X and the Pierer Digital Holding. Oberhammer Rechtsanwalte reportedly advised the other JV partners.   | N/A              | Austria  |
| 19-Feb | Deloitte Legal;<br>Eisenberger & Herzog;<br>Noerr  | E+H and Noerr have advised Coveris on the acquisition of S&K Label in the Czech Republic. Deloitte Legal reportedly advised the sellers.  | N/A              | Austria;<br>Czech Republic   |
| 11-Mar | CMS;<br>Cuatrecasas;<br>Legance;<br>Schoenherr   | Schoenherr, working with Legance and Cuatrecasas, advised Hartree Partners on its acquisition of a 50% stake in the Botres Group. CMS reportedly advised the sellers.   | N/A              | Austria;<br>Czech Republic;<br>Poland  |
| 23-Feb | BDO Legal;<br>Cleary Gottlieb Steen &<br>Hamilton;<br>Wolf Theiss  | Wolf Theiss advised Uniper on the sale of the Gonyu gas-fired combined-cycle 430-megawatt power plant to Veolia. BDO Legal Hungary and Cleary Gottlieb reportedly advised Veolia.   | N/A              | Austria;<br>Hungary  |
| 20-Feb | De Brauw Blackstone<br>Westbroek;<br>Elvinger Hoss;<br>Harrisons;<br>Koutalidis;<br>Lambadarios Law Firm;<br>Linklaters;<br>Maric & Co.;<br>Paul Weiss;<br>Schoenherr;<br>Selih & Partners;<br>Wolf Theiss | Harrisons, Maric & Co, Lambadarios, and Wolf Theiss, working with Linklaters, have advised a banking consortium led by UniCredit Bank London on the United Group's EUR 1.7 billion issuance of four tranches of senior secured and PIK notes as well as on the increase and extension of its EUR 410 million revolving credit facility. Selih & Partnerji, working with Paul Weiss, advised the United Group. Schoenherr, Koutalidis, De Brauw Blackstone Westbroek, and Elvinger Hoss Prussen reportedly advised the United Group as well. | EUR 1.7 billion  | Bosnia and<br>Herzegovina;<br>Bulgaria;<br>Greece;<br>Montenegro;<br>Serbia;<br>Slovenia |
| 19-Feb | CMS  | CMS successfully represented the interests of Free Energy Project Oreshets – formerly owned by CEZ and currently a part of the Eurohold Group – in a dispute against the Bulgarian Ministry of Finance.   | N/A              | Bulgaria   |
| 29-Feb | CMS  | CMS advised Istanbul-based engineering and construction company Enka on the licensing of its 40-megawatt Town Up 8 photovoltaic project before the Bulgarian Energy and Water Regulatory Commission.  | N/A              | Bulgaria   |
| 01-Mar | Djingov, Gouginski,<br>Kyutchukov & Velichkov  | Djingov Gouginski Kyutchukov & Velichkov advised Boleron on its two private equity investment rounds in preparation for the company's IPO.  | N/A              | Bulgaria   |
| 14-Mar | Boyanov & Co;<br>Dentons;<br>Stoeva Tchompalov &<br>Znepolski  | Dentons and Boyanov & Co have advised UniCredit Bulbank, Raiffeisen Bank International, the United Bulgarian Bank, and Eurobank Bulgaria on the financing for the construction and operation of a 160-megawatt solar plant in Maglizh, in the Stara Zagora region of Bulgaria. Stoeva Tchompalov & Znepolski reportedly advised the borrowers.  | N/A              | Bulgaria   |
| 28-Feb | Djingov, Gouginski,<br>Kyutchukov & Velichkov;<br>Rask;<br>TGS Baltic  | TGS Baltic and Djingov Gouginski Kyutchukov & Velichkov have advised Ifco Systems on its acquisition of Bepco. RASK advised Rostock Capital, Navitas, and Green Technology on the sale.   | N/A              | Bulgaria;<br>Estonia;<br>Latvia;<br>Lithuania  |
| 04-Mar | Ropes & Gray;<br>Wolf Theiss   | Wolf Theiss, working with Ropes & Gray, advised IT services company Virtusa on its acquisition of Bulgarian digital innovation, automation, and seamless integration specialist Bright Consulting.  | N/A              | Bulgaria;<br>Poland  |
| 08-Mar | Allen Overy Shearman<br>Sterling;<br>Djingov, Gouginski,<br>Kyutchukov & Velichkov;<br>RTPR  | Djingov Gouginski Kyutchukov & Velichkov, Allen & Overy, and RTPR have advised Lion's Head Investments on a EUR 150 million financing from the International Finance Corporation.   | EUR 150 million  | Bulgaria;<br>Romania   |
| 28-Feb | Divjak Topic Bahtjarevic<br>& Krka;<br>Maric Peric Reberski Rimac  | Divjak Topic Bahtjarevic & Krka advised borrower Zadar Resort and sponsor Dogus Croatia on a EUR 31.2 million loan with Privredna Banka Zagreb and the Croatian Bank for Reconstruction and Development as the mandated lead arrangers. Mamic Peric Reberski Rimac advised Privredna Banka Zagreb and the CBRD.   | EUR 31.2 million | Croatia  |
| 08-Mar | Deloitte Legal (Krehic &<br>Partners)  | Deloitte Legal advised Slovenia's Iskra on its acquisition of Croatian engineering company Elmap and Elmap Projekt from the Bozikovic family.   | N/A              | Croatia;<br>Slovenia   |
| 19-Feb | Nedelka Kubac Advokati   | Nedelka Kubac Advokati successfully represented the interests of XXXLutz in achieving a "nearly 99% reduction" of a fine imposed by the Czech Competition Authority.  | N/A              | Czech Republic   |
| 21-Feb | BBH  | BBH successfully represented Czech lottery and gambling company Sazka before the Czech Republic's Supreme Administrative Court in a dispute against the country's Ministry of Finance and challenging a previous Municipal Court in Prague ruling over Sazka's obligations under the Gaming Act.  | N/A              | Czech Republic   |

| Date   | Firms Involved   | Deal/Litigation  | Deal Value        | Country                          |
|--------|--|--|-------------------|----------------------------------|
| 22-Feb | Evan Law Firm  | AK Evan advised Penta Hospitals on its acquisition of the hospitals in Vimperk and Volyne from BH - Medical.   | N/A               | Czech Republic                   |
| 14-Mar | BBH  | BBH advised the Roier investment crowdfunding start-up on its acquisition of Nafirmy.  | N/A               | Czech Republic                   |
| 07-Mar | Cedarquist;<br>TGS Baltic  | TGS Baltic, working with Cederquist, advised Kinnevik on the sale of its entire holding in Tele2 to Freya Investissement for a total of SEK 13 billion.  | SEK 13 billion    | Estonia;<br>Latvia;<br>Lithuania |
| 13-Mar | Ellex (Valiunas)   | Ellex advised issuer Capitalica Z114 Real Estate Fund on the preparation and approval process with the Bank of Lithuania for the prospectus underpinning its EUR 20 million bond issuance, with up to EUR 17.6 million in bonds secured with a real estate collateral to be publicly offered in Lithuania, Latvia, and Estonia.  | EUR 20 million    | Estonia;<br>Latvia;<br>Lithuania |
| 20-Feb | Dracopoulos & Vassalakis;<br>Koutalidis;<br>Latham & Watkins;<br>Milbank;<br>Potamitis Vekris;<br>White & Case;<br>Your Legal Partners;<br>Zepos & Yannopoulos | Zepos & Yannopoulos, working with Milbank, advised the joint global coordinators, managers, and underwriters on Athens International Airport's IPO on the regulated market of the Athens Exchange. PotamitisVekris, working with Latham & Watkins, advised AIA. White & Case, Your Legal Partners, and Dracopoulos & Vassalakis advised the Hellenic Republic Asset Development Fund on selling its 30% stake in AIA. Koutalidis advised AviAlliance on the acquisition of a controlling stake of just over 50% in the Athens International Airport. | EUR 784.7 million | Greece                           |
| 21-Feb | Kyriakides Georgopoulos  | Kyriakides Georgopoulos advised Novartis on the separation of its Sandoz generic and biosimilars division in Greece.   | N/A               | Greece                           |
| 22-Feb | Bernitsas  | Bernitsas advised Hoist Finance on its purchase of the Pearl Portfolio – a retail NPL portfolio of unsecured and secured loans originated by Alpha Bank – in a secondary sale and transfer transaction.  | N/A               | Greece                           |
| 05-Mar | Papapolitis & Papapolitis;<br>Zepos & Yannopoulos  | Zepos & Yannopoulos advised Boston-based hedge fund manager Bracebridge Capital on its acquisition of 95% of the mezzanine and junior notes in the Frontier II securitization originated by the National Bank of Greece. Papapolitis & Papapolitis advised arranger Morgan Stanley.  | N/A               | Greece                           |
| 07-Mar | Papapolitis & Papapolitis  | Papapolitis & Papapolitis advised London & Regional Properties on its sale of the Athens Titania Hotel to H Hotels Collection.   | N/A               | Greece                           |
| 08-Mar | Argyropoulos – Gissaki & Associates;<br>Reed Smith   | Reed Smith advised PPC Renewables on its acquisition of a wind projects portfolio – totaling approximately 164 megawatts – from Intrakat as well as on the parties' strategic cooperation on developing a further 1.6 gigawatts in renewable energy projects. Argyropoulos-Gissaki & Associates reportedly advised Intrakat.   | N/A               | Greece                           |
| 08-Mar | Karatzas & Partners;<br>Lambadarios Law Firm   | Lambadarios advised RWE Renewables and PPC Renewables on the financing for their 940-megawatt portfolio of solar farms in Amyntaio, Western Macedonia, through their Meton joint venture company. Karatzas & Partners advised Eurobank, Alpha Bank, and the National Bank of Greece on the financing.  | N/A               | Greece                           |
| 08-Mar | Papapolitis & Papapolitis  | Papapolitis & Papapolitis advised Intralot on its EUR 130 million debut public bond issuance listed on the Athens Stock Exchange, completed in February 2024.  | EUR 130 million   | Greece                           |
| 14-Mar | Karatzas & Partners;<br>Reed Smith   | Reed Smith advised PPC Renewables subsidiary Phoebe Energy on a EUR 294.4 million financing from the EU, Eurobank, and Piraeus Bank for the construction and operation of a 550-megawatt solar photovoltaic project in Western Macedonia. Karatzas & Partners advised Eurobank and Piraeus Bank.   | EUR 294.4 million | Greece                           |
| 28-Feb | Ban, S. Szabo & Partners   | Ban, S. Szabo, Rausch & Partners advised E.ON Drive Infrastructure on establishing a new Hungarian subsidiary and acquiring the electro-mobility charging infrastructure from E.ON Hungaria, to continue operating as a stand-alone network in Hungary.  | N/A               | Hungary                          |
| 13-Mar | Deloitte Legal   | Deloitte Legal advised IPCOM on the acquisition of Hungary's Dualinvest.   | N/A               | Hungary                          |
| 20-Feb | Schoenherr   | Schoenherr advised Eneer on its ten-year virtual cross-border power purchase agreement with Asahi Europe & International's Dreher Breweries in Hungary.  | N/A               | Hungary;<br>Romania              |
| 27-Feb | Gide Loyrette Nouel;<br>Vulic Law;<br>Wolf Theiss  | Vulic Law and Wolf Theiss, working with Gide, have advised the International Finance Corporation on its EUR 160 million financing for Serbia's Drenik ND.  | EUR 160 million   | Hungary;<br>Serbia               |
| 21-Feb | Cobalt   | Cobalt advised Latvian national carrier AirBaltic on its agreement with UPB Nams for the construction of the Baltic Cargo Hub at the Riga Airport, as well as on the related agreements with Riga Airport and design and construction agreements.  | N/A               | Latvia                           |
| 01-Mar | Juzala Salwa;<br>TGS Baltic  | TGS Baltic and Juzala Salwa have advised CVI on its full acquisition of APF Holdings' EUR 7 million private bond placement.  | EUR 7 million     | Latvia;<br>Poland                |
| 19-Feb | Ellex (Valiunas)   | Ellex advised Hollister Incorporated on launching a new shared services center in the Kaunas Free Economic Zone, in Lithuania.   | N/A               | Lithuania                        |
| 20-Feb | Dentons;<br>Freshfields;<br>Sorainen;<br>TGS Baltic  | Dentons and, reportedly, TGS Baltic have advised the Republic of Lithuania on updating its Euro Medium Term Note Program and successfully issuing EUR 1.5 billion in 3.5% notes due 2034. Freshfields Bruckhaus Deringer and Sorainen reportedly advised the underwriters.   | EUR 1.5 billion   | Lithuania                        |
| 21-Feb | Motieka & Audzevicius  | Motieka & Audzevicius successfully represented Srbijagas before the Lithuanian Supreme Court in a dispute regarding the recognition and enforcement of ICC arbitral awards against a non-signatory to the arbitration agreement.   | N/A               | Lithuania                        |
| 21-Feb | Accura;<br>Baker McKenzie;<br>Cobalt;<br>Kromann Reumert;<br>TGS Baltic  | TGS Baltic, working with Baker McKenzie and Accura, advised Mitsubishi on its acquisition of a 20% stake in Denmark-based European Energy through a EUR 700 million investment. Cobalt, working with Kromann Reumert, advised European Energy.   | EUR 700 million   | Lithuania                        |
| 21-Feb | TGS Baltic   | TGS Baltic advised the European Investment Bank on its agreement with Siauliai Bankas to set up and manage a second, EUR 200 million, apartment building renovation fund in Lithuania.   | EUR 200 million   | Lithuania                        |

| Date   | Firms Involved  | Deal/Litigation   | Deal Value                          | Country         |
|--------|---|---|-------------------------------------|-----------------|
| 05-Mar | Cobalt;<br>PwC Legal                                  | Cobalt advised the owners of Lithuanian wood pellet manufacturer Granulita on the sale of the company to Zalvaris. PwC Legal advised the buyers.  | N/A                                 | Lithuania       |
| 08-Mar | CMS   | CMS advised the Linamar Corporation on its acquisition of Dura-Shiloh's battery enclosures factory in North Macedonia. The acquisition also included factories in the Czech Republic and the US, with a total transaction value of USD 325 million.                           | USD 325 million                     | North Macedonia |
| 19-Feb | CMS;<br>Linklaters;<br>Slaughter and May              | Linklaters advised the EBRD on its EUR 75 million investment in Poland's R.Power alongside the Three Seas Initiative Investment Fund. Slaughter and May and CMS's Luxembourg office reportedly advised 3SIIF.   | EUR 75 million                      | Poland          |
| 20-Feb | DLA Piper;<br>Gessel                                  | DLA Piper advised diagnostic imaging and oncological treatment network Affidea on its acquisition of the Medisport Medical Center in Lublin. Gessel advised MediSport majority shareholder Adam Lewczyk on the sale.  | N/A                                 | Poland          |
| 20-Feb | DWF;<br>Schoenherr                                    | DWF advised the Avallon MBO fund on the full sale of Marketplanet to the Byggfakta Group. Schoenherr advised Byggfakta on the acquisition.  | N/A                                 | Poland          |
| 21-Feb | CK Legal  | CK Legal Chabasiewicz Kowalska advised NewConnect-listed Telemedycyna Polska on its public offering of Series E shares and their registration in the National Depository for Securities.  | PLN 2 million                       | Poland          |
| 21-Feb | MFW Fialek;<br>SSK&W                                  | SSK&W advised founder Katarzyna Marczuk on Aleet's financing round with CofounderZone, FundingBox, and various business angels. MFW Fialek advised CofounderZone.   | N/A                                 | Poland          |
| 21-Feb | Gessel  | Gessel advised Anwim on the necessary competition clearance for its acquisition of three petrol stations – in Chorzow, Radzionkow, and Tarnowskie Gory – from Elbah II.   | N/A                                 | Poland          |
| 21-Feb | Gessel;<br>Noerr                                      | Gessel advised the partners and founders of the Profit4You Group on the sale of the company to the TEP Capital fund. Noerr advised the TEP Capital private equity fund.   | N/A                                 | Poland          |
| 21-Feb | Rymarz Zdort Maruta                                   | Rymarz Zdort Maruta advised PUK Empol on its project to construct a Gorlice facility to process the combustible fractions obtained from waste treatment for the production of energy.   | N/A                                 | Poland          |
| 22-Feb | LSW   | LSW Bienkowski Laskowski Lesnodorski Melzacki, working with Simmons & Simmons, advised Infranity on its investment into Vantage EMEA.   | N/A                                 | Poland          |
| 23-Feb | Krzysztof Rozko i Wspolnicy;<br>SSK&W                 | SSK&W advised Open Innovation by YouNick Mint and its co-investors on their investment in nCage Therapeutics. Krzysztof Rozko i Wspolnicy reportedly advised nCage Therapeutics.  | N/A                                 | Poland          |
| 26-Feb | Allen Overy Shearman Sterling;<br>Rymarz Zdort Maruta | Rymarz Zdort Maruta advised the shareholders of CloudFerro on the sale of a minority stake in the company to Innova Capital. Allen & Overy advised Innova Capital.  | N/A                                 | Poland          |
| 26-Feb | CMS;<br>Soltysinski Kawecki & Szlezak                 | CMS advised a SINO-CEEF group company on the acquisition of 25 operational photovoltaic power plants in Poland from the Alternus Energy Group. Soltysinski Kawecki & Szlezak advised the seller.  | N/A                                 | Poland          |
| 27-Feb | Domanski Zakrzewski Palinka;<br>SSK&W                 | SSK&W advised Tangent Line Ventures and Peleton on their investment into MIM Fertility. Domanski Zakrzewski Palinka advised MIM Fertility.  | N/A                                 | Poland          |
| 28-Feb | Clifford Chance;<br>Rymarz Zdort Maruta               | Rymarz Zdort Maruta advised Bank Polska Kasa Opieki on the financing for the construction of 28 photovoltaic farms located in Poland provided to subsidiaries of Projekt Solartechnik. Clifford Chance advised Projekt Solartechnik.  | N/A                                 | Poland          |
| 28-Feb | Lawsome;<br>SSK&W                                     | SSK&W advised Atmos Ventures and Inventions on their investment in Edrone. Lawsome reportedly advised Inventions as well.   | N/A                                 | Poland          |
| 01-Mar | Noerr   | Noerr advised the StoneX Group on the lease of 3,700 square meters of office space in Krakow's Mogilska 35 Office building owned by Warimpex.   | N/A                                 | Poland          |
| 01-Mar | CK Legal  | CK Legal Chabasiewicz Kowalska advised Kruk on its PLN 70 million issuance of series AO7 bonds.   | PLN 70 million                      | Poland          |
| 01-Mar | Allen Overy Shearman Sterling;<br>Greenberg Traurig   | Allen & Overy advised BNP Paribas Bank Polska and mBank on their provision of an acquisition loan facility to Bielenda Kosmetyki Naturalne for its acquisition of the Torf Corporation. Greenberg Traurig reportedly advised Bielenda.  | N/A                                 | Poland          |
| 04-Mar | Schoenherr  | Schoenherr advised Polish renewable energy solution provider Sunex on the accelerated bookbuilding process and sale of 2 million shares – 9.86% of the company's share capital – by its shareholder.  | N/A                                 | Poland          |
| 04-Mar | Rymarz Zdort Maruta                                   | Rymarz Zdort Maruta advised mBank on providing a multi-product working capital financing to an Apple Premium Reseller in Poland.  | N/A                                 | Poland          |
| 05-Mar | Eversheds Sutherland                                  | Eversheds Sutherland advised Bank Pekao on its financing for 7R's warehouse development in Katy Wroclawskie.  | EUR 16.5 million;<br>PLN 16 million | Poland          |
| 05-Mar | Deloitte Legal;<br>Gide Loyrette Nouel                | Gide advised KGHM Polska Miedz on receiving a USD 450 million unsecured working capital loan from Bank Gospodarstwa Krajowego. Deloitte Legal reportedly advised Bank Gospodarstwa Krajowego.   | USD 450 million                     | Poland          |
| 05-Mar | Moskwa Jarmul Haladyj i Wspolnicy                     | MJH Moskwa, Jarmul, Haladyj advised a consortium of investors including Smyk Management Board President Michal Grom, Maciej Zuzalek, and an Accession Capital Partners-managed private equity fund on the management buyout of Smyk from the Bridgepoint private equity fund. | N/A                                 | Poland          |
| 07-Mar | Clifford Chance                                       | Clifford Chance advised Northrop Grumman on executing an offset agreement – covering eight different projects and valued at over PLN 300 million – with the Polish State Treasury as part of the implementation of Phase II of the Wisla air/missile defense program.         | PLN 300 million                     | Poland          |
| 08-Mar | Clifford Chance;<br>Norton Rose Fulbright             | Norton Rose Fulbright advised PKO Bank Polski, EBRD, ING Bank, Credit Agricole, Santander, Bank Pekao, mBank, and PZU on their PLN 2.8 billion syndicated refinancing of Fiberhost, INEA, and their associated companies. Clifford Chance advised the borrowers.              | PLN 2.8 billion                     | Poland          |



| Date   | Firms Involved  | Deal/Litigation  | Deal Value        | Country |
|--------|---|--|-------------------|---------|
| 08-Mar | Czabanski & Galuszynski;<br>Dentons   | Czabanski & Galuszynski advised the Focus Estate Fund on obtaining financing for the acquisition of the Galeria Sandecja shopping center in Nowy Sacz from BNP Paribas. Dentons reportedly advised BNP Paribas.  | N/A               | Poland  |
| 08-Mar | CK Legal;<br>MFW Fialek   | CK Legal Chabasiewicz Kowalska advised the shareholders of Metkom Krol and SW Armatura on the sale of the companies to Takoni. MFW Fialek advised Takoni.  | N/A               | Poland  |
| 11-Mar | DWF   | DWF advised Baltic Towers on the over PLN 400 million design and construction agreement with general contractor Erbud for a factory set to produce offshore wind towers on Ostrow Island, near Gdansk, Poland.   | PLN 400 million   | Poland  |
| 13-Mar | CK Legal  | CK Legal Chabasiewicz Kowalska advised PCC Rokita on its new PLN 25 million issuance of Series HC bonds with a 71.07% subscription reduction.  | PLN 25 million    | Poland  |
| 13-Mar | Act Legal (BSWW);<br>Allen & Overy  | Allen & Overy advised Grupa Archicom on its joint venture with Rank Progress to develop a new residential project in Wroclaw. Act Legal BSWW advised Rank Progress.  | N/A               | Poland  |
| 13-Mar | Gessel  | Gessel advised Anwim on the successful concentration approval process with the President of the Office of Competition and Consumer Protection regarding Anwim's acquisition of several petrol stations belonging to the Circle K network.  | N/A               | Poland  |
| 13-Mar | SRC   | Poland's SRC Law Firm advised the Mountain Warehouse on its lease at Designer Outlet Warsaw.   | N/A               | Poland  |
| 13-Mar | Dentons;<br>Wardynski & Partners  | Dentons advised the EBRD and the Eiffel Investment Group on a bridge financing loan of EUR 45 million to support the construction and operation of 16 PL-Sun photovoltaic power plants with a total installed capacity of 114.7 megawatts. Wardynski & Partners advised the borrowers.                                       | EUR 45 million    | Poland  |
| 13-Mar | Allen Overy Shearman<br>Sterling;<br>Wardynski & Partners   | Wardynski & Partners advised the founders of Sagra Technology on the full sale of their company to Sygnity. Allen & Overy advised Sygnity on the acquisition.  | N/A               | Poland  |
| 13-Mar | Greenberg Traurig;<br>Linklaters  | Linklaters advised Signal Capital Partners on launching a new student housing platform in Poland, alongside Griffin Capital Partners and Echo Investment. Greenberg Traurig advised Echo investment.   | N/A               | Poland  |
| 14-Mar | Wolf Theiss   | Wolf Theiss advised the Toms Group on a multi-partner power purchase agreement in Poland with Better Energy and Eesti Energia Group subsidiary Enefit.   | N/A               | Poland  |
| 14-Mar | Greenberg Traurig   | Greenberg Traurig advised Axpo Polska on the power purchase agreement for the offtake of energy from six DIF Capital Partners wind farms in Poland with a total installed capacity of 171 megawatts.   | N/A               | Poland  |
| 14-Mar | Dentons   | Dentons advised Extreme Emotions on Polish production aspects of The Zone of Interest film.  | N/A               | Poland  |
| 14-Mar | Baker McKenzie;<br>CMS;<br>Forton Legal;<br>Moskwa Jarmul Haladyj i<br>Wspolnicy;<br>Wardynski & Partners | CMS advised mBank on the PLN 42 million financing for Zemportic Investments' acquisition of Polska Grupa Bruno-Tassi. Baker McKenzie advised Zemportic Investments. Wardynski & Partners advised a consortium of banks financing Polska Grupa Bruno-Tassi. MJH Moskwa Jarmul Haladyj and Forton Legal advised Bruno-Tassi.   | N/A               | Poland  |
| 19-Feb | Bohalteanu & Asociatii;<br>DLA Piper  | DLA Piper advised Greek flag carrier Aegean Airlines on the sale of charter operator Animawings to Christian Tour Holding. BSMP Bohalteanu & Asociatii advised Christian Tour on taking over a 51% stake in Animawings.  | N/A               | Romania |
| 21-Feb | CMS;<br>Filip & Company   | CMS advised the OTP Group on the binding agreement to sell its stake in OTP Bank Romania and all subsidiaries to Banca Transilvania for a combined purchase price is EUR 347.5 million. Filip & Company advised Banca Transilvania on the acquisition.   | EUR 347.5 million | Romania |
| 21-Feb | DLA Piper;<br>Rizoiu & Poenaru  | DLA Piper and Rizoiu & Poenaru have advised Affidea Romania on its acquisition of the local network of three Explora clinics in Suceava.   | N/A               | Romania |
| 26-Feb | Teodorescu Partners;<br>Zamfirescu Racoti Vasile &<br>Partners  | Teodorescu Partners advised Autonom Protect on its acquisition of a majority stake in Romania's Nova Ria24 from Nicoleta Zamfir. Zamfirescu Racoti Vasile & Partners advised the seller.   | N/A               | Romania |
| 28-Feb | Clifford Chance;<br>Filip & Company;<br>Linklaters  | Clifford Chance advised the arranging banks – Citi, Erste, HSBC, JP Morgan, and Societe Generale – on Romania's first issuance of green bonds, to the tune of EUR 2 billion, and simultaneous EUR 2 billion issuance of conventional bonds. Filip & Company, working with Linklaters, advised Romania's Ministry of Finance. | EUR 4 billion     | Romania |
| 29-Feb | Filip & Company;<br>PPR Partner;<br>RTPR  | Radu Taracila Padurari Retevoescu advised Arobs Transilvania Software on the acquisition of Infobest Romania from founders Yvonne Abstoss-Becker and Christian Becker. Filip & Company, working with PPR & Partner Pape Rauh, advised the sellers.   | N/A               | Romania |
| 04-Mar | Popovici Nitu Stoica &<br>Asociatii   | Popovici Nitu Stoica & Asociatii successfully represented Azomures before Romania's High Court of Cassation and Justice in a dispute hinging on intra-group tax relations.   | N/A               | Romania |
| 05-Mar | Dentons;<br>Leroy si Asociatii  | Dentons advised Syntaxis Capital on its exit from the XP oil and gas company. Leroy si Asociatii reportedly advised XP.  | N/A               | Romania |
| 08-Mar | Stratulat Albuлесcu   | Stratulat Albuлесcu advised the American Industrial Partners Capital Fund VII on its acquisition of Veoneer's Restraint Control Systems business.  | N/A               | Romania |
| 08-Mar | Nestor Nestor Diculescu<br>Kingston Petersen;<br>Tuca Zbarcea & Asociatii                                 | Nestor Nestor Diculescu Kingston Petersen advised a syndicate of banks on providing a EUR 101.5 million loan facility to the RodBun Group, by refinancing and increasing its existing facilities by EUR 37.14 million. Tuca Zbarcea & Asociatii advised the RodBun Group.  | EUR 101.5 million | Romania |
| 11-Mar | Lalive;<br>Leaua Damcali Deaconu<br>Paunescu  | Leaua Damcali Deaconu Paunescu, working with Geneva-based Lalive, successfully represented Romania in an ICSID arbitration case against gold mine operator Gabriel Resources, whose claims amounted to approximately USD 6.7 billion.  | USD 6.7 billion   | Romania |

| Date   | Firms Involved  | Deal/Litigation   | Deal Value       | Country  |
|--------|---|---|------------------|----------|
| 11-Mar | Popovici Nitu Stoica & Asociatii  | Popovici Nitu Stoica & Asociatii successfully assisted former WTA world number one tennis player Simona Halep before the Court of Arbitration for Sport in a matter regarding her suspension for alleged violations of anti-doping rules.   | N/A              | Romania  |
| 11-Mar | Stratulat Albuiescu   | Stratulat Albuiescu advised Spanish logistics operator ESP Solutions on its acquisition of the Autransa Group.  | N/A              | Romania  |
| 19-Feb | BDK Advokati  | BDK Advokati successfully represented Satko Mujagic, Fikret Alic, and the Association of Camp Inmates Kozarac in a dispute against the Serbian REM electronic media regulator before the Administrative Court in Belgrade.  | N/A              | Serbia   |
| 26-Feb | Cvjeticanin & Partners  | Cvjeticanin & Partners advised Daikin Serbia on implementing its employee benefits program including company shares and profit sharing.   | N/A              | Serbia   |
| 01-Mar | Karanovic & Partners  | Karanovic & Partners advised the Green for Growth Fund on a EUR 50 million loan for UniCredit Bank Serbia to finance utility-scale renewable energy projects in the country with a focus on solar and wind.   | EUR 50 million   | Serbia   |
| 05-Mar | BDK Advokati  | BDK Advokati advised Atlantic Grupa on its acquisition of Strauss Adriatic – the owner of Serbian coffee brands Doncafe and C Kafa – from the Strauss Group. Sole practitioner Sarig Shalhav reportedly advised the Strauss Group.  | N/A              | Serbia   |
| 14-Mar | Schoenherr  | Moravcevic Vojnovic and Partners, in cooperation with Schoenherr, advised Alstom Transport on the execution of a consulting agreement for the construction of the Belgrade metro.   | N/A              | Serbia   |
| 20-Feb | Havel & Partners  | Havel & Partners advised the Slovak Investment Holding on its EUR 12 million investment in battery R&D and production specialist Inobat.  | EUR 12 million   | Slovakia |
| 23-Feb | Nedelka Kubac Advokati  | Nedelka Kubac Advokati successfully represented the interests of the Zlavomat discount portal through an investigation by the Slovak Competition Authority for possible abuse of a dominant position.   | N/A              | Slovakia |
| 20-Feb | Kinstellar (Gen Temizer Ozer)   | Gen Temizer Ozer advised Bor Seker on its IPO and listing on the Istanbul Stock Exchange.   | N/A              | Turkiye  |
| 20-Feb | Allen & Overy;<br>Allen & Overy (Gedik Eraksoy);<br>Baker Mckenzie;<br>Baker Mckenzie (Esin Attorney Partnership) | Allen & Overy and Turkish affiliate Gedik & Eraksoy have advised the joint bookrunners on Turkiye Wealth Fund's inaugural international bond offering, raising USD 500 million at 8.25% interest. Baker McKenzie advised the TWF on the offering.   | USD 500 million  | Turkiye  |
| 04-Mar | Dentons (BASEAK)  | Balcioglu Selcuk Ardiyok Keki advised lead investor Dutch Founders Fund and 212 VC on their recent investment in Getmobil.  | N/A              | Turkiye  |
| 05-Mar | Aksan   | The Aksan Law Firm advised rapid prototyping company Rototip on its EUR 1 million investment round led by Act Venture Partners and including Heartfelt and APY Ventures.  | EUR 1 million    | Turkiye  |
| 08-Mar | Lexist Law Firm   | Lexist advised Turkish carpet manufacturer Artemis Hali on its IPO on Borsa Istanbul.   | N/A              | Turkiye  |
| 13-Mar | Aksan;<br>Turunc  | Turunc advised the Future Impact Fund on its investment in precision medicine biotechnology company PhiTech Bioinformatics. The Aksan law firm advised PhiTech on the Maxis Arya Venture Capital Fund-led investment round.   | N/A              | Turkiye  |
| 20-Feb | Avellum;<br>Linklaters  | Avellum, working with Linklaters, advised Stellantis on the acquisition of the artificial intelligence framework, machine learning models, and intellectual property rights and patents of CloudMade.   | N/A              | Ukraine  |
| 20-Feb | Integrites;<br>Simmons & Simmons  | Integrites won the public tender and signed the procurement contract to become the legal advisor of NJSC Naftogaz of Ukraine on matters related to the activities of the company's supervisory board and its committees throughout 2024, and will work with the UK's Simmons & Simmons as co-executor under the contract.   | N/A              | Ukraine  |
| 05-Mar | Avellum   | Avellum advised the Ministry of Finance of Ukraine on a EUR 37.6 million export loan provided under the framework agreement between the Governments of Ukraine and France with the funds being directed towards purchasing rails for Ukrainian Railways from French manufacturer Saartahl-Rail.   | EUR 37.6 million | Ukraine  |
| 22-Jan | Avellum;<br>Sayenko Kharenko  | Sayenko Kharenko advised Viseven on an investment from Horizon Capital. Avellum advised Horizon.  | N/A              | Ukraine  |
| 24-Jan | Sayenko Kharenko  | Sayenko Kharenko, working with the Italian office of Bird & Bird, successfully represented the Consorzio di Tutela della Denominazione di Origine Controllata Prosecco before the Ukrainian Competition Authority in a dispute over the misuse of the prosecco protected designation of origin by Ukraine's Tairovo Winery.   | UAH 946,909      | Ukraine  |
| 25-Jan | Asters;<br>Brodies LLP;<br>Norton Rose Fulbright;<br>Watson Farley & Williams                                     | Asters, working with Brodies LLP, advised the Export Credit Agency of Ukraine on developing a new war risk insurance mechanism for the international export of Ukrainian goods through the Black Sea. Watson Farley & Williams reportedly advised the Ministry of Economy of Ukraine. Norton Rose Fulbright reportedly advised arranger Marsh Limited.                                      | N/A              | Ukraine  |
| 2-Feb  | Allen & Overy;<br>Arzinger;<br>Clifford Chance;<br>Integrites;<br>Sayenko Kharenko;<br>Watson Farley & Williams   | Integrites, working with Allen & Overy's UK offices, advised the European Investment Bank on the restructuring of an undisclosed agribusiness group's facilities for an aggregate amount of up to USD 80 million, extended by its various lenders. Sayenko Kharenko and Watson Farley & Williams reportedly advised the EBRD. Arzinger and Clifford Chance reportedly advised the borrower. | USD 80 million   | Ukraine  |



## NEW HOMES AND FRIENDS: ON THE MOVE

### Slovenia: Sibincic Novak & Partners Opens Doors

Partners Jan Sibincic, Matic Novak, and Nina Cuden launched Sibincic Novak & Partners in Ljubljana.

According to the announcement, Sibincic Novak & Partners was “founded by a split-off from the law firm Sibincic Krizanec Novak, with which we shared a wealth of experience and expertise during the past decade, and now Partners Jan Sibincic, Matic Novak, and Nina Cuden are embarking on a new journey.”

Sibincic, the new firm’s Managing Partner, has previously been at the helm of Sibincic Krizanec Novak, where he spent more than 11 years. Before that, he spent two years with Strazar Sibincic and Carotta, and two more with Simic & Partners.

Novak, a Senior Partner, previously spent almost three years with Sibincic Krizanec Novak, starting in 2021. Earlier, he spent 12 years with Rojs Peljhan Prelesnik & Partners, starting as an Attorney Trainee in 2008 and making Partner in 2015.

Cuden, a Partner, spent almost six years with Sibincic Krizanec Novak, joining in 2018 and making Partner in 2020. Before that, she spent a year as a Senior Lawyer with UniCredit Banka Slovenija, and almost four with Ulcar & Partnerji. Between 2013 and 2014 she spent a year as a Judicial Intern with the Higher Court of Ljubljana. ●

### Slovenia: Cerha Hempel Enters Slovenian Market with Addition of Ulcar & Partnerji

Cerha Hempel has announced it is expanding into Slovenia through a new cooperation with Ulcar & Partnerji as of March 1, 2024.

Specializing in M&A, corporate law, banking and finance, employment, antitrust and competition, and dispute resolution, the Slovenian team will operate under the Cerha Hempel Ulcar & Partnerji brand going forward.

“For our clients, the collaboration with Cerha Hempel means access to an even broader spectrum of legal expertise, resources, and solutions that are tailored to meet their diverse needs. It will also open new avenues to serve an expanded client base, particularly in the Adriatic region,” commented Ulcar & Partnerji Managing Partner Matjaz Ulcar. ●

### North Macedonia: Totic & Jevtic Joins JPM Partners

Totic & Jevtic and JPM Partners jointly announced their new strategic partnership, with Totic & Jevtic becoming part of JPM Partners.

Established in 2012, Totic & Jevtic primarily focuses on legal services regarding commercial law, corporate management, mining sector investments, real estate, energy, bankruptcy proceedings, IT, and labor law. The firm has so far been helmed by Managing Partners Ana Totic and Ivica Jevtic. Before establishing their own law firm, both Jevtic and Totic spent two years with the Polenak Law Firm, between 2009 and 2011.

According to their joint statement, “this strategic partnership, planned to be completed in the third quarter of 2024, will significantly enhance joint capabilities not only in the market of North Macedonia but also in the markets of Montenegro and Serbia.” ●

### Slovenia: Suzana Boncina Jamsek Sets Up BJK Law in Ljubljana

Former ODI Law Partner and Head of Transactions Suzana Boncina Jamsek has launched BJK Law, a specialist boutique law firm in Ljubljana.

BJK Law focuses on the Banking & Finance, Corporate & M&A, Restructuring & Insolvency, and Real Estate practice areas. Before establishing her new firm, Boncina Jamsek spent almost nine years with ODI Law, joining as a Senior Associate in 2015, becoming the Head of Banking and Finance in 2016, making Partner in 2019, and finally being appointed Head of Transactions in 2023. Earlier, she spent six years with the Bank of Slovenia, as an Analyst and then as a Legal Counsel.

“We specialize in providing legal services for complex business transactions, in particular banking & finance, and corporate transactions, including M&A, restructuring, capital markets, EU law, and competition law,” Boncina Jamsek commented. “The firm is committed to sustainable development and takes a problem-solving approach: we strive to provide legal expertise, commercial insight, and business foresight.” ●

## PARTNER APPOINTMENTS

| Date   | Name             | Practice(s)                                    | Firm              | Country  |
|--------|------------------|--|-------------------|----------|
| 19-Feb | Olsi Coku        | Corporate/M&A; Energy/Natural Resources; Labor | Kalo & Associates | Albania  |
| 19-Feb | Roman Vydra      | Corporate/M&A; Real Estate                     | BBH               | Slovenia |
| 1-Mar  | Furkan Sahankaya | Corporate/M&A                                  | Durukan           | Turkiye  |

## PARTNER MOVES

| Date   | Name                              | Practice(s)                             | Moving From                | Moving To                 | Country        |
|--------|-----------------------------------|---|----------------------------|---------------------------|----------------|
| 19-Feb | Jan Sibincic                      | Corporate/M&A; Insolvency/Restructuring | Sibincic Krizanec Novak    | Sibincic Novak & Partners | Slovenia       |
| 19-Feb | Matic Novak                       | Corporate/M&A; Banking/Finance          | Sibincic Krizanec Novak    | Sibincic Novak & Partners | Slovenia       |
| 19-Feb | Nina Cuden                        | Corporate/M&A                           | Sibincic Krizanec Novak    | Sibincic Novak & Partners | Slovenia       |
| 21-Feb | Marc Mueller                      | Energy/Natural Resources                | BPV Braun Partners Partner | PwC Legal                 | Czech Republic |
| 23-Feb | Carolina Baloleanu                | Corporate/M&A; Banking/Finance          | Eversheds Sutherland       | Nyerges & Partners        | Romania        |
| 4-Mar  | Suzana Boncina                    | Corporate/M&A; Banking/Finance          | ODI Law                    | BJK Law                   | Slovenia       |
| 6-Mar  | Solveiga Vilcinskaitė Paleviciene | Litigation/Disputes                     | Glimstedt                  | TGS Baltic                | Lithuania      |
| 7-Mar  | Ryszard Manteuffel                | Corporate/M&A                           | Deloitte Legal             | CMS                       | Poland         |
| 7-Mar  | Robert Semczuk                    | Corporate/M&A                           | Deloitte Legal             | CMS                       | Poland         |
| 8-Mar  | Olga Vorozhbyt                    | Litigation/Disputes                     | Kinstellar                 | Sayenko Kharenko          | Ukraine        |

## IN-HOUSE MOVES

| Date   | Name               | Moving From           | New Company/Firm           | Country |
|--------|--------------------|-----------------------|----------------------------|---------|
| 20-Feb | Sevda Aydin        | Danone                | Sayin Law & Consulting     | Turkiye |
| 14-Mar | Gizem Taskin Tavli | Getir                 | Domino                     | Turkiye |
| 14-Mar | Ahmet Ilker Dogan  | Alacergold Madencilik | Tunca Attorney Partnership | Turkiye |



### On The Move:

■ Full information available at:  
[www.ceelegalmatters.com](http://www.ceelegalmatters.com)  
 ■ Period Covered:  
 February 16, 2023 - March 15, 2024

### Did We Miss Something?

We're not perfect; we admit it. If something slipped past us, and if your firm has a deal, hire, promotion, or other piece of news you think we should cover, let us know. Write to us at: [press@ceelm.com](mailto:press@ceelm.com)

## THE BUZZ

In **The Buzz** we check in on experts on the legal industry across CEE for updates about developments of significance. Because the interviews are carried out and published on the CEE Legal Matters website on a rolling basis, we've marked the dates on which the interviews were originally published.

### Croatia Tackles Judicial Pay and Executive Gender Balance: A Buzz Interview with Tarja Krehic of the Krehic Law Office

By Radu Neag (March 5, 2024)



Against the backdrop of a turbulent legal landscape, Krehic Law Office Managing Partner Tarja Krehic underscores the recently ended strikes by commercial court judges and the subsequent impact on court proceedings and business registrations as the hot topics on the docket for Croatia, with women's participation in executive roles as the next big issue.

“Commercial court judges, along with others, have been on strike from January 2024 until February 2, 2024, negotiating for salary increases,” Krehic begins. “The lack of updates to basic quotas for the past decade has led to legitimate demands for pay raises, prolonging negotiations and impacting court proceedings.” Moreover, she reports that, notably, “commercial registry activities have been on pause, affecting business registrations and applications across Central and Eastern Europe.”

Krehic further highlights the significant slowdown in court activities, adding that “hearings had been suspended and commercial proceedings had been halted. While urgent cases like family matters continued to some extent, delays were widespread, with over 50% of family hearings delayed during the first week of strikes,” she explains. “The aftermath of last year's strikes saw prolonged delays in court operations, emphasizing the need for a swift resolution this time around.”

As for other factors that are influencing legal proceedings and business transactions in Croatia, Krehic points to “political

dynamics, including the upcoming European Parliament, National Parliament, and local elections,” all of which add further complexity. She highlights the impact on major transactions like privatizations, with “one of the largest state-owned company privatizations facing slowdowns due to the anticipated elections. Despite challenges, certain sectors like energy and alternative energy sources remain active, attracting international investments,” she says.

Amidst these challenges, M&A activity has also slowed down somewhat. “M&A activity, particularly in tech start-ups, has been somewhat sluggish compared to previous years,” Krehic says. “However, there's notable activity in the SME sector, especially with family-owned businesses, indicating resilience. Additionally, the sale and restructuring of state-owned companies continue, albeit with predominantly European investors involved,” she points out.

Finally, focusing on other legislative updates of note, Krehic mentions the implementation of *EU Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on improving the gender balance among directors of listed companies* (the so-called “Women on Boards directive”), aimed at enhancing gender diversity in corporate governance. “This directive, expected to impact listed companies, aligns with efforts to improve corporate transparency and inclusion. Moreover, it serves as a step towards Croatia's OECD membership aspirations,” she says. “I have to emphasize the importance of promoting women's participation in executive roles, reflecting broader societal shifts. Efforts to include more women in decision-making positions – especially the push for state-owned companies to comply with the same legislation – aim to foster transparency and governance improvements, which are crucial, and would have a knock-on effect for a significant segment of Croatia's economy,” Krehic concludes. ●

## The Latvian Connection: A Buzz Interview with Ansis Spridzans of Spridzans, Snipe & Hramcenko

By Andrija Djonovic (March 7, 2024)

It is a time of transformative change for the Baltic region, according to Spridzans, Snipe & Hramcenko Partner Ansis Spridzans, considering important developments like the Rail Baltica project connecting Tallinn, Riga, and Vilnius in the Baltic states with Central Europe, the growth of fintech and cutting-edge finance, and the impact of ESG on the Latvian banking and finance sector.

“Rail Baltica is a headline project in the Baltic region, aiming to connect Tallinn or even Helsinki to Warsaw,” Spridzans begins. “Its construction phase is significantly affecting various industries, including legal, due to extensive land disputes, procurement, employment, and many other issues.” As he describes it, “it is a transformative time for the region, presenting both challenges and opportunities in the legal area.”

Focusing on the banking and finance sector, Spridzans reports it is “at a pivotal juncture, especially with the new Environmental, Social, and Governance regulations becoming increasingly prevalent.” According to him, “the Central Bank of Latvia is using its influence, albeit softly, to push the industry towards these standards. This shift towards ESG, away from the previous focus on money laundering, signifies a major change in priorities.” On this account, he says he expects next year to be particularly active as the importance of ESG continues to rise.

Furthermore, Spridzans highlights there is a “noticeable spike in the activity of licensing non-banking institutions, including electronic money platforms, crowdfunding, and peer-to-peer platforms. This growth can be attributed to the Latvian regulator’s special competence and the experienced local workforce, positioning Latvia as a hub for such financial innovations,” he explains.

Taking aim at the wider fintech start-up scene in Latvia, as well as the Baltic countries overall, Spridzans reports it is “thriving, thanks to new investments and an increasing number of ventures. My involvement with the Latvian Business Angels Association has allowed me to witness the strong growth in startups first-hand – this surge in interest, even among people who are not high-net-worth individuals, in supporting new ideas is fostering a dynamic entrepreneurial ecosystem,” he shares.

Finally, Spridzans shares an observation: “The current geopolitical situation has significantly strengthened business ties between Latvia and Ukraine. We’re seeing an influx of Ukrainian businesses relocating to the Baltic states, along with an increase in Ukrainian products in our markets – and vice versa. The establishment of companies, which was less common a few years ago, is now happening at a rapid pace, highlighting a fast-evolving cross-border business landscape,” he concludes. ●



*[There is a] noticeable spike in the activity of licensing non-banking institutions, including electronic money platforms, crowdfunding, and peer-to-peer platforms. This growth can be attributed to the Latvian regulator’s special competence and the experienced local workforce, positioning Latvia as a hub for such financial innovations.*

## Spring Cleaning in Poland: A Buzz Interview with Lukasz Wieczorek of KWKR

By Andrija Djonovic (March 13, 2024)



Transformative changes are sweeping across Poland's legal and political landscape after the 2023 parliamentary elections, according to KWKR Partner Lukasz Wieczorek, while the jury is still out on the new government's efforts to address longstanding issues in sectors like green energy, technology, and the burgeoning field of ESG initiatives.

"The late 2023 parliamentary elections marked a significant turning point for Poland, leading to the establishment of a new government that has been auditing and addressing political matters left by its predecessors," Wieczorek begins. "This transition has been positively received by the EU, given the disputes over democracy and the judicial system in Poland in recent years. The new legislative actions aimed at resolving these issues have led to the EU's positive stance toward granting Poland funds from the national recovery and resilience plan, a move that promises a substantial economic inflow and legal work, especially in the green energy and technology sectors," he explains.

The implementation of a national e-invoicing system has been delayed until 2025, Wieczorek reports. "This has been a relief for Polish businesses struggling to adapt to the new IT requirements. This move is significant, as it allows more time for companies to prepare for a more transparent invoicing system that aims to streamline operations with the government's IT systems," he says. "It's a complex transition, but the postponement is a welcome reprieve that has a direct impact on the legal advisory and tax planning services provided by lawyers."

Wieczorek then highlights that ESG is becoming a focal point

for both businesses and lawyers in Poland, "though it's still in its infancy. The challenge now is to translate global ESG trends into actionable strategies for Polish companies, big and small." He stresses that "it's an exciting time as we navigate these new waters, with the potential for significant legal and business transformations on the horizon."

Perhaps surprisingly, the M&A market in Poland remained robust despite geopolitical tensions: "It's interesting to note the resilience of the M&A sector in Poland, particularly in the TMT space. Despite the challenges posed by the geopolitical landscape, Poland's strong IT sector and growing sophistication in deep technology and IP rights are attracting foreign investments and fostering a vibrant environment for M&A activity," Wieczorek stresses, adding that this dynamic is creating numerous opportunities for legal professionals in the country.

Additionally, the upcoming EU regulations on AI and cybersecurity are poised to buffet the market, Wieczorek notes. "The forthcoming DORA regulation and NIS2 Directive highlight the increasing importance of cybersecurity at the EU level, a response to the threats posed by the situation to the east of Poland," he says. These regulations will significantly impact how businesses operate, particularly in terms of preparing for and mitigating cybersecurity risks. "The AI Act represents a major shift for IT businesses, requiring thorough preparation and guidance from legal professionals to navigate these new regulations effectively."

Finally, Wieczorek says that the future of law firms in Poland will likely be shaped by legal tech, "with AI tools and solutions offering promising enhancements to the efficiency and effectiveness of legal services. While larger firms, especially those with international ties, are leading the charge in adopting these technologies, there's vast potential across the board," he says. "The legal profession in Poland is on the cusp of a tech-driven transformation, with legal tech poised to become an indispensable tool in the years ahead." ●



*This transition has been positively received by the EU, given the disputes over democracy and the judicial system in Poland in recent years. The new legislative actions aimed at resolving these issues have led to the EU's positive stance toward granting Poland funds from the national recovery and resilience plan...*



## Romanian Businesses Go Shopping: A Buzz Interview with Alex Teodorescu of Teodorescu Partners

By Andrija Djonovic (March 14, 2024)



With a keen eye on the evolving dynamics of entrepreneurship and law in Romania, Alex Teodorescu – a former Olympian and the Founder and Managing Partner of Teodorescu Partners – offers a fresh perspective on business and investing, the entrepreneurial spirit within the legal profession, and some noteworthy recent regulatory developments.

“The most significant shift I’ve observed is the rise of entrepreneurs investing in smaller companies,” Teodorescu begins. “After reaching a development milestone, say EUR 3 to 5 million, they begin to either make strategic investments or start acquiring companies that align with their existing business.” He finds this trend of “going shopping” for businesses remarkable, as “it signals a move away from chasing unicorn status towards fostering a robust ecosystem of small to medium enterprises.”

“Just a few days ago, I saw a LinkedIn post stating that Romania and similar jurisdictions don’t necessarily need more unicorns but rather a multitude of deals in the range of EUR 10 to 100 million. There are a few things I could agree with more. The focus should be on nurturing small companies and encouraging investors to take an interest in them – this approach, I think, is where the future of our market lies,” he posits.

Shifting gears to the legal industry, Teodorescu observes a “palpable shift towards independence in the legal profession. Many talented leading individuals from medium to large firms are venturing out on their own, bringing their expertise and

networks to create new, dynamic law practices,” he says. “This trend is enriching the legal market with diverse know-how and fostering a more competitive environment.”

Moreover, Teodorescu highlights a change of thinking among lawyers in Romania. “Today, being a lawyer goes beyond just offering legal services; it’s about being an elite professional who thinks and acts like an entrepreneur. This mindset shift is crucial for survival and growth in the legal market.” According to him, there are more and more legal practitioners who “not only leave established firms to start their own, but also innovate in how they manage and grow their practices, truly embodying the spirit of legal entrepreneurship. This transformation is leading to a more diversified and competitive landscape.”

Teodorescu posits that, if this trend of legal professionals “becoming entrepreneurial leaders continues, we’re likely to see an increase in the number of players in the market – this competition isn’t just about the quality of legal services anymore but about differentiation and the value we can bring to our clients beyond traditional legal advice. We must shift from being classic law service providers to becoming true business partners.”

Finally, turning to some of the recent regulatory changes of note, Teodorescu underlines two key developments. “First, the enforcement of anti-harassment regulations and the introduction of substantial fines for non-compliance. These really underscore the importance of creating a safe and respectful workplace,” he reports. “Second, the newly transposed whistleblowing regulations offer a framework for addressing abuses within organizations effectively. These changes are crucial for ensuring that businesses not only focus on growth but also on creating an environment where employees feel valued and protected,” Teodorescu concludes. ●



*Many talented leading individuals from medium to large firms are venturing out on their own, bringing their expertise and networks to create new, dynamic law practices. This trend is enriching the legal market with diverse know-how and fostering a more competitive environment.*

## Hungary Takes a Look at AI: A Buzz Interview with Rita Parkanyi of KCG Partners

By Andrija Djonovic (March 20, 2024)



New technologies, spearheaded by artificial intelligence, are shaping the legal dialogue surrounding innovation, consumer protection, and the integrity of market competition within Hungary and the European Union as a whole according to KCG Partners Founding Partner Rita Parkanyi.

“The sheer pace at which new technologies are entering the market fascinates me,” Parkanyi begins. “As consumers, we’re on the frontline, witnessing the speed of this evolution; yet, from a legal perspective, it’s equally intriguing to observe how EU regulation adapts to these changes.” As Parkanyi puts it, there is a need to balance innovation with consumer protection and market fairness in this dynamic field.

In the EU, “the *AI Act* is nearing its final stages and aims to set a precedent by introducing global standards for AI use,” Parkanyi continues. “This monumental effort is akin to the introduction of the *General Data Protection Regulation*, focusing on a risk-based approach to ensure security, respect human rights, and foster innovation. It’s a significant legal undertaking, shaping the future of AI regulation,” she stresses.

Moreover, Parkanyi reports that “the Hungarian Competition Authority has initiated a market analysis to assess the impact of AI technologies. This research is crucial as it explores the dual aspects affecting both consumers and market players,” she says. One of the concerns is the potential threat to competition in the digital sector, “especially since AI technologies require extensive data sets, which only a few tech giants possess,” Parkanyi explains. “This concentration of resources could lead to market monopolization. Furthermore, the authority is investigating advertising practices that may exploit consumers through AI tools, elevating the need for vigilance and informed consumer choices.”

Parkanyi says that she anticipates this analysis will wrap up by the summer of 2024. “The process, expected to take about six months, involves engaging with market players, analyzing the practices of Hungarian companies, and reaching out to major tech firms. The aim is to understand the broader implications of AI on competition and consumer protection, guiding potential regulatory responses,” she explains.

“The investigation into Microsoft’s Bing is fascinating as it exemplifies the scrutiny AI services undergo,” Parkanyi says. “The focus is on whether the information provided to users is sufficiently detailed, emphasizing the importance of transparency and the quality of information customers receive. This inquiry reflects broader concerns about how AI technologies are deployed and communicated, highlighting the need for clear, accessible information to empower users,” Parkanyi concludes. ●



*The AI Act is nearing its final stages and aims to set a precedent by introducing global standards for AI use. This monumental effort is akin to the introduction of the General Data Protection Regulation, focusing on a risk-based approach to ensure security, respect human rights, and foster innovation. It’s a significant legal undertaking, shaping the future of AI regulation.*

## New Reasons to Tread Carefully in Bulgaria: A Buzz Interview with Mariya Papazova of PPG Lawyers

By Andrija Djonovic (March 21, 2024)

Regulatory updates – mostly driven by EU acts – keep lawyers on the toes in Bulgaria with digital markets being at the forefront of the country's Competition Protection Commission according to PPG Lawyers Partner Mariya Papazova.

“At the beginning of January 2024, the Bulgarian Competition Protection Commission adopted a Block Exemption Decision,” Papazova begins. “This decision reflects EU regulations on prohibited practices, including vertical and horizontal agreements, as well as certain sectors. This decision transfers the newly adopted block exemption EU regulations to the respective type of agreements and practices with effect on national markets,” she explains, advising that “during the decision’s transitional period, market operators, need to be vigilant and ensure full compliance with the new legal framework. Especially in critical sectors like pharmacy, fuels, food, and energy, which are fundamental for the economy and thus, under continuous scrutiny by the Competition Protection Commission.”

Focusing on the priorities list of the Bulgarian Competition Protection Commission, Papazova reports that “digital markets are at the forefront, prompted by recent EU acts. These markets are rapidly evolving. In addition, the Competition Protection Commission's sector inquiry into e-commerce of commercial consumer goods that began in 2021 is still ongoing. The sector inquiry may result in further compliance work and may also lead to antitrust investigations by the Bulgarian Commission.” She adds that “this scrutiny extends to fintech, where innovation outpaces regulation, potentially leading to anti-competitive practices. Additionally, the CPC is focused on the pharmacy, food, and nutritional goods sectors, particularly in terms of pricing, labeling, and advertising practices, underlining the importance of fair competition and consumer protection.”

Talking about how these developments impact the fintech and digital market operators, Papazova says that “the relative lack of regulation in fintech opens doors for non-compliant practices. Given the CPC's intent to monitor these areas closely, fintech companies, in particular, must tread carefully.”

“Companies must stay abreast of new regulations, especially those introduced in the past two years concerning consumer protection – it's a challenge but also an opportunity for businesses to align their practices with these standards, ensuring they operate fairly and transparently,” she adds. “This requires diligent compliance work and an understanding of the legal landscape to navigate potential investigations effectively.”

Finally, according to Papazova, merger control remains a critical area in Bulgaria, with “the number of filings and decisions remaining stable in recent years.” The newly adopted national FDI regime adds an extra layer for dealmakers with the PPG Partner concluding that market players “must factor in these regulations when pursuing mergers and acquisitions, which only goes to show how our regulatory environment continues to gain complexity at a regular pace.” ●



*Digital markets are at the forefront, prompted by recent EU acts. These markets are rapidly evolving. In addition, the Competition Protection Commission's sector inquiry into e-commerce of commercial consumer goods that began in 2021 is still ongoing. The sector inquiry may result in further compliance work and may also lead to antitrust investigations by the Bulgarian Commission.*

## Strategic Adaptations in Ukraine: A Buzz Interview with Valentyn Zasukha of Hillmont Partners

By Andrija Djonovic (March 22, 2024)



Considering Ukraine’s legal landscape against the backdrop of the ongoing war, Hillmont Partners Senior Partner Valentyn Zasukha delves into planning, client relationships, sector-specific issues, strategic adaptations to new realities, and economic prospects.

“The reality we face today is one of profound uncertainty, a condition we’ve somewhat grown accustomed to, given the circumstances of the war,” Zasukha begins. “This unpredictability has made long or mid-term planning nearly impossible for legal practices. Our focus has shifted from pioneering and new client development strategies to business development efforts that are targeted at flexibility and cultivating lasting relationships with key clients,” he shares. “The beginning of 2024 was particularly challenging, marked by a stark contrast from the optimism we harbored last year; now, it’s all about keeping our team’s spirits high and adjusting to the new reality that the legal services business operates in.”

Speaking about the changing nature of legal transactions due to the war, Zasukha reports that “the last few transactions we’ve managed were primarily divestment requests from Ukraine, a reflection of the current sad reality. In light of that, our strategy has always been to remain flexible and plan cautiously, understanding that forward momentum, no matter how slow, is crucial,” he says.

“The volatility of market movements cannot be overstated, particularly in the agricultural sector, which has faced significant challenges. While crop yields may be sustainable, the disruption of grain corridors and transportation logistics to the West has had a considerable impact,” Zasukha explains. Additionally, the “complete loss of the Azovstal Metallurgical Combine – a famous Ukrainian metallurgical facility located

in Mariupol – to the aggressors dealt a significant blow to the metallurgical industry, removing a key player from our market,” he comments.

Given such market volatility, it is unsurprising that reconstruction investments are a prominent discussion point for investors. “There’s considerable discussion around multiple restructurings across various sectors, driven by a sense of anticipation for post-war reconstruction,” Zasukha says. “This includes a wide range of projects, from infrastructure and building to defense. The IT/Tech sector, in particular, is seeing a surge in R&D related to defense.” He remains hopeful that, once the war is over, Ukraine will be as “synonymous with technology as we were with agriculture and metallurgy before the war.”

Zasukha reports that businesses are very keen to protect their assets and investments: “We are now actively providing legal assistance to businesses that have experienced significant losses due to the war to obtain compensation through the creation of mutually beneficial coalitions with litigation funds.” Also, “we’ve seen the newly minted Supreme Justice Council take steps towards ensuring legal stability, which is crucial for both market operations and future investments,” he says. “By improving the predictability of court decisions, we’re paving the way for a more stable legal environment. This, coupled with potential sanctions against aggressor-affiliated assets, could open up new investment opportunities once systematic processes for asset confiscation and market reintroduction are established,” he explains.

“It is clear that significant challenges lie ahead, and substantial recovery efforts will be needed once the war concludes. However, there’s a strong sense of resilience and a collective desire to rebuild.” Zasukha believes the reconstruction focus will likely be on infrastructure, “particularly in sectors like agriculture and defense, attracting domestic and international investors. Through all this, the legal sector will play a critical role in navigating the complexities of reconstruction, ensuring stability, and fostering growth.” ●

## Slovakia Aims for Investor-Friendly but Fair Legislation: A Buzz Interview with Peter Vrabel of Legate

By Andrija Djonovic (March 25, 2024)



Slovakia is witnessing an increased number of vital amendments across legal sectors, from construction to cybersecurity, tax law, and criminal law, according to Legate Managing Partner Peter Vrabel, who posits that these changes aim to streamline processes, enhance transparency, and bolster investor confidence.

“The construction sector is undergoing a significant transformation,” Vrabel begins. “Previously, construction authorities were municipality bodies but, with the new amendment, this responsibility will transition to state bodies – this change was primarily due to zoning design issues, and the state will now oversee the process through a newly introduced zoning body.” According to him, this shift aims to make the approval process faster and more transparent, under ministerial supervision. “However, there are teething problems, particularly with software integration, which everyone is eagerly anticipating,” he points out.

Vrabel then highlights amendments of note for the environmental impact assessment law. “The amendments to the EIA law are indeed investor friendly. These raise the thresholds for new investments, meaning not every project will automatically require an environmental impact assessment,” he explains. “Instead, a simpler screening procedure will suffice, which is much quicker. This, coupled with amendments limiting public

participation time in the EIA process, is designed to expedite investor projects without extensive delays,” Vrabel posits.

In addition, the tax framework of Slovakia has also seen important changes. “Tax law has undergone substantial reform aimed at supporting small entrepreneurs and addressing global corporate taxation,” Vrabel reports. “Small businesses can now enjoy a 15% tax rate if they are entrepreneurs and their turnover doesn’t exceed EUR 60,000. Meanwhile, global companies with substantial revenues must now pay a minimum corporate income tax of 15% on all income generated in Slovakia, a move aimed at ensuring the fair taxation of multinational corporations.”

And there is also the topic of cybersecurity, which is becoming increasingly important for the country. “With the implementation of the European *NIS2 Directive* in October, companies with over 50 employees and a turnover of EUR 10 million must adopt stringent cybersecurity measures,” Vrabel outlines. “This includes internal directives, employee training, and investment in hardware to ensure data security; the aim is to prepare companies early for these new requirements, enhancing national cybersecurity resilience,” he explains.

Finally, Vrabel reports on changes to the criminal law framework, especially regarding corruption cases. “The reform in criminal law and procedure eases the criminal charges and statutory time limits for wrongdoers. The controversy mainly revolves around the alignment of these laws with constitutional principles, especially concerning the reduction of criminal accountability in certain cases,” he concludes. ●



*Previously, construction authorities were municipality bodies but, with the new amendment, this responsibility will transition to state bodies – this change was primarily due to zoning design issues, and the state will now oversee the process through a newly introduced zoning body.*

## THE DEBRIEF: APRIL, 2024

In **The Debrief**, our Practice Leaders across CEE share updates on recent and upcoming legislation, consider the impact of recent court decisions, showcase landmark projects, and keep our readers apprised of the latest developments impacting their respective practice areas.

### This House – Implemented Legislation

There have been recent updates in Croatia's biogas energy regulations, according to Marohnic, Tomek & Gjoic Partner Josip Marohnic: "The Croatian Government has recently enacted an amendment to the *Regulation on the Elimination of Disturbances in the Domestic Energy Market (Official Gazette no. 32/2024)*, slated to come into effect on April 1, 2024." He adds that the "biogas plants have encountered significant setbacks in the incentive system due to escalating costs of the raw materials essential for their production processes. Many plants faced closure. Effectively, the regulation will keep most biogas plants operative and thereby keep this valuable baseline power in the system." Marohnic further notes that "the regulation introduces measures to alleviate these difficulties by allowing biogas plants to petition for a review of their tariff, factoring in the increased cost of raw materials starting from 2021. Moreover, for biogas plants that had to exit the incentive system due to unattainable PPA tariff, there is now a pathway for re-entry."

In Slovenia, a new law governing credit purchasers and credit servicers of the non-performing loans issued by the banks has been enacted, according to Jadek & Pensa Partner Nastja Merlak. "It aims to simplify the process of purchasing and servicing NPLs, following an EU directive. This regulation is viewed positively as it streamlines a previously highly regulated field," according to Merlak, who adds that "previously, a special license was required for purchasing NPLs involving consumers, which was issued by the Slovenian regulator. Now, credit servicing activities, which will be required when consumer NPLs, are purchased will still be subject to a license, however, the license will be subject to EU passporting."

As for Greece, Drakopoulos Senior Associate Avgi Lortzie draws attention to a new anti-bribery law that initiates criminal liability for legal entities. "Following *OECD Anti-Bribery Recommendation*, Article 134 of the new *Law 5090/2024* entered into force on February 23, 2024, providing for the first-time criminal liability of legal entities per se and their successors," she notes. Lortzie says that the new law specifies that if an individual commits bribery, among others, on behalf of a legal entity, "whether acting solely or as a member of the entity's management and maintaining a position as an executive or has the power to represent the legal entity or authority to reach

decisions on behalf of the legal entity or has the right to exercise control within them, the legal entity shall be subject to fines ranging from EUR 50,000 to EUR 10 million." She adds that "the legal entity may also be subject, either cumulatively or separately, to the definitive or temporary withdrawal or suspension of its license for a period ranging from one month up to two years, or the prohibition of its business activity."

According to Avellum Managing Partner Mykola Stetsenko, Ukraine took a significant step toward reforming local state-owned enterprises (SOEs) with the enactment of *Law No. 3587-IX* on March 8, 2024. "The law, set to become fully operational within a year, introduces a new framework for SOEs, which includes transparent corporate governance requirements aligned with the OECD standards." Stetsenko explains that the central part of these reforms "is the obligation for SOEs, meeting certain criteria yet to be developed by the government, to establish supervisory boards (with a majority of independent members). These supervisory boards will have extensive powers, including the appointment and removal of executives and approval of financial, strategic, and investment plans of SOEs. Further, SOEs will undergo regular performance evaluations." Under the law, Stetsenko notes, "the government must now develop the *State Property Policy (SPP)*, which will be subject to regular review and updates. The SPP will set out the state's principles regarding SOEs, identifying strategic SOEs and those to be privatized. This document aims to bring stability to the operation of SOEs, offering clarity to prospective investors."

### This House – Reached an Accord

Schoenherr Bulgaria Partner Tsvetan Krumov reports that "a new *Bulgarian National Bank Act* was enacted on February 13, set to enter into force on the day Bulgaria accedes to the Eurozone. Bulgaria's authorities aim for such an accession to occur on January 1, 2025, but there are still some requirements to be met."

Debarliev, Dameski & Kelesoska Senior Associate Sofijana Markovska notes that, in North Macedonia, in response to the price freezes on vital food items as a result of the COVID-19 pandemic and subsequent global energy disturbances, "in March 2024, North Macedonia adopted the *Law on the Prohibition of Unfair Trading Practices in the Agricultural and Food Supply*



Anca Diaconu, Partner,  
Nestor Nestor Diculescu Kingston Petersen



Dragan Lazarov, Managing Partner,  
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Kostadin Sirlishtov, Managing Partner,  
CMS Bulgaria



Mykola Stetsenko, Managing Partner,  
Avellum

*Chain.* This legislation aims to rectify the power imbalances disadvantaging smaller producers and suppliers in their dealings with larger buyers, establishing a more balanced commercial environment that fosters sustainable relationships within the supply chain.” Markovska adds that the law sets forth “the requirement for transparent/written contracts, which must detail critical aspects of trade arrangements, including (i) pricing mechanisms, (ii) quality standards, (iii) delivery timelines, and (iv) payment conditions. These provisions ensure that all parties have a clear understanding of their obligations, reducing the likelihood of disputes and unfair practices. Further, the law specifically addresses the issue of ‘significant bargaining power,’ setting clear revenue-based criteria to determine when a party possesses such power and is thus subject to stricter scrutiny.” As the appointed enforcer of the new law, the Commission for Protection of Competition in North Macedonia “takes on an expanded role beyond its existing mandates under the *Law on Competition Protection*, the *Law on State Aid Control*, etc.,” and “in cases of non-compliance, the commission wields power to impose sanctions and pursue legal remedies to correct infringements, thus ensuring the integrity and competitiveness of the agricultural and food supply sectors.”

The parliament of North Macedonia has also adopted the new *Law on Financial Instruments* on March 13, according to Law Office Lazarov Managing Partner Dragan Lazarov. “The new law completely repeals the existing *Law on Securities*, and “in a package” with the new *Law on Prospectus*, introduces substantial harmonization with EU legislation.” According to Lazarov, “this legislation aligns the requirements of the financial institutions in North Macedonia with those of the EU, with respect to funding, authorization, and operating conditions for investment firms, client protection, risk management, management authorities, and supervisory capacities, but also authorization and operation of regulated markets, authorization, and operation of data reporting services providers and others.” Additionally, he notes that “the law gives a *vacatio legis* of 18 months and an additional 12 months of adjustment for all investment firms, market operators, and other market participants.”

### This House – The Latest Draft

Merlak reports that “there’s a legislative proposal in response to the affected former holders of qualified liabilities of banks, which were canceled by the Bank of Slovenia in the last major financial crisis where two of our major banks were bailed out by the Slovenian government. Previous attempts to regulate the compensation sought by such former holders were declared unconstitutional.” According to her, “now, based on lessons learned from a decision by the constitutional court, a new proposal suggests that the state will be liable to the qualified holders for damages suffered, but will be able to seek recourse from the Bank of Slovenia for any damage attributable to the Bank of Slovenia’s breach of due diligence in enacting the measures.”

Krumov also highlights that, in Bulgaria, “a draft *Act on Credit Servicers and Credit Purchasers* was released by the government for public consultations on February 9. The draft’s objective is to implement domestically *EU Directive 2021/2167*, establishing a common framework for credit servicers/purchasers of non-performing loans.”

In Poland, a new version of the draft law on whistleblower protection was published on the government website at the beginning of March, according to Wolf Theiss Poland Associate Sonia Kurpiel. “The draft introduces several significant changes, including the expansion of the catalog of reportable infringements of the law to encompass breaches of labor law and constitutional freedoms and rights of human and civil liberties,” Kurpiel notes. “Clarification has been provided regarding the moment when

a whistleblower's protection begins. A whistleblower will be protected from the moment a violation is reported, provided that they have reason to believe that the information being reported is factual and constitutes a violation of the law." Additionally, Kurpiel says, "the draft sets the minimum damages a whistleblower will be entitled to if punitive action is imposed against them at an amount not lower than the average monthly salary in the national economy for the previous year." She adds that "a new method of counting 50 persons performing remunerated work for a legal entity has been established," and "the law will enter into force three months after the date of promulgation."

### The Verdict

Krumov highlights a recent judgment of Bulgaria's Supreme Court's "solving some controversial questions on receivables assignments." According to him, "arbitration clauses in agreements giving rise to receivables were ruled to be an ancillary element of receivables being automatically transferred alongside assignment of receivables. The judgment's logic should arguably apply also to jurisdiction clauses where foreign courts (rather than arbitration tribunals) are chosen as competent which is important for, e.g., cross-border securitizations where assignees are willing to avail of a choice of court/arbitration clause."

### In the Works

CMS Bulgaria Managing Partner Kostadin Sirleshtov reports that, over the last weeks, "Bulgaria took solid steps into the implementation of its largest investment project to date – the construction of Units 7 and 8 of the Kozloduy Nuclear Power Plant. Following the selection of Westinghouse Electric and its leading AP 1000 technology, which was made by the Bulgarian Parliament in 2023, in March 2024, Bulgaria selected Hyundai Engineering and Construction as the EPC contractor for the project. This will allow for debt financing from both US Exim and KSure, following the decision of the Bulgarian Government to allocate EUR 1.5 billion equity to the project." Additionally, Sirleshtov notes that "in March 2024, Bulgaria also launched its long-awaited tender for PV + battery storage to be supported by up to 50% grants from the Recovery and Resilience Fund of the EU. The deadline for submission of proposals is June 12, 2025," with the CMS Partner adding: "The expiry of the 15-year Power Purchase Agreement for the lignite-fired Maritsa East 3 thermal power plant at the end of February 2024 marks another milestone in the transition to renewable energy dominated energy mix in Bulgaria, following the over 2 gigawatts new PV capacities put in operation in 2023."

### Done Deals

According to Merlak, the Slovenian government has decided to issue "people's bonds," which can only be purchased by individuals residing in Slovenia. "The Slovenian capital market isn't very developed – people don't invest much in financial instruments, many companies are leaving the regulated market, and Slovenians mostly invest in real estate or keep their money in banks," she notes. "So far, almost 9,500 investors have collectively invested EUR 260 million. There's a glimmer of hope as 5,000 new trading accounts have been opened recently, allowing for further investment after the initial cost. This initiative was completed just a month ago."

### Regulators Weigh In

Nestor Nestor Diculescu Kingston Petersen Partner Anca Diaconu notes that, at the beginning of March, the Romanian Competition Council (RCC) initiated an analysis



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Roman Hager, Partner,  
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concerning the conduct adopted by the holders of single software licenses toward distributors in the context of the participation of the latter in public procurement procedures for software licenses. “As per the authority’s press release, the licensing agreements concluded between single software license holders and their distributors, as well as the criteria established by the contracting authorities in the documentation relating to the award procedure, are both under scrutiny,” she notes. “In particular, it seems that the authority is looking into whether (i) single software license holders impose discriminatory conditions or refuse access to licenses to distributors (acting as tenderers) and (ii) the contracting authorities impose excessive criteria in this context.” Diaconu notes that this endeavor is yet another expression of “RCC’s particular interest in and close supervision of competition within public procurement.”

Act Legal WMWP Partner Roman Hager notes that in Austria, there’s an expected easing of real estate financing restrictions. “Like many countries, Austria’s real estate sector is facing a downturn, with a significant decline in private real estate transactions since 2022,” Hager adds. “A key factor behind this slump is the stringent regulations imposed by the Austrian banking regulator. The Austrian Financial Market Authority introduced a regulation on August 1, 2022, to mitigate systemic risks in residential real estate financing.” According to Hager, “to facilitate a more manageable administration of exception quotas, the Financial Market Stability Board has recommended a revision to the KIM-V regulation. The proposed amendment, based on § 23h of the *Banking Act*, suggests a unified institution-specific exception quota of 20% for new lending, eliminating the need for separate quotas for different metrics.”

In the last month, there has been an exceptional development in the area of merger clearance in Slovakia, according to Ments Associate Simon Hora. “The Slovak Antimonopoly Office (AMO) granted an exemption from the general prohibition to implement a merger prior to merger clearance in the case of acquisition of direct sole control over 27 petrol stations of the company Benzinol by OMV Slovakia.” Hora adds that “as reaffirmed by this case, the AMO grants exemptions only in

cases where it is evidenced by the information and documents submitted that there will be no negative effects of the merger on competition within a relevant market and the circumstances of the case warrant such approach. Granting such an exemption from the prohibition to implement a merger is not common in Slovakia and this institute has been used only exceptionally.” Additionally, “we believe that similar, less common practices will be further pursued by undertakings and AMO in the future and that they will enrich the competition law practice in Slovakia,” Hora notes.

Finally, the Turkish Competition Authority, the Turkish anti-trust watchdog, issued three remarkable decisions last month, Nazali Tax & Legal Associate Ahmet Onder says. “The first one was an interim measures decision, within the scope of an ongoing investigation initiated against Meta Platforms, Inc., dated March 18, on suspicion of abusing its dominant position by linking Threads and Instagram applications. The Turkish Competition Authority ruled that Meta’s merging of the data of users who create Threads profiles based on their Instagram accounts, without providing users with the option of consent, will cause irreparable harm until the investigation is formally completed and an interim measure has been given that Meta will prevent the merging of data obtained through the Threads application with data obtained from the Instagram application.”

The second decision, according to Onder, was also against Meta. “In 2021, the authority determined that Meta combined the data collected from Facebook, Instagram, and WhatsApp services, making it difficult for its competitors operating in the social networking services and online display advertising markets and creating an entry barrier to the market, and imposed certain sanctions,” Onder notes. “Accordingly, the authority decided that Meta had abused its dominant position by combining data collected from Facebook, Instagram, and WhatsApp services, and an administrative fine of TRY 346.71 million was imposed on Meta together with a set of measures in order to eliminate the violation and establish effective competition in the market. However, the final compliance reports submitted by Meta to the authority, for this decision, were deemed insufficient. Following the expiration of the deadline granted to Meta, a daily administrative fine of TRY 4.8 million has been imposed.”

The third development, according to Onder, “is the violation and fining decision in the labor market regarding no-poaching agreements among a number of undertakings operating in the information technologies and informatics industry. This decision draws attention as the third cartel decision of the Turkish Competition Authority against labor market violations.” ●

# OIL & GAS IN CEE: A CEE LEGAL MATTERS ROUND TABLE

By Teona Gelashvili



On February 29, 2024, energy experts from Bulgaria, Croatia, Moldova, Turkiye, and Ukraine sat down for a virtual round table moderated by CEE Legal Matters Managing Editor Radu Cotarcea to discuss the key developments in the field of oil & gas over the past few years.



Dmytro Fedoruk,  
Partner,  
Redcliffe Partners



Kostadin Sirleshtov,  
Managing Partner,  
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Marin Curic,  
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Sorin Dolea,  
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Dolea & Co



Zahide Altunbas Sancak,  
Partner,  
Guleryuz Partners

**CEELM:** Let's start with the elephant in the room: The words "energy" and "crisis" have been going hand in hand for the last couple of years. In your jurisdiction, to what extent is the energy crisis behind us?

**Fedoruk:** As you are aware, there has been a significant escalation in military attacks on Ukraine's energy infrastructure during the past two winters. With investments from multiple donors and the private sector, along with extensive campaigns in the country's history, the government has intensified passive defense measures to safeguard energy sources. However, approximately 50% of the energy infrastructure has suffered damage, leading to a slowdown in the country's economy and a decrease in oil & gas consumption. Notably, around 70% of wind farms are situated in territories now occupied, including the Zaporizhzhia region.

Initially, Russia targeted energy facilities, seizing the Zaporizhzhia nuclear power plant, disconnecting the energy grid, and occupying over 60% of coal and gas deposits. In response, the government swiftly prohibited natural gas exports to ensure sufficient reserves within the country. Efforts were also made to bolster domestic production and integrate Ukraine's power grid with the European network, resulting in enhanced security, both militarily and within energy systems. Nevertheless, the situation remains chaotic, with the government striving to ensure the sustainability of energy systems amidst ongoing challenges.

**Sirleshtov:** As for Bulgaria, if we define the energy crisis by the increased prices of oil, gas, and electricity from 2022 to 2023, it appears that this crisis has subsided as prices have stabilized. However, its effects continue to impact us. To mitigate these effects, the Bulgarian government took proactive measures during the crisis, accelerating the development of an interconnector with Greece. Notably, we successfully completed the Balkan Stream project, connecting energy streams from Turkiye to the rest of the Balkans, and recently finalized the interconnector with Serbia. Throughout the so-called crisis period, interestingly, the Bulgarian energy sector experienced benefits from high energy prices due to the increased export of electricity in the region. However, in recent years, there has been a notable shift to renewables investments with the installation of 2 gigawatts of solar energy capacity just last year.

**Dolea:** In Moldova, aside from electricity, the energy crisis is still lingering. However, amidst this ongoing challenge, we've learned valuable lessons on the need to diversify away from Russian gas dependency. The Iasi-Ungheni-Chisinau gas pipeline has been instrumental in reshaping our energy import strategy. From a security standpoint, the crisis persists, but in terms of embracing alternative energy sources, it appears that the worst may be behind us.

**Altunbas Sancak:** Unlike many EU countries, we do not directly feel the impact of the energy crisis due to Turkiye persisting in purchasing gas from Russia despite our support for

Ukraine. However, we do experience an energy crisis in terms of prices, primarily due to fluctuations in the Turkish lira. While we cannot claim that the crisis is completely resolved, the country has been actively taking steps, particularly in the renewable energy sector, to mitigate the situation and reduce energy costs.

**Curic:** For Croatia, although wholesale oil & gas prices are nearing pre-crisis levels, the crisis persists. The government continues subsidizing retail electricity, oil, and gas prices, particularly for households and small to medium-sized enterprises. Efforts to reduce subsidies are underway through energy efficiency initiatives. Additionally, there has been a notable increase in regulatory measures intended to facilitate the development of renewables, particularly photovoltaic plants, especially in the spatial planning framework. However, these investments face challenges due to conflicting regulations in other sectors, indicating potential deliberate government obstruction to new developments, with certain companies receiving preferential treatment. Overall, households, construction, and energy sectors are significantly affected.

**CEELM:** What are the current domestic outputs from oil & gas, and how has your country's dependency on imports evolved over the past five years? What are the main connectors currently in place?

**Sirleshtov:** Clearly, Bulgaria remains heavily reliant on imported foreign gas. Despite the lessons of the 2009 crisis, the concept of interconnectedness became widely acknowledged, yet tangible progress was lacking. Presently, Bulgaria has established gas interconnections with Greece, Serbia, Romania, and Türkiye. Domestic natural gas production in Bulgaria is extremely limited, with only a small amount of onshore and offshore production from the Galata and Pleven fields, accounting for less than 1% of the domestic consumption. We rely entirely on oil imports, which have seen a somewhat negative trend over the past five years. Previously, the Galata field in the Black Sea contributed up to 15% of consumption, but this has since collapsed due to depleted fields and minimal investments.

**Dolea:** As for Moldova, there's absolutely no domestic production, none at all. Consequently, we are entirely dependent on imports. Especially regarding oil & gas, we faced a significant challenge before 2015, as we solely relied on one pipeline from Eastern Ukraine. However, in 2015, the addition of another pipeline from Romania proved instrumental in overcoming the crisis. We have learned a lesson, hopefully, as it would be highly tragic for Moldova to have only one route for gas imports going forward.

**Altunbas Sancak:** The main weakness of the sector has consistently been Türkiye's significant reliance on energy imports, particularly oil & gas. This dependency made it unfeasible for the country to reduce gas imports. Consequently, for Türkiye, the impacts of energy imports have been escalating, with currency fluctuations posing the most significant challenge. For example, energy imports in 2021 surged by 7.2 billion to reach 41 billion cubic meters, highlighting the country's predominant challenge and weakness in its reliance on oil & gas imports. Türkiye has limited domestic resources in terms of oil & gas, with almost 100% dependency on other countries. Nevertheless, the country is actively involved in connecting with neighboring nations through various cross-border projects, which is a promising development.

**Curic:** Like its neighboring countries, Croatia has a high dependency on oil, making it one of the most reliant EU member states in this regard. The construction of the LNG terminal at the island of Krk aimed to mitigate Croatia's gas dependence, however, its capacity needs to be augmented in the upcoming years, necessitating substantial capital investments. Croatia does have domestic production in both oil & gas, but the most recent license for hydrocarbon exploration was issued in 2016, and these projects are yet to commence commercial production. During the energy crisis, the lack of domestic projects and declining domestic production have been evident every year. With the introduction of these new projects, domestic production may potentially rise to around 40%. Additionally, a new floating LNG terminal was constructed in 2017, initially considered a security asset, but its importance has significantly increased following the war in Ukraine, not just for Croatia but for regional consumption.

**Fedoruk:** I'd say that most of the challenges, primarily stemming from the war, have been addressed earlier. Despite the ongoing conflict, there remains some foreign investor interest in Ukraine's oil & gas sector. Additionally, new ventures have been initiated by Ukrainian state-owned companies. However, centralized oversight is required to manage these developments effectively.

The positive aspect is that natural gas production reaches 18 billion cubic meters, nearly satisfying the entire domestic demand. However, the Ukrainian oil refinery industry has suffered catastrophic damage, and Ukraine is almost entirely dependent on imported petroleum products. The government aimed for energy independence by 2020, but this goal wasn't achieved. Following the war, however, Ukraine largely made steps toward energy independence due to the destruction inflicted by Russians on refineries in Odesa and other key facilities. Although this presents challenges, there are opportunities

ahead.

**CEELM:** What have been the main/largest new oil & gas production projects in your country in the last five years? And what is in the works?


**Fedoruk:** Before the war, there was significant activity focused on achieving energy self-sufficiency. The approach involved attracting international investors through production-sharing agreements – a strategy also pursued by Croatia. A major tender was held in Ukraine, which saw relative success. Exploration was poised to commence. Apart from the production-sharing agreements, there was a novel concept called production enhancement contracts. Under this scheme, companies with significant carbon output would tender certain areas, establish baselines, and share profits beyond those levels. This concept garnered attention, particularly when a Romanian company with French connections won the tender and signed the pact.

However, all progress has been halted, except for a significant ongoing auction organized by Ukrnafta, a Ukrainian state-owned company. They are seeking foreign partners to develop oil & gas projects jointly. The outcome of this auction remains uncertain, as it is unclear how much interest it will attract. While attempts are being made, there is a sense of skepticism prevailing among stakeholders.

**Altunbas Sancak:** In Turkiye, we have the primary link through its state-owned entity, Petroleum Pipeline Corporation (BOTAS), which oversees the two existing NLG terminals. Additionally, numerous international oil & gas endeavors have been successfully concluded, such as the crude oil pipeline, the Turkiye-Greece pipeline, TANAP (Trans Anatolian Pipeline Project), and the TurkStream project. TANAP, which connects to the BOTAS transmission network, began delivering natural gas to Turkiye in June 2018, with an inauguration ceremony for its European connection held on November 30, 2019, marking the start of natural gas supply to Europe in 2020. The TurkStream project, consisting of two pipelines each with a capacity of 15.75 billion cubic meters, connects Russia to Turkiye and extends gas transport to Europe. The offshore section, crossing the Black Sea, was completed in November 2018, and gas flow to Turkiye began at the beginning of 2020. Moreover, several projects are currently in progress, including the Nakhchivan gas pipeline, alongside several independent ventures spanning the continent.

**Dolea:** In short, over the past decade, significant developments have included the establishment of a high-pressure pipeline linking between Moldova and Romania and ongoing efforts to expand the power network. Notable projects include the recent





experimentation with reversing the flow of the Trans-Balkan Pipeline, aimed at importing gas to southern Moldova from Ukraine. However, there have been no major projects in the realm of oil & gas during this period.

**Curic:** Currently, the most significant undertaking in the Croatian oil industry is the modernization of the oil refinery in Rijeka, overseen by the Croatian national oil company and its Hungarian co-owner, MOL. This project includes the installation of a delayed coking unit, with a total value of EUR 650 million, scheduled for completion this year. Additionally, planned projects involve an increase of the capacity of the LNG terminal to 3.6 billion cubic meters per annum, which will require a major overhaul of the gas transport network, estimated at around EUR 400 million, aimed at connecting Hungary and Slovenia.

**Sirleshtov:** Regarding upstream projects, the most promising endeavor is the Han Asparuh offshore project in the Black Sea, specifically after the Neptun discovery in Romania. Notably, OMV has made an investment decision in Neptun, primarily for export by OMV Export. Although the Han Asparuh field has been awarded and three wells have been drilled, only a small oil discovery has been made, which is not significant. However, this year marks the drilling of the fourth well, which holds more promise due to recent discoveries. Onshore, there's a peculiar situation where the largest oil & gas project developed by an American investor didn't receive support from the government for the Vratsa East block. Despite this setback for the Han Tervel deep offshore block, there's hope that the project will proceed, especially with the anticipated adjustments in light of the Turkish discovery in the Black Sea. The Han Kubrat block, previously awarded to Shell, has garnered considerable recent interest, especially after the Turkish discovery, making it more lucrative.

**CEELM:** How difficult is it to secure new production/exploration rights? Is state participation mandatory?

**Sirleshtov:** In Bulgaria, there is no mandatory participation, but in recent years, the state has displayed a growing inclination toward involvement. One prevalent issue we encounter here, though not the most extreme case, is the presence of multiple agreements rather than a unified one. If an issue arises, one must demonstrate commercial viability separately for each agreement. Consolidating these agreements into one would be beneficial for future operations.

**Altunbas Sancak:** There exists extensive regulation concerning private energy projects, with Turkiye consistently showcasing a welcoming stance toward robust investments in energy

sources by the state. Typically, such investments are structured around specific intergovernmental agreements, prioritizing international agreements over local legislation. Moreover, there's no obligatory state participation mandated. However, the government reserves the right to decide on participation, often making strategic decisions, particularly concerning BOTAS, a state-owned company. Regarding renewables, neither mandatory nor strategic participation is enforced, except in petroleum legislation where the government holds discretion over projects involving petroleum discovery and sales under particular circumstances.

**Dolea:** As I mentioned earlier, since there is no production in Moldova, there are no relevant acts in place.

**Curic:** New projects appear to be unfeasible due to insufficient government awareness and strong opposition from local communities. The last licenses were awarded in 2016, and governmental participation is compulsory, with all hydrocarbons being owned by the Republic of Croatia, for both exploration and production.

**Fedoruk:** You don't require approval for the first option, while the second involves obtaining a license, particularly suitable for smaller-scale projects. This process is straightforward and transparent, conducted through an electronic auction open to all. Production sharing agreements, as exemplified by the recent projects, can be cumbersome and time-consuming to negotiate properly. However, aside from production-sharing agreements, there is no compulsory state participation. In such cases, the state participates by receiving license fees.

**CEELM:** The Green Deal and ESG push have taken a bit of the shine away from the oil & gas sector. To what extent is this statement true in your jurisdiction? What would be the main caveats?

**Sirleshtov:** Currently, we're witnessing an increasing number of international institutions aligning with the coal phase-out, but this is just one aspect of the broader issue. Generally, the trajectory appears clear: a shift toward renewables and nuclear energy.

However, for countries like ours, this journey may be fraught with challenges as governments grapple with regulating non-traditional energy sources. Personally, I predict that there will come a time when the importance of gas will resurface. Nonetheless, the key lies in how swiftly and reliably we can navigate this transition.

**Fedoruk:** In Ukraine, significant investments were made in

constructing facilities for the European grid, but unfortunately, many of them are not operational. However, the situation isn't entirely bleak – there is hope for improvement. Despite the substantial development of renewable energy, the country's focus is primarily on ESG priorities. However, the ongoing conflict has necessitated attention to other pressing matters.

**Dolea:** In general, Moldova has ratified the EU Association Agreement and is now a candidate for EU membership. However, its infrastructure is still not adequately prepared to transition away from oil & gas as primary sources of energy. In reality, this remains a pressing issue, and it will take many years to effectively implement all the legal requirements into practical action.

**Altunbas Sancak:** I would say that despite the increasing emphasis on renewable energy and Türkiye's participation in the Paris Climate Agreement's green initiatives, the reality remains that oil & gas still play a significant role. While I acknowledge the necessity for diversifying our energy sources, it's important to recognize that nuclear power construction is also underway, posing challenges for many nations. Balancing ESG considerations alongside the goals of the Green Deal presents additional challenges for oil & gas projects.

**Curic:** The Green Deal and ESG initiatives have diverted some attention from oil & gas in Croatia. However, due to Croatia's strategic geographical position and the beneficial LNG terminal for neighboring countries, oil & gas remain a focal point. Moreover, with plans to increase its capacity and introduce new interconnectors, oil & gas are anticipated to maintain a significant role.

**CEELM:** What would be one item on your wish list regarding the development of oil & gas in your jurisdiction?

**Sirleshtov:** For me, a stability clause, particularly regarding the tax regime, would serve as a strong incentive. What investors require assurance of is that once they commit their investment, they can be confident of stability throughout the duration of the project.

**Curic:** The issuance of new licenses and the initiation of new projects are crucial for enhancing domestic energy production in Croatia.

**Altunbas Sancak:** It's improbable that all energy supplies will transition toward the Green Deal, as they would undoubtedly find a solution, but currently, we're no closer to achieving this goal.

**Fedoruk:** We just need peace. Everything else is secondary. ●

## THE CORNER OFFICE: CLIENT RELATIONSHIP DEALBREAKERS

In **The Corner Office**, we ask Managing Partners at law firms across Central and Eastern Europe about their backgrounds, strategies, and responsibilities. While in the legal field maintaining client relationships is vital, there are occasions when law firms must end engagements. To explore some of the reasons that might lead to this, we asked: **After accepting mandates, what have been the main reasons for which you ended up having to drop clients?**

**Kostadin Sirlishtov, Managing Partner, CMS Sofia:** Sanctions are the primary reason why we had to drop existing clients. Especially since February 2022, this has been a complex and very important matter. Pre-merger consultations are the second reason for dropping existing clients. Not so long ago, CMS completed the largest three-law-firms merger in the UK's legal history (the merger between CMS Cameron McKenna, Nabarro, and Olswang) and, as a result, we had to drop the largest of our CMS Sofia existing clients at the time – it just so happened that, otherwise, we would have CMS acting for both parties in a complex litigation in London. Seldom, we are forced to terminate existing client relationships where payments are either never coming or are consistently delayed. We normally show understanding to clients who are late with their fees, but following the terms of the engagement is an important element of every client relationship. In extreme cases, we are forced to terminate existing relationships in cases where our gross margin does not make any commercial sense or is negative as a result of various factors.

**Nenad Cvjeticanin, Managing Partner, Cvjeticanin & Partners:** One common issue is a misalignment of expectations. Despite our best efforts to communicate clearly and set realistic goals at the outset, sometimes clients have unreasonable expectations or demand outcomes that are not feasible within legal constraints. When it becomes apparent that we cannot meet these expectations, despite our efforts to manage them, it may be necessary to part ways.

Another recurring challenge is non-compliance or refusal to adhere to legal advice. Our role as legal advisors is to provide sound guidance based on our expertise and knowledge of the law. However, if a client consistently disregards our advice, engages in unethical practices, or refuses to comply with legal requirements, it compromises our ability to represent them effectively and ethically. In such cases, we have no choice but to terminate the relationship to protect the integrity of our firm and uphold legal standards.

Additionally, financial issues can strain the client-lawyer relationship. Despite our best efforts to establish clear fee arrangements and communicate transparently about costs, some clients may struggle to fulfill their financial obligations. This can create tension and resentment, particularly if the client disputes the fees or refuses to pay for services rendered. While we strive to work with clients to find mutually acceptable solutions, persistent non-payment or disputes over fees may ultimately lead to the termination of the relationship.

**Bernhard Hager, Managing Partner, Eversheds Sutherland Slovakia:** Dropping clients after onboarding is a rare moment in our professional life. When it happened, it was for ethical reasons or because of a different understanding of our agreed scope of work and remuneration. As to ethical reasons, we stopped working for a client because the client was not willing to discuss our concerns regarding AML, tax evasion, or bribery. We have only experienced such discussions with a few, rather small clients. Other issues are discussions about the scope of work and caps. When clients try to extend the scope without increasing the cap, this might lead to the termination of our legal work. As mentioned in the beginning, it was a rather rare event – in almost all cases we settled such issues on good terms.

**Ivana Ruzicic, Managing Partner, PR Legal:** Although we conduct a thorough initial vetting process, instances where we have had to part ways with clients typically stem from a fundamental misalignment of values, expectations, or communication styles.

The legal profession thrives on a deeply personal and trusting relationship between attorney and client, necessitating a certain level of compatibility in sensibilities. When this synergy is lacking, it becomes evident that the representation or collaboration with such clients is unsustainable.

We pride ourselves on cultivating close relationships with our



clients, built on trust and mutual respect. However, in rare instances where trust is compromised or absent, we do not hesitate to terminate the relationship. Over our firm's history, such occurrences have been minimal, underscoring our commitment to maintaining a high standard of client satisfaction and ethical conduct.



*Despite our best efforts to communicate clearly and set realistic goals at the outset, sometimes clients have unreasonable expectations or demand outcomes that are not feasible within legal constraints. When it becomes apparent that we cannot meet these expectations, despite our efforts to manage them, it may be necessary to part ways.*

**Timur Bondaryev, Managing Partner, Arzinger:** While onboarding the client, the firm has various angles to consider, all of which are really crucial. There is a regulatory angle, which has become much more serious and important recently following the Russian invasion of Ukraine. Apart from the usual conflict check, KYC & compliance prescriptions, a heavily extended sanctions network has largely contributed to the onboarding routine to ensure that the potential matter doesn't create sanctions complications for the persons involved. While mentioning conflict check, it should be specifically emphasized, that not only actual but also potential conflicts are being carefully considered, while evaluating the case. An important premise for cooperation is the profitability of the client/project, which should be ensured all along the lifecycle of the project. Finally, the reputational angle has always been quite an important one in the onboarding process and its "weight" in the overall onboarding process has become increasingly serious in the course of the last years. Even if the client/matter looks very fine from a regulatory, conflict check standpoint and is very financially viable, it may be rejected for reputational reasons. In practical terms, for instance, the Russian business of a potential client can trigger rejection or dropping the client.

Should some of these premises/angles change after the client is onboarded, we can initiate the "dissolution of our relationship," – respective covenants are part of our engagement letter. For instance, when we find out, that despite the public statements of the client about its intention to leave Russia, i.e., seize cooperation with the defense sector of the latter, the client keeps expanding business in the country, we can drop the matter.

**Pavel Dejl, Managing Partner, Kocian Solc Balastik:** As our founder and former IBA president Martin Solc once said: lawyers are known and valued not only for the work they do but also for work they do not do. To my knowledge, we have ended our work for a long-standing client only twice in the whole history of our law firm, with the second case being just immediately following Russia's invasion of Ukraine. In response to such unprecedented aggression, and having in mind our own country's terrible experience from 1968, we took the unanimous decision – even before any official sanctions had been approved – to terminate our relationship with a long-established client (a Czech entity) who was affiliated with the Russian state, recognizing the unacceptable risk for us of its potential financing of the conflict and Russian invasion. These decisions were guided by our commitment to ethical considerations and global responsibility, and emphasize the importance of lawyers demonstrating principled conduct in their professional engagements.

**Pal Jalsovszky, Managing Partner, Jalsovszky:** Luckily, such circumstances occur rarely in our practice. But they do happen sometimes. Each event is different though so it is difficult to find patterns among them. In the last couple of years, we have already terminated mandates with clients due to the non-settlement of our previous invoices. We also stopped working for a client when we received an unethical request from their side. But it also happened that we found ourselves in a conflict situation after having started to work for a client (and we found ourselves advising on a dispute where the counterparty was another client of ours). In all such cases, termination is a delicate issue. We endeavor to maintain a good business relationship with our ex-clients and, if reasonable, suggest another law firm replacing us.

**Janos Rausch, Managing Partner, Ban, S. Szabo, Rausch & Partners:** It would be ideal if we could state that our law firm can pride itself on never having to sever ties with any client. It is extremely rare that we must let a client go, because our professional relationship with our clients, is built on the solid foundation of mutual respect, clear communication, and often shared values. We conduct thorough initial consultations to ensure alignment in goals and expectations, setting the stage for a successful attorney-client relationship. But beyond the initial vetting, what truly defines a "good" client, and how both parties can work together to build a harmonious and effective partnership? We are looking for clients who do not withhold information, recognizing that transparency is key to allowing their legal team to provide the best advice. They ideally understand the legal process, respect the expertise of their lawyers, and have realistic expectations about outcomes. Obviously, it also helps if the client pays the bills. ●

## LOOKING IN: MARKUS PERKAMS AND ALEX HOGARTH OF ADDLESHAW GODDARD

By Andrija Djonovic

In our **Looking In** series, we talk to Partners from outside CEE who are keeping an eye on the region (and often pop up in our deal ticker) to learn how they perceive CEE markets and their evolution. For this issue, we sat down with Addleshaw Goddard Partners Markus Perkams from Frankfurt and Alex Hogarth from London.

**CEELM:** What was your first interaction with the CEE region?

**Perkams:** My father's family comes from the Baltics. My mom studied CEE history, and we traveled a lot in the East as tourists, even losing our passports there once! Work-wise, as a young Associate, I worked on a big international arbitration in the gas sector with a state-owned entity as the defendant, which was a departure from the everyday disputes for a German commercial lawyer. To this day, I still focus on disputes – state court and arbitration/investment treaties.

**Hogarth:** I had the pleasure of traveling across a significant part of the region as a student many years ago and studying the politics of CEE as part of my master's degree in international relations. My first interaction from a work perspective came as a trainee in 2010 working on high-profile litigation in England over the ownership of CEE-based natural resources. Since that time, I've worked regularly on CEE-related disputes, be that for non-CEE clients with cross-border elements into the region or, increasingly, working for CEE clients on cross-border disputes outside the region. We co-counsel regularly with CEE firms, including, for example, on reciprocal enforcement of judgments, and very much enjoy doing so and learning more about the region as we go. As co-head of our Airports & Aviation Group, we're also doing a lot of work with CEE-based airlines which continue to go from strength to strength despite challenging sector conditions.

**CEELM:** As for the current pipeline, what has been keeping you busy in the last 12 months?

**Perkams:** The first is Ukraine-related work, focusing on how Russia can be brought to justice for the harm done to Ukrainian businesses, mainly by way of claims based on the *Ukraine-Russia Bilateral Investment Treaty*. This obviously involves questions of third-party funding and enforcement scenarios in the future.

It's also important to note that it's not just about Russia but also about rebuilding the country and bringing in FDI to ensure that the money needed is there, as well as advising on

protecting those investments – the best disputes advice is on the prevention of disputes.

Second, ordinary commercial disputes in the regions have been developing similarly to Western jurisdictions over the last 4-5 years, particularly disputes in the automotive and energy sectors in terms of the ongoing transitions – e-cars and climate change more generally. The German automotive industry is strong in the region, and many suppliers in CEE face the same set of problems (either as subsidiaries or suppliers).

**Hogarth:** The region suffers from the same market challenges faced by the rest of the global economy, including high interest rates, inflation, and, of course, the political and economic uncertainty caused by the Russian invasion of Ukraine. That said, CEE businesses have continued to invest and grow. At the same time, CEE states have continued to incentivize FDI, in particular from the Middle East into domestic infrastructure projects and assets (e.g., airports). It may be depressing for some to read, but with business-related uncertainty come disputes. In particular, in the last 12 months, we've been kept busy on supply chain, technology and licensing, and M&A and joint venture disputes.

**CEELM:** How has London's role in CEE evolved over time, and what is it now?

**Hogarth:** We're lucky that a significant number of contracts for CEE businesses are governed by English law and subject to the jurisdiction of English Courts. As a result, London firms remain busy in the region. As much as we might want to, we cannot ignore Brexit. The benefits of resolving disputes in England remain, but how Brexit ultimately impacts the enforcement of English judgments abroad, and the speed at which that can be done, will be an important factor in London maintaining its prized position as one of the go-to global disputes centers.

**Perkams:** There's a difference between the economic outlook and the legal perspective. In many jurisdictions, the German economy is still the biggest investor and will continue to be



Alex Hogarth, Partner,  
Addleshaw Goddard



Markus Perkams, Partner,  
Addleshaw Goddard

for a long time, despite Asian investors coming in. The more international the region becomes, the more opportunities there will be for the German industry as well. CEE is very important not just as an export market but also as a place of production.

The CEE workforce is still very skilled, making it easy for German companies to set up shop there or pick up plants and benefit from the workforce and take advantage of some of the strategic aspects of the region. It is a region that is politically stable and safe – a firmly established part of the EU – all of which is very good for the German economy, which will continue to play a critical role in the region, in particular now as supply chains are brought back closer to Germany.

Also, German law has played a significant role in the modernization of local law, obviously benefiting the German economy. In the '90s, we saw a lot of German firms going into the region. Now, the legal market is consolidating, many firms are moving out, the quality of local lawyers has grown considerably, and many regional firms have established themselves in solid positions. It's essential for us to cooperate with them, and there's no longer a big market that only belongs to international players.

The advantages of a post-Brexit reality to commercialize German courts are not really materializing; there are always language barriers – English is the language of finance, and people are still used to using English law templates. I don't think German law will be in a position to challenge English law any time soon, though because German businesses investing in the region tend to prefer German law as the applicable law and German courts to handle disputes, German law will always

play a certain role in the market.

**CEELM:** What is your perspective on internationals in CEE – how will their presence evolve?

**Perkams:** The market is by now quite consolidated. Those already there will likely continue to be, but I would be surprised by new firms opening up offices. The markets are comparatively small, and you have a high degree of quality. You also have a lot of partner-levels by now who are foreign-trained and educated on the ground. In my opinion, the firms present will stay, but I'd be surprised to see many new investments.

**Hogarth:** I agree with Markus. I think it would be a bold move for an international firm without an established presence in the CEE to set up in the region. Competing against the strength and quality of the established CEE firms seems risky with little realization of upside in the medium term. Much more likely we'll see further consolidation and expansion of local CEE firms both within the region and beyond.

**Perkams:** We see local/regional firms as partners. We give them work concerning Western companies and get work back from them. This is a trend we currently see growing despite troubling times. Also, there's no real need for locals to tie up anymore and give up their competitive advantage to actively seek merger opportunities.

**CEELM:** Where do you see the most activity in the next 12 months?

**Hogarth:** The expectation from CEE-based businesses and law firms is that there will be an uptick in activity as the economic headwinds of recent years begin to subside. I think Hungary will continue to perform well economically. Its mix of strong-performing domestic-based companies alongside the potential for further and significant FDI should mean it remains a buoyant market. From a sector perspective, across the region, infrastructure and energy will no doubt continue to be a source of investment and growth as will the technology sector in which the region continues to be market-leading in a number of respects.

**Perkams:** My thinking is very much the same. Beyond focusing on Ukraine for the reasons already mentioned, I expect that the Czech Republic will keep us busy because there are many German investors there, and they see many of the same challenges as in Germany. I would be surprised not to see a surge in disputes there as a result. I'd also keep an eye on Poland – the new government has led to a renewed interest. It's one of the largest economies in the region and is quite keen on renewables. ●

# MARKET SPOTLIGHT: HUNGARY

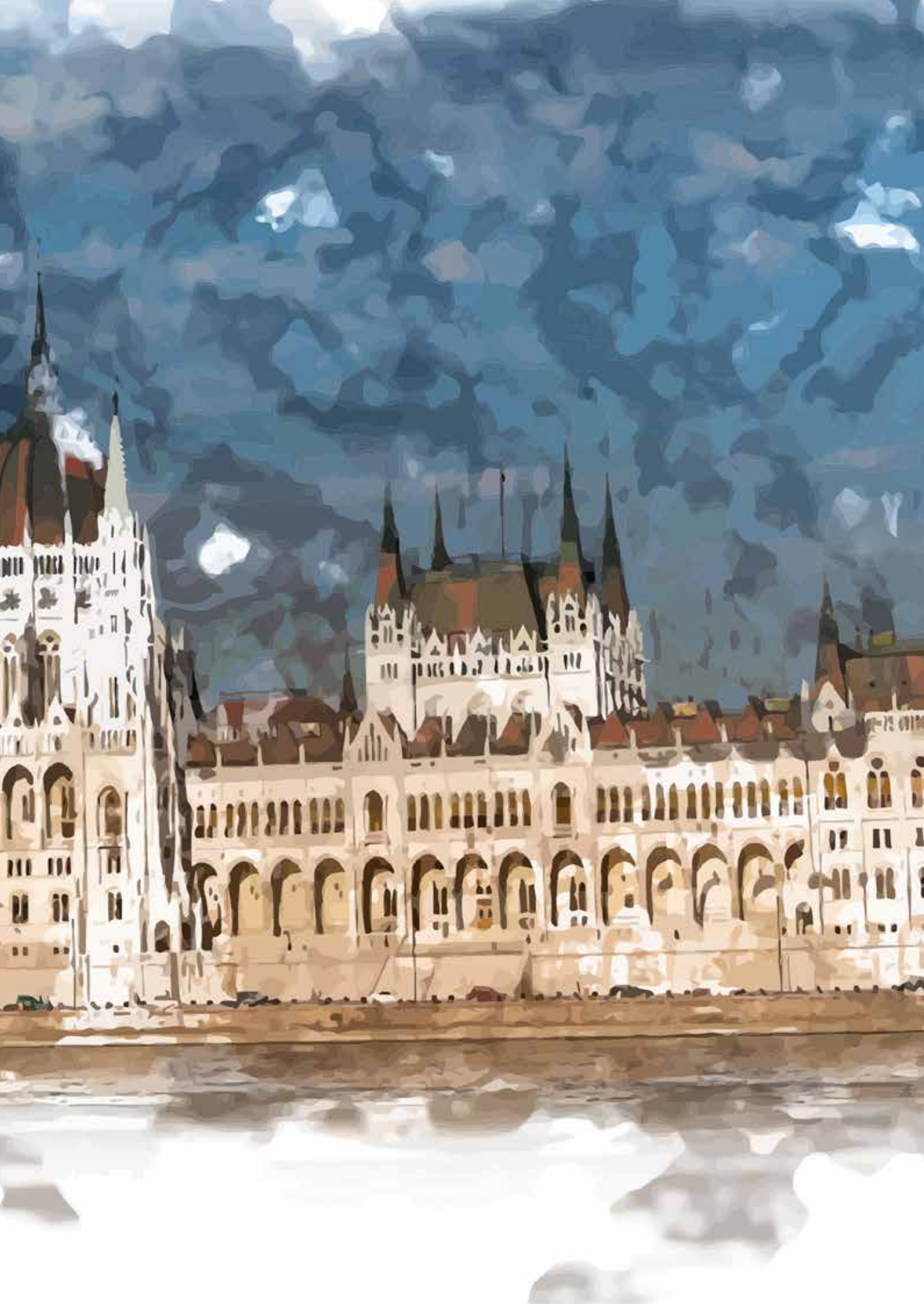
## ACTIVITY OVERVIEW: HUNGARY

Firms with the most client matters reported by CEE Legal Matters between January 1, 2023, and March 15, 2024:

|    |                           |    |
|----|---------------------------|----|
| 1. | Schoenherr                | 19 |
| 2. | Lakatos, Kovcs & Partners | 11 |
| 3. | Kinstellar                | 10 |
| 4. | CMS                       | 8  |
| 5. | Baker McKenzie            | 5  |
|    | Cerha Hempel              | 5  |

Partners with the most client matters reported by CEE Legal Matters between January 1, 2023, and March 15, 2024:

|    |                 |   |
|----|-----------------|---|
| 1. | Laszlo Krupl    | 8 |
| 2. | Kinga Hetenyi   | 6 |
| 3. | Adam Mattyus    | 4 |
|    | Gabor Czike     | 4 |
|    | Gergely Szaloki | 4 |



# HUNGARY'S AUTOMOTIVE SECTOR: KEEPING AN EYE ON THE ROAD

By Andrija Djonovic

**Heralded as a cornerstone of the national economy, the Hungarian automotive sector faces significant challenges but also promising opportunities. Baker McKenzie Partner Zoltan Hegymegi-Barakonyi, Lakatos, Kovacs & Partners Partner Adam Mattyus, Szecskay Senior Partner Judit Budai, and Kinstellar Sector Head and Senior Counsel Akos Nagy take a deep dive into the sector's status amidst a backdrop of labor shortages, geopolitical shifts, and the government's concerted efforts to continue growth and maintain global competitiveness.**

## Still the Biggest Driver of the Economy

The “In Hungary, vehicle production is still one of the most important sectors, accounting for 25% of manufacturing output according to the data of the Hungarian Statistics Office,” Budai begins. “The automotive sector accounts for 90% of Hungary’s exports. The main destinations are Germany, the UK, France, and Italy – this justifies Hungary’s position as a suitable hub for the whole of Europe with its well-established road and communication networks and warehouses,” she explains.

Furthermore, she reports that, in 2023, “the automotive sector in Hungary employed around 100,000 people and was responsible for generating 20% of the national GDP. This is still impressive, although the sector – mainly due to COVID-19 – has been in decline since 2019 when we saw a record production level of automobiles.” According to Budai, in “recent months, German industry has reduced production, so the Hungarian export that serves this segment has slowed down and left over-capacities in Hungary.” Mattyus adds that, by December 2023, “Hungarian manufacturing output had fallen significantly, and so had vehicle production – down by 9% compared to December 2022.” Mattyus highlights the same cause: “This is mainly due to the weakness of the German economy, as Germany remains the most important market for the Hungarian automotive industry, where economic growth has at least stalled in the past year.”

It’s not all bad news though, with Mattyus stressing that “we also need to look at the start-up and expansion of investments in the sector. In this respect, last year was a successful one.” Budai agrees, adding that “significant development is expected from increasing Chinese involvement in Hungary, for example, the ongoing construction of a USD 14 million electric car factory by BYD. EV production attracts key suppliers such as the world’s largest battery producers for electric cars – for instance, Chinese CATL has a USD 7.6 billion factory to supply

Mercedes and BMW.”

Moreover, Budai indicates that the strong position of the automotive industry is thanks to “investments of Audi, Mercedes, and BMW, who have their car factories in Hungary and which are in a phase of increased innovation. These OEMs also attract a lot of foreign suppliers, establishing development opportunities for local suppliers.” Additionally, Budai reports that the “Suzuki factory is still a strong performer with a well-established local supply chain.”

“The automotive sector in Hungary has shown resilience amidst recent geopolitical challenges,” Nagy chimes in. While uncertainties have impacted global supply chains, Hungary’s automotive industry has adapted swiftly, he says, “leveraging its diversified market presence. Despite some initial setbacks, production levels have remained stable, albeit with some adjustments in response to supply chain disruptions.”

Such is the strength of the sector that Hegymegi-Barakonyi expects the Hungarian vehicle industry to potentially rise to 30% of the country’s GDP by 2030, “together with the battery production and related investments, which are already significant but continue to grow.”

## Workforce Road Bumps

The automotive sector in Hungary, like its counterparts across Eastern Europe, is currently facing a significant workforce challenge. Hegymegi-Barakonyi highlights that “the lack of labor is probably the biggest challenge for car-making companies.” He highlights the dependency on foreign workers due to the insufficient number of Hungarian workers, with one of three car builders in Hungary importing a “skilled workforce from India to meet demand.”

Echoing Hegymegi-Barakonyi, Mattyus identifies the missing workforce as a central challenge: “The huge labor demand of



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new or expanding factories cannot be satisfied by the labor supply of cities and villages next to the new production plants.” Mattyus adds that the skilled workforce’s preference for higher wages in Western Europe exacerbates the situation. Furthermore, he points out that “the increasing demand for new or expanding factories for energy, which the energy-poor Central European countries can only satisfy with increased investment, also poses a significant challenge. And, we must not forget the environmental protection objections of the population living around the factories, which has already led to lengthy legal battles.”

Budai agrees with both, adding that Hungary’s labor force is getting expensive due to the country’s macroeconomic problems. “The volatile export demand creates production and labor overcapacity, which may create working capital and liquidity difficulties. Therefore, among others, the vehicle industry cannot satisfy wage increase expectations of the labor force to keep up with inflation,” she says. “This creates tensions and increased activity of trade unions stepping up in the interest of salary increases, which increase the risk of OEMs and suppliers dealing with strike threats.” Moreover, Budai says that “new skills are required in line with the increased usage of artificial intelligence, electric vehicle technology, and other automation. Therefore, constant labor force restructuring is necessary, which eventually puts employers in a position where a mass layoff is necessary if the speed of re-education of the labor force cannot follow the technological development needs.”

Overall, “the automotive sector faces multifaceted challenges,” Nagy adds, naming “liquidity constraints, the need for refinancing, and ongoing restructuring efforts,” as the most prominent ones. “Geopolitical uncertainties have intensified these challenges, impacting both domestic and international operations,” he says, while also agreeing that “labor shortages and skills mismatches pose significant obstacles to sustaining production levels.”

### Governmental Cruise Control

The Hungarian government has positioned itself as a mediator in the global automotive industry, aiming to transform Hungary into a “meeting point” for Western and Eastern automotive giants, notes Hegymegi-Barakonyi. This vision includes the government supporting a “technological transition, including the production of batteries for electric vehicles and other modern facilities of mobility like ZalaZone for the testing of self-driving vehicles.”

Mattyus provides further insight into the state’s role in fostering the sector’s growth through financial incentives and infrastructural developments, all within the EU’s state aid regulations. “Large investors can count on infrastructure developments that also serve community purposes, such as the construction of railway tracks and highway connections or the establishment of schools teaching in foreign languages,” he outlines. “Furthermore, a separate government body deals with attracting foreign investors and helping them in the course of the implementation of their investments, among other things, by finding sites where investments can be inaugurated, negotiating with local governments, recommending professional advisors.” According to him, qualifying certain projects as investments of “enhanced importance by the government, facilitates the speed up of the licensing processes before the respective authorities. This takes decision-making away from local authorities and is causing political tension.” ●

# THE SPECTRUM OF HYDROGEN: UNRAVELLING THE MEANINGS BEHIND ITS COLORS

By Robert Szuchy, Managing Partner, BSLAW Budapest – Szuchy Law Office



In the burgeoning landscape of alternative energy, hydrogen emerges as a beacon of hope, championing the transition toward a cleaner, more sustainable future. However, not all hydrogen is created equal, and the color code attributed to its production process not only paints a picture of its environmental footprint but also hints at the broader implications for our global energy matrix. This article delves into the colorful world of hydrogen, exploring the significance and implications of its diverse hues.

**Green Hydrogen – The Pinnacle of Sustainability:** Green hydrogen sits at the pinnacle of the hydrogen color spectrum, embodying the zenith of environmental sustainability. Produced through the electrolysis of water using electricity generated from renewable sources such as wind, solar, and hydro, green hydrogen's production process emits no carbon dioxide. As such, it represents the gold standard in the hydrogen economy, offering a truly clean energy vector capable of decarbonizing a wide range of sectors, including transport, industry, and beyond. The main challenge lies in its cost, driven by the high price of renewable energy and electrolysis equipment, although technological advances and economies of scale are expected to lower these barriers over time.

**Blue Hydrogen – A Transitional Hue:** Blue hydrogen provides a pragmatic, transitional path toward a low-carbon future. It is produced from natural gas through steam methane reforming (SMR) or autothermal reforming with the CO<sub>2</sub> emissions captured and stored or utilized (carbon capture and storage, CCS). While not completely carbon-neutral, blue hydrogen significantly reduces CO<sub>2</sub> emissions compared to traditional hydrogen production methods. It serves as a vital stepping stone, leveraging existing gas infrastructure and technologies to pave the way for a more sustainable hydrogen economy. The challenge, however, lies in the efficiency and cost of CCS technologies, and the environmental impact of potential CO<sub>2</sub> leakage.

**Grey Hydrogen: The Current Norm with a Carbon Cost:** Grey hydrogen is the most commonly produced hydrogen today, generated from natural gas through SMR without capturing the emitted CO<sub>2</sub>. This process is carbon-intensive, undermining the potential environmental benefits of hydrogen as a clean energy carrier. The prevalence of grey hydrogen is

largely due to its cost-effectiveness compared to greener alternatives. However, as global attention shifts toward climate change mitigation, the environmental cost of grey hydrogen is becoming increasingly untenable, driving the search for cleaner production methods.

## **Turquoise Hydrogen – An Emerging Shade of Innovation:**

Turquoise hydrogen introduces a novel approach to hydrogen production, through the process of methane pyrolysis. This method breaks down methane into hydrogen and solid carbon, potentially in the form of carbon black or graphite. The appeal of turquoise hydrogen lies in its potential to produce hydrogen with a lower carbon footprint than grey hydrogen and without the need for CCS, as in the case of blue hydrogen. However, methane pyrolysis is still in the early stages of development, with questions surrounding the scalability, market for solid carbon byproducts, and overall environmental impact.

## **Yellow and Pink Hydrogen – Niche Colors on the Palette:**

Yellow and pink hydrogen, though less commonly discussed, represent niche segments of the hydrogen color spectrum. Yellow hydrogen is produced through electrolysis powered by a mix of renewable and non-renewable electricity, situating it somewhere between green and grey hydrogen in terms of environmental impact. Pink (or purple) hydrogen, on the other hand, is generated using nuclear energy to power the electrolysis of water, offering a low-carbon but controversial pathway due to concerns associated with nuclear energy.

## **The Future Palette – Toward a Rainbow of Possibilities:**

The color-coded taxonomy of hydrogen production methods serves as a vivid illustration of the complexity and diversity within the hydrogen economy. As we advance, the emphasis should not only be on promoting the most sustainable forms of hydrogen but also on developing an integrated energy strategy that considers the interplay between different hydrogen colors, energy sources, and end-use applications. The transition toward a hydrogen-driven energy future will likely encompass a spectrum of solutions tailored to regional resources, technological advancements, and environmental imperatives.

In conclusion, the different colors of hydrogen provide a nuanced understanding of the potential and challenges of this promising energy carrier. As the global community strives to decarbonize and diversify its energy portfolio, hydrogen, in all its hues, will undoubtedly play a pivotal role in shaping the future of energy, driving us toward a cleaner, more sustainable world. ●



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## **INSIDE INSIGHT:** SANDOR ZORAD OF MET GROUP

By Teona Gelashvili

After eight years with the MET Group, Legal Director Sandor Zorad reflects on the company's path to international expansion.



**CEELM:** Tell us a bit about yourself and the career path you took leading up to your current role.

**Zorad:** I've been with the MET Group for eight years now, after my time at Baker McKenzie in Budapest, one of the world's largest law firms. When I first joined MET, it was much smaller compared to its current size, but it was a significant client of Baker McKenzie, particularly in M&A projects.

At the beginning of my career, I was on the advisory side, but always attracted to the dynamic world of the energy sector. At that time, even if MET was a lot smaller on the international stage, it clearly held promise with its rapid growth and motivated workforce. Now, MET is a truly international company represented in 14 countries in Europe and already established its first subsidiary in Asia, based in Singapore.

In 2016, my first in-house role at MET was working for the freshly established joint venture of MET and Magyar Telekom Nyrt (the Hungarian company of Deutsche Telekom), focusing on natural gas and electricity sales in Hungary. Diving into the period of laying the groundwork for the company, it was a unique experience overseeing not only the merger of two distinct customer portfolios handed over by the two shareholders but also two groups of employees and two different corporate cultures as it was united into one joint venture.

In mid-2017, MET decided to centralize its M&A operations, with the legal team based in Budapest and serving the headquarters in Switzerland where the business team was operating. I transitioned into this centralized M&A team and spent six years supporting MET's M&A projects mainly on the buyer side, as part of the company's inorganic growth strategies.

My role evolved over time, transitioning from junior to senior positions and eventually becoming the Legal Director of Western and Eastern European Sales Divisions last October. This move wasn't just about titles, but it represented a shift in responsibilities. While I still work on selected M&A deals, my focus now includes supervising and supporting companies in seven countries within our divisions, namely Germany, France, Spain, Italy, Romania, Bulgaria, and Turkey, even as I continue to be based in Budapest but work for the Swiss headquarters.

**CEELM:** What made MET a good client back then?

**Zorad:** MET has always been highly active in the market, constantly generating new business ideas. Its debut M&A project, the acquisition of a Hungarian gas fire power plant (Duna-menti), stood as a testament to the company's success. While many energy companies may be perceived as somewhat dull

with limited innovation, the MET team has been notably driven and innovative compared to their counterparts.

**CEELM:** What was the biggest shock when transitioning to the in-house world?

**Zorad:** Transitioning to the in-house world brought its share of surprises, especially compared to a large international law firm like Baker McKenzie. There, the work you do essentially embodies the product, meaning legal services, that is marketed and sold, whereas, in a company, your work supports other colleagues in conducting business. In a law firm, you serve numerous clients across various industries, whereas as an in-house lawyer, you practically represent and work for one client – the company that employs you. Moving into an in-house role brought me closer to the core of the business, and the depth of engagement with a single client provided a deeper understanding and knowledge base.

**CEELM:** Over the past year, what has been your main focus?

**Zorad:** Approximately a year ago, I got involved in a project involving the transfer of a French customer portfolio. This project was particularly intensive as it involved a newly established subsidiary of MET in France with no existing customer base. Subsequently, a significant local player entrusted MET with the takeover of its substantial portfolio of electricity and natural gas customers. The project successfully closed on October 1, 2023, marking the commencement of my collaboration with colleagues in France and also the Western and Eastern European Sales Division. This experience provided me with significant motivation and enthusiasm to transition to my new position as Legal Director within the division.

**CEELM:** Looking ahead, what do you anticipate keeping you busy in the next 12 months?

The story of MET was that of consistent growth since its inception. My journey with MET has always been dedicated to facilitating this growth. Mostly, my focus was on the legal support of the inorganic expansion through M&A projects. However, looking forward, I am shifting my efforts toward capitalizing on organic growth opportunities.

Since October 1, my responsibilities have expanded to seven countries within Europe, spanning from Spain to Turkey, each presenting unique challenges that form a significant part of my workload. In addition to ongoing operations, MET aims to establish new entities in several countries in the coming years, and navigating these developments while maintaining operational efficiency remains a top priority.



*In a law firm, you serve numerous clients across various industries, whereas as an in-house lawyer, you practically represent and work for one client – the company that employs you. Moving into an in-house role brought me closer to the core of the business, and the depth of engagement with a single client provided a deeper understanding and knowledge base.*

Additionally, I focus on standardizing legal frameworks across regions to streamline processes while maintaining our competitive edge, especially important with the rise of digitalization in the energy sector. MET's investment in digital platforms emphasizes this strategic shift.

Of course, MET also continues to pursue inorganic growth opportunities – likely through share and portfolio acquisitions within our division as well. While these projects remain very close to my heart, it is necessary to allow my former colleagues in the M&A legal team to take the lead on most of these due to current workload constraints generated by organic growth opportunities.

**CEELM:** How do you decide if you are outsourcing a project or using internal/in-house resources?

**Zorad:** When it comes to tasks like transactional M&A, external counsel often becomes necessary due to manpower limitations. For example, assembling a team of 15-20 lawyers within a two-week timeframe for reviewing hundreds or thousands of documents in various languages to prepare a due diligence report is a challenge best addressed by external resources.

Furthermore, engaging local counsel becomes crucial when dealing with legal matters in different jurisdictions. Although I studied law in Hungary and England and have a good understanding of European Union law, my expertise may not be fully applicable to transactions in countries such as France, Italy, Romania, etc.

As a final consideration, there are undoubtedly areas of law where specialized expertise is essential. In such instances, we cannot navigate matters without the guidance of individuals who have invested years in mastering their respective fields. Data protection, regulatory compliance, and competition law serve as a few important examples where having genuine external experts by our side is essential.

**CEELM:** When selecting external counsel, what criteria do you consider?

**Zorad:** As I mentioned earlier, the MET Group aims to expand its presence into a few new countries, necessitating efficient legal support. Personal experience with a concrete law

firm is usually valuable, but sometimes even factors such as successful cooperation with the firm in one country do not guarantee success in another. In cases where we lack personal experience, we try to evaluate the local teams' capabilities, often referring to public rankings like Legal 500's Tier 1 and Tier 2 listings in commercial-corporate, M&A, and energy fields. Organizing introductory calls and checking references are also standard practices, although outcomes can vary. Flexibility is key – we're prepared to change law firms if needed.

Decision-making is challenging and not always foolproof. Gut feeling plays a role, though it's not the sole determinant. Budget considerations also matter, but quality, responsiveness, and reliability are more important. For matters like company establishments or smaller operational legal needs, switching firms is relatively straightforward if we do not receive adequate legal support. However, in M&A deals, decisions are more binding since changing counsel mid-project is extremely challenging – you have to most likely stay with the same law firm until the end of the project.

**CEELM:** What do you anticipate will be the main challenges for MET Group and also GCs in Hungary in the near to mid-term future?

**Zorad:** The past few years have been exceptionally challenging, with events like the COVID-19 pandemic and geopolitical conflicts significantly disrupting the energy industry. While some companies have managed to weather these storms, others have struggled to survive. The biggest question for everyone is what lies ahead.

Overall, when it comes to the energy crisis that started in 2022, I feel a cautious sense of optimism that the toughest hurdles may now be behind us. However, we still do not know how certain we can be about the future. Navigating this uncertainty will require a different approach and strategy. Lawyers will need to adapt and operate in ways that differ from those employed before, being constantly prepared for significant changes and unexpected events, and maintaining a continuous focus on credit risk management. They must closely monitor regulatory developments and give full legal support to new business ideas. This approach is also crucial to ensure that the ongoing growth story of MET continues along the path established 17 years ago. ●

# MARKET SNAPSHOT: HUNGARY

## Adapting to New Trends in the Labor Market

By Gabor Gondos, Head of Labor, Dentons



The waves of the COVID-19 pandemic, although hitting the population quite hard, served as an impetus for employees seeking refuge in home office.

The home office (telework) regulations, having been dormant for decades of disinterest, saw a skyrocketing popularity, with the legal background being thoroughly revamped and made future-compatible between 2020 to 2022.

Currently (as of 2023-2024), teleworking has become a self-evident topic during job interviews and a regular in-fringe benefit provided to white-collar employees. Also, practical aspects of workplace compliance and conformity, telework cost allowance, liaising and control, and sharing time between home and office have been fine-tuned over the past period.

Said home office, certain automatization trends, and the omnipresent AI supplied a boost for recent experiments of 4-day work weeks, with one flagship of the concept, a telecoms giant, having abandoned the idea early in 2024, citing “eroding” work discipline, much to the surprise of the public. (This will also likely halt any legislative green papers on vernacularizing shortened work weeks).

Certain industries are experiencing first redundancies owing to given jobs (analysts, researchers, outsourced data processing positions, and the like) being fully automatized (or made redundant by robotization itself).

New work concepts are also dearly needed to attract a fresh workforce: namely those generations who are not necessarily impressed anymore by bean bag sofas and darts boards in the office, which were key selling points in pre-COVID-19 decades in co-working SSC beehives.

Employment rates of certain jobs are extremely high (with the

overall jobless rate hovering around as low as 4.5%), manpower shortage is chronic in certain segments (hospitality industry, hotels & leisure, IT, automotive), with the Western world causing a constant brain drain on more mobile (younger and polyglot) employee generations and Hungary is struggling to attract an equivalent number of local and foreign workforce while also making efforts to reasonably control immigration.

In terms of changes to the legal framework, 2023 saw a major revamp of the *Labor Code* after more than a decade, with EU-based parenting holidays being introduced, and the so-called information bulletin (a compulsory annex to each and every employment agreement) being restructured. 2023 was also the “year of the whistleblowers,” with the appropriate legal background (having existed for years) now being compulsory to employers with a specific headcount and requiring a sizable batch of documents (also triggered by the previous “fad” of the GDPR implementation).

The year 2024 brought regulations on modernized formal requirements on compulsory pre-employment health checks, a simplification of the employer’s certifications to be issued upon job exit, and a full revamp of the immigration laws on the stay and work permits of third-country nationals (with a revamped bill being last-minute ditched, redesigned, and then enacted late in 2013).

This latter development completely halted the operation of the immigration authorities for the first two months of 2024 with the system expected to be up to speed by March (with the decrees specifying procedural rights and obligations still being in the pipeline as of February 29, 2024).

The refurbished legal framework is expected to strike a delicate balance between admitting third-country nationals to workplaces in industries hit hard by manpower shortages and a blend of legal-political considerations owing to Hungary’s geopolitical location. ●

## News in the Solar Power Plant Market

By Orsolya Kovacs, Executive Partner, and Daniel Nyulasi, Junior Associate, Nagy & Trocsanyi



The solar power plant market in Hungary became very active lately and it is expected to grow further still. Transactions in this market require more due diligence than, for example, the sale of a business property, and it seems that as of this January, foreign investors will need to consider this further aspect simultaneously when making a business decision on a solar market transaction.

A pre-business decision assessment should include a full due diligence of the strategic company, especially if it has a solar power plant. In this case, a review of the technical content of the solar power plant is inevitable as the location, the site, or even the quality of the installed equipment will largely determine the return on investment and the expected lifetime and operating costs of the solar power plant.

In Hungary, however, another aspect to consider in the future is that the legal environment in solar power capacity is changing quickly, such as the existence and scope of land use and connection contracts and permits, which may be decisive for the planned operation. It should be highlighted that transaction costs for the preparation of the sale and purchase agreement and legal support for a transaction in the Hungarian solar market might reach up to EUR 500,000.

Preparing such a transaction has become even more complex as the energy sector in Hungary changed significantly in December 2023 with the adoption of *Government Decree no. 566/2023* and *Government Decision no. 1576/2023*. With these, the Hungarian Government introduced a pre-emption right for the state, according to which, transactions that are subject to this statutory pre-emption right cover acquisitions of strategic companies by foreign investors where the strategic company pursues solar power plant-related activity with its main or other registered activity being electricity production. This legislation entered into force on January 13, 2024.

The FDI procedures conducted by the Minister of National Economy based on *Government Decree 561/2022 (XII.23)* (FDI

*Decree*) have been modified and extended for these types of transactions. The process under the new rules can be summarised as follows:

First, foreign investors must file their request for such an acquisition, whereby the Minister of National Economy, upon the notification and the documentation received (to be submitted within 10 days as of the transaction and during the procedure legal representative is required), shall decide whether the notified transaction related to a solar power plant is subject to the FDI Decree.

If the Minister of National Economy establishes that this is the case, the Minister for National Economy will notify the minister responsible for energy politics, who will decide whether or not the pre-emption right is legitimate: the minister can propose exercising the pre-emption right of the state or can propose waiving the pre-emption right.

If the minister responsible waives the pre-emption right or gives no response within 15 business days, the Minister of National Economy will continue its procedure and acknowledge the transaction by issuing a decision on its acknowledgement.

In the event that the state exercises its pre-emption right, it is actually Hungarian National Asset Management Ltd. which proceeds within 60 business days and, pursuant to *Government Decision no. 1576/2023*, acquires the shares of the strategic companies registered for electricity generation and solar power plant activities.

Companies that have been acquired by the state through the right of pre-emption in the manner described above will be transferred to MVM Energetika Zrt. within six months after the date of their acquisition by the state.

Given that the above legislation entered into force shortly before the writing of this article, the practice is expected to continue to evolve in Hungary going forward. ●



## Hungary's Legal Landscape: Navigating Peaks and Valleys in Litigation Trends

By Tamas Feher, Partner, and Peter Szilas, Senior Attorney, Jalsovszky



Hungary's litigation landscape was shaped by the economic trends, domestic legal reforms, and global crises of the past 10-15 years. From the 2008 economic crisis to the implementation of the new *Civil Procedure Code* in 2018 and the transformative effects of the COVID-19 pandemic, it has been a rollercoaster ride.

The aftermath of the 2008 economic crisis brought about a surge in the number of commercial lawsuits initiated in Hungary. As businesses recalibrated their strategies during the recession and individuals sought legal redress amidst the economic upheaval, courts have experienced an increase in the volume of cases as a result of the heightened demand for dispute resolution. The economic downturn, characterized by layoffs, bankruptcies, and contractual disputes, fueled litigation activity as stakeholders, having no other options to defend their position and interest, increasingly sought to enforce their claims through court procedures.

Amid the increase in the volume of litigation, Hungary embarked on a path of legal reform aimed at modernizing its civil justice system. The introduction of the new *Civil Procedure Code* in 2018 resulted in the overhaul of the old structure of civil proceedings, which did not sufficiently facilitate the timely settlement of cases. The new rules implemented significant changes in fundamental procedural rules and mechanisms, with the aim of enhancing efficiency and streamlining the litigation process. The implementation of electronic filing, expedited procedures, and enhanced case management sought to address longstanding challenges and reduce delays in the resolution of disputes.

The entry into force of the new *Civil Procedure Code* in 2018 had a profound impact on the trends in lawsuits initiated in Hungary. Overall, the reforms led to a significant reduction in the number of new litigation cases. The reason for the decline was mainly caused by the overly restrictive approach of courts applying the revised admissibility requirements (i.e., an excessively high rejection rate of statements of claim). This trend had a deterrent effect on potential claimants. After the legislator corrected this anomaly, stakeholders again gained somewhat greater accessibility in seeking legal redress while keeping

some of the efficiency gains compared to the old procedural regime.



Then, the onset of the COVID-19 pandemic as well as the military invasion of Ukraine brought about unprecedented disruptions in the economy, upending the trajectory of litigation trends in Hungary. As the government imposed lockdowns and restrictions, businesses faced operational challenges, and individuals confronted economic uncertainties, the dynamics of litigation fundamentally changed. In particular, certain types of cases, such as those related to contractual disputes (e.g., concerning the impossibility of contracts due to the imposed restrictions, *force majeure* clauses, etc.) and employment issues, witnessed a surge amidst the regulatory changes brought about by the pandemic. Still, the yearly number of new cases in 2022 at Regional Courts was less than half of what it was in 2017.

In parallel with the impact of the pandemic, another major regulatory reform affecting the landscape of civil litigation was introduced in 2020. Under the so-called "limited precedent system," former decisions of the Kuria (i.e., the highest court) became binding on the courts, which may only deviate from them in justified cases. The purpose of the legislation was to enhance legal certainty by promoting uniform interpretation and application of the law, thereby creating a more predictable legal environment in which parties to the litigation can anticipate and navigate outcomes with greater assurance. If the hoped-for greater predictability is achieved, it could further enhance the attractiveness of litigation.

In conclusion, the trends in the number of lawsuits initiated in Hungary over the past few years reflect a dynamic interplay of economic shifts, legal reforms, and global crises. As regards expected future trends, willingness to litigate tends to increase in post-crisis periods such as the current one as a clear consequence of the increased tensions and overall risk levels. We therefore expect the number of litigation cases to increase in the coming years. As businesses navigate the complexities of a post-pandemic world and courts gradually develop the practice of applying the new rules, the framework of Hungarian court procedures remains in a state of constant change and adaptation. ●

## Redesigning – Changes in IP Designs in Hungary

By **Ildiko Komor Hennel, Managing Partner, and Borbala Kovats, Head of IP, Komor Hennel Attorneys**



Important changes entered into force as of January 1, 2024, in the world of designs. As a result, it will be easier, faster, and cheaper to obtain IP design protection in Hungary.

Design protection can be granted to any new and individual product, industrial or craft article, such as a design chair, a coffee machine, or a bag. The rules on the national registration of designs are laid down in *Act XLVIII of 2001 on the Protection of Designs*, which sets out, *inter alia*, which designs may be protected, under what conditions, and for how long.

In Hungary, designs are protected by the Hungarian Intellectual Property Office (HIPO) upon application. Hungarian design protection is limited to the territory of Hungary, but applicants have the possibility to obtain EU-wide design protection, which is adjudicated and registered by the European Union Intellectual Property Office (EUIPO).

The EU procedure was already faster and simpler than in Hungary, making it easier for the applicant to obtain protection for their design, but the EU Design Reform made the difference even more striking. However, the amendments that entered into force in Hungary on January 1, 2024, have brought the Hungarian system closer to that of the EU in terms of length, simplicity, and chances of successfully obtaining protection.

The most important change is that as of January 1, the HIPO conducts a substantially narrower examination of designs. It no longer examines *ex officio* the novelty of a design, i.e., whether it is identical or differs only in minor details from another design that has previously been published anywhere in the world. Also, since January 1, the office no longer examines whether the design has individual character – one of the most important criteria for designs besides novelty.

Moreover, the HIPO examination does not cover the substantive testing of the technical nature of the design. Specifically, it does not assess whether the design is solely the consequence of the technical function of the product. Neither does it examine whether an external characteristic must be implemented in exactly the same form and dimensions to be able to be combined with or placed in, around, or on another product in a way that each product can fulfill its function.



The HIPO examination is therefore limited to the question of whether the application complies with the concept of a design, i.e., it targets the appearance of the whole or part of a product (industrial or craft article), it does not infringe public policy or morality, or unlawfully incorporate any state or official symbol or emblem.

Furthermore, since January 1, 2024, only upon the request of the applicant does the HIPO issue a patentability opinion during the substantive examination, in which it examines the novelty, individual character, and other conditions of the design. As with utility models, applicants may now request a patentability opinion at any time before or after filing the application.

Another important change is that as of January 1 this year, anyone can review the documents relating to the design application and the patentability opinion on the design, as well as request a copy of the design. It is important because in the patentability opinion, the HIPO examines, among other things, the novelty and individual character of the design. These can be important tools in litigation – for example, in a competitor's action for invalidation or infringement of the design.

The amendments lead to cheaper and easier protection: the reduction in time limits and the narrowing of the scope of substantive examination by the HIPO should lead to shorter administrative times. This brings the Hungarian practice closer to the EU system, but it also means that the protection of designs applied becomes more formalized and weaker than before in the absence of substantive examination. It also means that applicants and right holders need to prove that their designs are new and individual in the event of litigation, such as invalidity proceedings.

However, designs remain valuable IP assets in the hands of the right holder, as the subject matter of the protection – i.e., the product, its external characteristics, and appearance – cannot be copied or exploited by others without the right holder's permission. In addition to giving the right holder the exclusive right to exploit the design, the protection also creates a competitive advantage, prestige, and valuable intangible assets such as trademarks. ●



## Current Trends in the Hungarian M&A Market

By Zoltan Forgo, Managing Partner, Forgo Damjanovic & Partners



I looked at M&A transactions in the last years using publicly available sources, our own transactions, and information provided by corporate finance advisory partners. I found that in 37% of the cases, purchasers came from Western Europe, in 37% from Hungary (private companies or the Hungarian state), and in 11% from investors in the CEE, while transactions where the purchasers were of US or Asian origin were negligible (US 3%, Asia 4%).

**Western-Europe Investors – Selected Purchases and Significant Sales:** A clear drop in investments in Hungary by Western European investors can be seen. Sectors that keep attracting Western European buyers are renewable energy, pharma, food, logistics, and construction, with renewable energy, mostly solar, representing a large chunk of the cases. At the same time, Western European investors many times are on the sale side of transactions. Notable recent transactions, where Western European investors were selling to Hungarian buyers or the Hungarian state include the Vodafone sale to 4IG and Corvinus (a 100% state-owned entity), the sale of the majority ownership by the Talanx Group to Corvinus, and the ongoing sale of the Budapest Airport, where the Hungarian state is most probably teaming up with a foreign airport operator.

**Hungarian Buyers – Supported by Legislation:** Mr. Orban's government had from the outset a clear vision to increase Hungarian ownership in several strategic sectors, such as media, energy, banking, and telecommunication. Later, further sectors were added to this wish list – retail shops and insurance companies.

To achieve such ambitions, one key tool has been the sectoral special tax, i.e., taxes payable by companies engaged in certain industries only. The last wave of such sectoral taxes came after the COVID-19 pandemic and in the midst of the economic crisis caused by the war in Ukraine. The primary aim has been to aid the state budget – desperately in need of new sources of income. The secondary goal (and effect) has been the provisional deterioration of market circumstances for certain industries, resulting in Western European owners selling their assets to the Hungarian state or new Hungarian owners backed by the government. It is difficult not to notice such a correlation in banking, insurance, energy, telecommunications, and retail.

The other legislative change was the significant toughening of the FDI regime over the years. Originally, the Hungarian FDI regime concentrated on “classic” strategic sectors, such as weapons and ammunition, financial services, energy supply, and electronic communication. During the pandemic, and later after the breakout of the Ukrainian war, more stringent measures have been introduced. We now have a regime where practically every transaction in which foreign investors (even EU-based) purchase ownership interest in a Hungarian company falls under the rules. In the case of a non-EU investor, a 5% ownership triggers the FDI process, whereas in the case of an EU-based purchaser, the acquisition of majority investment. In practice, in most cases, the FDI process is just an addition to the transaction process, so closing has to be postponed by 2-3 months. In some cases, however, the danger of state intervention materialized. The most notable instance was when the Hungarian state blocked the Aegon-Vienna Insurance Group transaction and finally ended up becoming the 45% shareholder of the target company. Clearly, an overly stringent FDI regime decreases the appetite of Western European companies for Hungarian targets.

New legislation that is likely to impact the renewable transaction scene came into force on January 1, 2024. According to it, the Hungarian state will have a right of first refusal for all solar power assets located in Hungary, which it can exercise within 60 days. It is not yet clear to what extent such a right will be effectively exercised, but any prospective foreign investor has to evaluate whether it will be worth spending significant costs on due diligence and transaction execution when they may have to walk away empty-handed.

**CEE Investors:** CEE investors are up and coming in Hungary. For example, we have seen a transaction where out of the 12 bidders, only a few were from Hungary – the majority were from neighboring countries. It is a logical step for CEE investors to move in – both to complement their businesses in their home country and fill the gap left by more reluctant Western European investors.

**US and Asian Investors:** Given Hungary's distance from the US and proximity to Ukraine, it comes as no surprise that US investors' interest in Hungarian targets is extremely scarce. It is interesting to see that while Asian investors are active in establishing production capacities in Hungary and the Hungarian government is very welcoming in this respect, M&A transactions by Asian investors remained few and far between. ●

## Navigating Complexity: Mixed-Use Real Estate Development in Hungary

By Gabor Borbely, Head of Finance and Real Estate, and Tamas Balogh, Lead Attorney, DLA Piper Hungary



Hungary's real estate market has undergone a notable transformation in response to recent economic shocks – war, soaring energy prices, sharp interest rate hikes, and high inflation rates. Initially taking a cautious wait-and-see approach, market players have now shifted toward a more proactive approach, navigating the complex economic environment through innovative strategies. Among these strategies, mixed-use developments have gained traction. They're seen as resilient to market turbulence but also provide innovative development opportunities and new ways for urban transformation.

Unlike properties designed for single-use, mixed-use properties aim to diversify various property types and functions to exploit synergies between different building types and minimize the risk of project loss or failure. The diversification creates resilient revenue streams, making the project less vulnerable to market turbulence. If one segment faces a downturn, another segment might perform better.

Mixed-use projects can also open new development horizons, providing desirable locations, even on limited real estate development options like brownfield sites. Repurposing existing structures, such as old factory buildings or other superstructures, not only preserves heritage value but can also contribute to the project's brand identity by adding character to the development.

As external factors and influences are prompting developers to reconsider their strategies and adjust to an evolving environment, there's a notable trend in reconsidering and reevaluating suspended projects, potentially transforming them into mixed-use developments. The key factor driving this shift is the inherent adaptability and versatility of mixed-use spaces, enabling seamless conversions. With a touch of creativity and motivation, former hotels can be repurposed into student accommodation, and offices can be transformed into residential or student hotels. While the feasibility and economic viability of these options may vary, developers with an open-minded approach are increasingly exploring similar opportunities and

evaluating viable alternatives.

The appeal of mixed-use projects is in the potential they offer to developers. The flexible use of space will fortify resilience against legal, social, and economic uncertainties. This potential increases the likelihood of successful development, ease of financing, and other positive outcomes. By accommodating various user groups and incorporating elements like residential, retail, office spaces, entertainment venues, and student housing hostels, these projects have the potential to foster functional synergies. They not only offer improved opportunities for residents but also help create vibrant communities enriched with parks, transportation choices, and additional amenities.



Despite the appeal of mixed-use projects, their complexity usually results in significantly higher development costs, especially when dealing with existing historic buildings or brownfield sites. Considerations for building heritage preservation and environmental factors (e.g., potential contamination in the case of former industrial areas) add to the complexity and can also increase development costs. The development process for mixed-use projects is lengthier and involves more intricate zoning and regulatory requirements compared to monofunctional projects. Financing can be challenging as each asset class requires separate valuation with a different risk profile, and the uncertain economic environment adds to the complexity. Post-development operations also need a broader range of expertise due to the specific knowledge requirements of each asset.

Despite these complex challenges, opportunistic investors and developers are still interested in new developments that separate asset types within larger mixed-use projects. In essence, Hungary's real estate sector is witnessing a blend of cautious optimism, readiness to adapt to the sector's evolving landscape, and strategic development. Mixed-use projects are a potential opportunity for future developments, offering the possibility to transform existing urban spaces into vibrant, dynamic, and sustainable areas. ●

## Hungary Encourages ESG Reporting to Improve Global Competitiveness of Local Enterprises

By Judit Budai, Senior Partner, Szecskay



Hungary recently adopted the so-called “ESG Act” (*Act CVIII of 2023*) relating to corporate social responsibility, taking into account environmental, social, and governance aspects, in order to promote sustainable financing and unified corporate responsibility. The act will gradually enter into force for different players within three years but, in general, is applicable as of January 1, 2024. The act is a framework regulation and further detailed rules are to be set out in government decrees yet to be issued to give greater clarity to market participants.

The ESG Act created two sets of compliance obligations: one is sustainability due diligence obligations applicable gradually to public and private large enterprises and public SMEs, and the other is the regulatory framework to register ESG certifiers, ESG reports, ESG consultants, and ESG software developers and distributors.

While the ESG Act also amended the *Hungarian Accounting Act* by implementing (EU) 2022/2464 *Directive on Corporate Sustainability Reporting*, which requires all large enterprises and listed SMEs to include a separate sustainability report in the business report of the annual financial statement, the sustainability due diligence obligation is a new compliance and reporting obligation. The new obligation requires the targeted enterprises to screen their supply chain to assess the sustainability of the entire corporate value chain and to produce an annual ESG report on the fulfillment of their obligations in this respect.

Through this legislation, Hungary – following Germany but before the adoption by the EU of the pending proposal for a directive on corporate sustainability due diligence – created a framework to monitor an entire supply chain performance with the obligation to (a) establish an effective sustainability risk management system, (b) develop an internal responsibility strategy and monitoring system, (c) carry out regular risk analyses, (d) establish preventive and corrective measures, (e) comply with ESG reporting obligations, and (f) obtain the declaration of direct suppliers in view of the risks involved.

According to the ESG Act, a sustainability risk management system is deemed effective if it enables the identification and management of significant social and environmental risks with adverse impacts in the activity of the enterprise and in the

activities of its direct suppliers, and the prevention, elimination, or minimization of breaches of social or environmental obligations within the supply chain. The operation of an effective sustainability risk management system sets a number of personnel and material criteria, such as appointing an independent risk management officer, including risk management tasks into all relevant business processes (e.g., tendering and procurement, etc.), reviewing the results annually, applying corrective measures in case of actual or impending breaches of environmental or social obligations by the enterprises or its suppliers, and finally extending the whistleblowing system for ESG breaches.

It should be noted that only the ICT system of an accredited supplier that distributes and produces ESG software in Hungary (as defined in the ESG Act) may be used for supply chain due diligence and risk analysis and rating.

The ESG Act created a publicly accessible ESG platform through which enterprises can prepare and submit their ESG reports free of charge to the supervising authority – the Supervisory Authority of Regulated Activities – for publication in a digital form and publish their ESG certificate accompanying the ESG report.

The management of the enterprise is responsible for the preparation and publication of an ESG report in compliance with EU and Hungarian rules within six months from the end of the financial year. The ESG report must be audited by a certified ESG auditor (not necessarily a financial auditor).

The full list of possible breach sanctions is yet to come in the form of government decrees, but a revenue-based fine or exclusion from state subsidy or procurement processes may be expected for non-compliance.

While sustainability reporting is not a novelty in Hungary, through the ESG Act, the regulator meant to train and prepare local enterprises to remain competitive in international markets in the future. While exploring their sustainability self-consciousness, the sustainability due diligence obligation and ESG reporting can be challenging for enterprises in the initial stages. However, ESG reporting may be a requirement to access finance and a condition to remain in business as a responsible supplier by showing environmental and social responsibility to business partners. ●



**KNOW YOUR LAWYER:  
BALAZS DOMINEK OF SZABO KELEMEN  
& PARTNERS ANDERSEN ATTORNEYS**

**Career:**

- Szabo, Kelemen & Partners Andersen Attorneys; Managing Partner; 2023-Present
- Szabo, Kelemen & Partners Andersen Attorneys; Partner; 2014-2023
- Szabo, Kelemen & Partners Andersen Attorneys; Junior Lawyer; 2010-2014

**Education:**

- Pazmany Peter Catholic University; Juris Doctorate; 2009
- University of East Anglia; LL.M. in International Competition Law and Policy with Research Methods Training; 2010

**Favorites:**

- Out-of-office activity: Being and eating outside. BBQ or cooking in a cauldron are obvious matches. I often do these during the weekends with family and friends.
- Quote: “He gives twice who gives promptly” (proverb)
- Book: *My Family and Other Animals* by Gerald Durrell
- Movie: *Star Trek* (all)

**CEELM:** What would you say was the most challenging project you ever worked on and why?

**Dominek:** It is hard to point out the most challenging project. Challenges might be professional or might relate to time concerns, client relationships, etc. I think the most complex project was the work for the City of Dunaujvaros. It concerned corporate and legal disputes with minority shareholders in several power plants, distance heating suppliers, and other public utility provider companies. There was a deep corporate dispute between the city and minority shareholders spiced with many high-value litigations about breach of contract and torts. We represented the client in 20+ litigations at the same time. Needless to say, all disputes were interconnected, and many involved complex regulatory and civil law issues.

**CEELM:** And what was your main takeaway from it?

**Dominek:** In so many interconnected litigations, standard litigation tactics might pose severe risks. Also, different service lines had to work closely due to the involvement of regulatory and public procurement elements. The strategy had to be built prudently and consistently. Indeed, I was very proud that the different service lines of our firm could work together so closely, professionally, and effectively. I realized that our firm culture and close friendships are one of our firm’s most important core values.

**CEELM:** What is one thing clients likely don’t know about you?

**Dominek:** I am a DIY guy – I like to fix and make things in the house by myself. I am a “hobby” electrician, painter, carpenter, and so on. I would not build a business on these, but such work helps me to get out of my everyday work routine.

**CEELM:** Name one mentor who played a big role in your career and how they impacted you.

**Top 5 Projects:**

- Representing Fundamenta, FHB Bank, and Takarekbank in the *BankAdat* case and follow-on judicial revision. This was one of the biggest cartel cases in Hungary ever (involving a fine of over HUF 4 billion).
- Advising Corvinus Nemzetkozi Befektetesi Zrt. on the acquisition of Budapest Bank (one of the leading banks of Hungary at that time) from General Electric Capital Group.
- Obtaining merger clearance for MKB-Euroleasing (one of the largest car financing firms in Hungary) and EuroLizing Letet for the acquisition of a car financing portfolio from PSA Group and carve-outs.
- Advising the City of Dunaujvaros regarding its shares in power plants and public utility provider companies;
- Advising Lightware (a global leading DVI company) regarding its internal restructuring and transformation of its channels of distribution involving 30+ jurisdictions.

**Dominek:** I must name two. One is my professor of competition law, Pal Szilagyi. To be honest, I took one of his courses by chance. Nevertheless, his enthusiasm and professional knowledge impressed me so much that I finally took all his courses in the years to come. During those years, we became friends, and he also gave me an inestimable push and helped me apply for and win the OTDK (National Student Conference) and other awards, as well as apply for an LL.M. The other is Laszlo Kelemen. Laszlo has been a Managing Partner at our firm since I joined, and we have worked closely together on many projects. Besides his deep knowledge of the law, I learned many soft skills from him and also that these soft skills and client relations are at least equally important in our profession as solid legal knowledge.

**CEELM:** Name one mentee, you are particularly proud of.

**Dominek:** Zsolt Eperjesi. I have been advising many shopping and other retail centers, and Zsolt assisted me a lot when he was a junior lawyer at our firm. During the years, Zsolt became a recognized practitioner in commercial and retail real estate law. We always discuss more complex legal issues and, to be honest, I also learn a lot from him. I am proud that – together with three other new partners – Zsolt has been promoted to be a Partner at our law firm from January 1, 2024.

**CEELM:** What is the one piece of advice you’d give yourself fresh out of law school?

**Dominek:** After a few years of law school, students often take a very strict legal approach to everything. This happens in other professions as well, I believe. Being open to other perspectives helps find solutions in many cases, however. Never underestimate the powers of thinking out of the box.

# MARKET SPOTLIGHT: SLOVAKIA

## ACTIVITY OVERVIEW: SLOVAKIA

Firms with the most client matters reported by CEE Legal Matters  
between January 1, 2023, and March 15, 2024:

|    |                  |   |
|----|------------------|---|
| 1. | Dentons          | 6 |
|    | Havel & Partners | 6 |
|    | Kinstellar       | 6 |
| 2. | Clifford Chance  | 5 |
|    | Schoenherr       | 5 |





# NEW GOVERNMENT, NEW PRIORITIES IN SLOVAKIA

By Andrija Djonovic

**Following the recent election in Slovakia, the newly formed government has shifted its legislative focus. CLS Cavojsky & Partners Partner Peter Cavojsky and Taylor Wessing Partner Andrej Leontiev explore how the government's priorities have changed in terms of public spending, criminal justice reform, and relations with non-governmental organizations.**

## A Change in Focus

Following the elections, the legislator's main focus areas and priorities have "shifted significantly," begins Cavojsky. He reports that "different communication approaches to the war in Ukraine and fast legislation pressure for changes in the *Criminal Code* surprised the public." In addition, in order to retain "core principles of budgetary financing, the new government has made it a key priority to reduce the public finance deficit by 0.5% of GDP and to amend the constitutional law on budgetary responsibility regarding the need to slow down the growth of debt," he reports. Further essential focus areas, Cavojsky reports, involve the "revision of the judicial map with regard to mandatory requirements of the *Recovery and Resilience Plan*, the recodification of civil law, and the strategy of restorative justice."

Leontiev expresses concern about the fast-tracked changes to the criminal code, particularly those targeting corruption offenses. According to him, the main aim was to "significantly lower the sentences for economic crimes, including corruption and tax frauds, to shorten the respective statutes of limitations, and dismantle specialized law enforcement bodies that were successfully dealing with corruption during the previous government." However, he says that the Slovak Constitutional Court suspended a significant part of this legislation, at least for now.

"We expect that further legislative steps will focus on accelerating the exploitation of EU funds, mainly via lifting supervisory mechanisms and constraints in public procurement, construction law, and environmental protection," Leontiev says. "Finally, legislation directed at increasing taxes and public revenues that are necessary to cover the steep rise of social spending is foreseeable," he posits.

Going into specifics, Cavojsky reports that reforming the police and the *Criminal Code* are a priority for the new government. "A major change in the *Criminal Code*, including the cancellation of the Office of the Special Prosecutor, caused considerable disruption in the Parliament. It has been obstructed for months by the opposition, and currently, its implementation is being partially suppressed by the Constitutional Court," he explains.

Moreover, Cavojsky feels that in the field of criminal policy, the government wants to "increase depenalization, which should be reflected in the reduction of prison sentences to the level of developed European countries and to valorize quantitative damage limits with regard mainly to inflation." Additionally, he reports that the government also emphasizes "alternative penalties and the distinction between first-time offenders, particularly dangerous recidivists, and other offenders. It wants to abolish or change the factual nature of the crime of bending the law, or probation and mediation."

According to Leontiev, while "there is no clear-cut overarching economic strategy announced by the government that would enable the prediction of the upcoming legislative changes," he argues that "it might be deduced from the steps taken so far that the government will push forward with legislative changes designed to provide it with as much control and influence as possible over various regulatory bodies that are enjoying institutional independence, such as the Public Procurement Office, Whistleblower Protection Office, Regulatory Office for Network Industries." This approach, he argues, "goes hand in hand with the general relaxation of regulations aimed at accountable execution of public duties – the attempt to heavily reduce sentences for corruption had been only a first step in this direction. This policy will be defended by the government as necessary to simplify and accelerate the use of EU funds and execution of public investments."





Andrej Leontiev, Partner,  
Taylor Wessing



Peter Cavojsky, Partner,  
CLS Cavojsky & Partners

### A Change in Tune

“Military support and the donation of weapons to Ukraine have ended, while orders for Slovak army manufacturers and humanitarian aid continue,” Cavojsky reports, adding: “Noticeably, the government decided that important domestic socio-economic goals would not allow it to continue to increase its defense spending.”

On the other hand, Leontiev reports that “the government is openly hostile toward non-governmental organizations, particularly those which represent civil society’s interests, such as watchdogs.” According to him, “it is to be assumed that all amendments concerning laws that include the participation of the public, such as EIA assessments, will be drafted with the aim to limit the rights of the public represented by NGOs.”

Against this, Leontiev says he “expects that cases of conflict of interest at the level of governmental politicians and newly appointed high-level state servants will increase.” He believes that this may lead to “more public contracts being awarded to private companies of oligarchs and sponsors of the governing political parties. The usual suspects are from the construction business, IT sector, and consulting industry.” As for other private companies, including multinational groups, Leontiev believes it will become “harder to compete with the politically preferred Slovak companies. Due to high margins on public contracts that may result in price dumping in private tenders, a distortion of competition favoring the politically preferred Slovak companies is expected.” This is particularly important as Cavojsky insists that one of the most important challenges is the “continuation of the implementation of the *Recovery and Resilience Plan*, regulation of the price of electricity, a balanced budget, increasing employment of marginalized groups, and long-term completion of highways.”

Lastly, Cavojsky says that the “post-election peace in the coalition is particularly disturbed by the presidential elections to be held on April 23, 2024. Among the key candidates are Peter Pellegrini – the leader of Parliament and leader of *Hlas – Social Democracy*, which is a member of the coalition.” As his opponent stands a “pro-European candidate with the support of the opposition” – former diplomat Ivan Korcok. “The result of the presidential election might have a significant influence on the future direction of the country,” Cavojsky concludes. ●



# NAVIGATING NEW TERRAIN: SLOVAKIA'S JUDICIAL REFORM

By Andrija Djonovic

**Slovakia has undertaken a comprehensive reform of its court system. Peterka & Partners Partner Andrea Butasova and Ruzicka & Partners Partner Sarlota Stosova explore the ambitious restructuring and its consequences, the challenges encountered during its implementation, and its far-reaching implications for legal professionals and the justice system of Slovakia.**

## Main Updates

The restructuring of courts in Slovakia represents “a significant change to the Slovak court system, which was adopted with an aim to aid specialization and thus speed up court proceedings as the lengths of cases have been viewed negatively by the general public,” Butasova begins.

As she reports, the reform has brought many changes, among the most important of which are the “establishment of Municipal Courts in Bratislava and Kosice by merging previous district courts to newly established municipal courts; the reduction in the number of district courts, down from a previous number of 54 to 36; and the establishment of administrative courts of the first instance.” Now, an administrative action can only be brought before “one of the three administrative courts with seats in Banska Bystrica, Bratislava, and Kosice, as opposed to the previous system, where there were eight first-instance administrative courts,” Butasova explains.

“In the case of the Bratislava municipal courts, the creation of agenda municipal courts has taken place – each of the four municipal courts has a different agenda, e.g., Municipal Court I has a criminal law agenda,” Stosova adds. “The courts introduced the specialization of judges in civil, family, criminal law, and commercial law. In addition, the commercial law agenda is concentrated exclusively in the district courts in the region’s seat.” Furthermore, she reports that “the number of regional courts remains unchanged, including their seats – the specialized civil and criminal law agenda remains in all of them. Another novelty is the introduction of causal jurisdiction for appeals in commercial and family law cases only to the three appellate (regional) courts.”

## Aiming for Efficiency

According to the Slovak government, Butasova reports, the “aim of the reform of the judicial map was to improve the judiciary’s credibility, performance, and quality, while ensuring better working and decision-making conditions for judges and court staff. The reorganization is aimed at achieving an efficient judiciary, as it was supposed to create appropriate conditions for the specialization of judges, both at the level of district courts and at the level of regional courts.”

“In the view of the authors of this bill, often fragmented and small courts were less efficient and less resilient to local ties while limiting the possibility of specialization of judges, which is one of the prerequisites for an efficient judiciary,” Stosova chimes in. “One of the fundamental objectives of the new court map was precisely the specialization of courts and judges, especially for criminal, civil, family, and commercial matters in general courts and for administrative matters in the separate administrative judiciary.”

## Encountering Challenges

Though the government declared that one of the aims of the judicial reform is to speed up proceedings, the “reality we have seen thus far is a bit different, especially in the Slovak capital, where the changes to the court structure had the most impact,” according to Butasova. “Namely, as the agenda of individual courts was changed in the declared interest of aiding specialization,” she adds, explaining that this was accompanied by the extensive moving of files, judges, and clerical staff, which, in her view, “disrupted the usual effectiveness of the given court departments. In some cases, the judges chose – or were assigned – to new locations away from the staff they were



Andrea Butasova,  
Partner,  
Peterka & Partners



Sarlota Stosova,  
Partner,  
Ruzicka & Partners



*In the view of the authors of this bill, often fragmented and small courts were less efficient and less resilient to local ties while limiting the possibility of specialization of judges, which is one of the prerequisites for an efficient judiciary.*

used to working with, and this also negatively affected the departments, at least for the time being.”

Additionally, Stosova says that the reorganization resulted in the transfer of files from the original courts to the successor courts, as well as in a change in the original case file marking. “This has caused many hearings to be canceled while the file was transferred to the new successor courts, and, in turn, the new successor courts had to take a period of time to physically process or enter these new proceedings into their systems, which had a significant negative impact on the length of many of the proceedings,” she explains.

“With the creation of a new administrative law court system, the Ministry of Justice has repeatedly published calls to fill vacant positions for administrative judges,” Butasova reports. “Continuous efforts are being carried out to hire competent administrative support for judges, as there is a general shortage of clerical staff in Slovak courts connected with the high fluctuation of the workforce.”

However, even here, there are issues. “Since the enactment of the laws regulating the change of court seats and judicial districts in the National Council of the Slovak Republic, only a six-month postponement of the effectiveness of most of the planned changes was adopted at the end of 2022 because, as stated by the then Minister of Justice, the courts were not yet ready for it,” Stosova says, adding that “due to the relatively short time since the entry into force of these changes, it is difficult to say objectively what impact this amendment has had and what further steps are needed to increase the efficiency of the judicial system.”

### Consequences for Legal Professionals

As for the impact that these changes might have specifically on legal professionals, Butasova reports that the “specialization should bring better quality decisions, and the predictability of court decisions is expected to increase as well. This may indirectly mean fewer appeals being filed in the future.”

“For lawyers, the change of the court map has brought several changes – as a simple example, the place of filing lawsuits has changed as a number of courts have been abolished and their districts have been incorporated into other courts,” Stosova adds. According to her, the most significant changes occurred in the case of commercial disputes, which, “if not finally decided on by the end of May 2023, were automatically transferred under the new rules on causal jurisdiction to the new successor courts in the seats of the regional courts, which may have resulted in a significant increase in the duration of the disputes.”

Stosova concludes by adding that the reorganization bill itself was “drafted by the Ministry of Justice without much discussion with practitioners, and thus the court map does not in any way address several problems of the Slovak justice system.” ●

## MARKET SNAPSHOT: SLOVAKIA

### Hospital Debt: The Scourge of the Supply Chain

By Marek Holka, Partner, Cechova & Partners



There are few healthcare reforms that could be called revolutionary. Even fewer have been initiated in the courtroom. *Case C-412/23* could be one of those rare cases. On July 5, 2023, the European Commission brought an action against the Slovak Republic for allegedly infringing *Directive 2011/7 on combating late payment in commercial transactions* by continuously failing in 2015, 2016, 2017, and from 2018 onward to ensure that public entities providing healthcare pay their commercial debts within a maximum period of 60 calendar days.

In early 2023, the Czech Competition Authority published a lengthy report on its sectoral investigation into the distribution of pharmaceuticals. The main issue was whether distribution models in which manufacturers or importers supply medicines directly to pharmacies and hospitals rather than through wholesalers are anti-competitive. The results of the investigation, while interesting, are not the subject of this article. What catches the curious reader's eye is the graph in the investigation's report, citing an IQVIA analysis, which shows that the prevalence of direct-to-pharmacy/direct-to-hospital (DTP/DTH) distribution has generally increased between 2018 and 2020: in the Czech Republic, from 6.5% to 7.2% of total pharmaceutical sales; in Austria, from 9.6% to 10.2%; in Poland, from 4.9% to 7.1%; and in Slovakia, from a meager 0.9% to a paltry 1.3%.

DTP/DTH distribution is popular because it is efficient. By controlling the supply chain, manufacturers and importers can negotiate prices directly with end customers, forecast and allocate volumes, prevent shortages, and ensure that products get to where they are needed (yes, I am talking about re-export). Wholesalers are not going out of business – just instead of earning a regulated mark-up as independent resellers, they are remunerated on commercial terms as providers of warehousing and logistics services. So why has DTP/DTH distribution not caught up in Slovakia? Do Slovak wholesalers offer a unique value that their counterparts in other countries do not? Indeed they do. This value is debt holding.

According to 2023 data, the total debt of public hospitals in Slovakia has reached a hellish EUR 666 million. Of this, the largest university hospital in Bratislava owes EUR 207 million, the second largest in Kosice EUR 114 million, and the third

largest in Martin EUR 87 million. Creditors include the State Social Security Fund as well as suppliers of products and services. Payment for vital medical equipment supplied to hospitals can sometimes take an astonishing two years.

How did we get there? Some blame low payments from health insurance companies, others inefficiencies in hospital management. One thing is certain: debt is mounting and the government's response has been notoriously ineffective. According to a decision by the Ministry of Health, state hospitals must include provisions in their supply contracts prohibiting suppliers from assigning their claims to third parties without the Ministry's prior written consent. Suppliers are therefore stuck with their receivables, unable to transfer them to factoring companies or even use them as collateral. Under a controversial provision of the law, foreclosure of hospitals is only possible if the provision of health care is not jeopardized. A creditor can therefore obtain a judgment ordering a hospital to pay, but the hospital assets that a bailiff can sell to repay the debt are limited to non-essential items – perhaps chairs in the waiting room. In fact, one of Slovakia's major hospitals is already facing foreclosure, and others are threatened with apparent legal action.

Creditors stuck with unenforceable and unassignable claims have had to resort to a desperate measure: hospital debt relief schemes. In 2018, creditors who waived default interest and offered fixed discounts on the principal were paid by the state. In order to secure a better position in the order of claims released by the state, creditors were encouraged to bid for further discounts from the principal. Then again at the end of 2018, and again in 2019, and 2022. In fact, the history of similar schemes dates back to 2000. Critics of the schemes claim that these extraordinary measures have become part of the business strategy: hospitals order products and services, do not pay for them (or pay with a huge delay), and when the situation becomes unbearable, the state comes to the rescue and pays the hospitals' debts in exchange for discounts from creditors.

It is clear that a revolutionary reform of hospital financing is needed if Slovakia is not only to benefit from more efficient distribution models but also to avoid the potentially disastrous consequences of suppliers simply withdrawing from the market. The current case before the Court of Justice could be just the trigger the state needs. ●

## New Legislation Impacting Transformations of Companies and Introduction of Spin-Offs

By Peter Makys, Partner, and Natalia Polomska, Paralegal, Ments



Recently, Slovak legislation underwent a significant change with the adoption of the *Act on Transformations of Commercial Companies and Cooperatives*. Effective as of March 1, 2024, the act marks a departure from previous regulations within the *Slovak Commercial Code*, which had grown rather inflexible and outdated in the area of corporate transformations. With the new act – implementing *Directive (EU) 2019/2121* – legislators sought to create a unified and transparent legal regulation concerning mergers, acquisitions, and divisions of companies and cooperatives. It also regulates changes to a company's legal form and cross-border alternatives. Finally, for the first time, it introduces the option of spin-offs in the Slovak legal system. In general, this new law was very much in demand by the legal practitioners and the M&A market, and its adoption provides a modern and uniform legal regulation in this area.

### Spin-Offs

One notable aspect of the new law is the implementation of the legal institute of a spin-off, allowing a company that is being divided to continue to exist while part of its capital/assets is passed to another existing or newly created company. Under the previous regulation, the divided company had to cease to exist, so the new legislation represents a substantive update and follows a more modern and common approach.

The conditions for spin-off implementation are duly defined in the law. A spin-off is exclusively permitted in the case of a division involving a joint-stock or limited liability company. A spin-off is not allowed if (1) the equity of the company being divided is lower than its registered capital, (2) the successor company has a different legal form, or (3) one (or more) of the participating companies is in liquidation.

The spin-off can be implemented as either a merger spin-off or an amalgamation spin-off. A merger spin-off is a procedure where part of the company being divided is transferred to the existing company. An amalgamation spin-off means that the capital/assets are transferred to a company created as a result of the spin-off.

Since this form of demerger is widely used abroad, a high demand for it can be expected in the Slovak jurisdiction, where,

until now, a demerger in the form of transferring part of the business or individual assets was widely used instead.



### Cross-Border Regulation

The new law also adopts an updated and complex regulation of cross-border mergers and introduces new legal institutes: cross-border division and cross-border change of legal form. The adoption of these new institutes is based on EU regulations and aims to support the mobility of legal persons within the EU market.

These newly adopted cross-border regulations apply if one of the participating entities or the successor entity is a Slovak company while at least one other participating entity or the successor entity is a foreign company. However, unlike in the case of domestic mergers and divisions, the law also introduces several restrictions, in particular in the case of cross-border divisions where only amalgamation divisions are allowed – i.e., a division when the successor entity is an entity newly established as a result of the division.

Furthermore, a change of the legal form allows companies to transform into a different form of a commercial company or into a cooperative. A change in the legal form does not dissolve the company. Instead, it only changes its legal form. In that respect, the new legislation introduces provisions for cross-border changes of the legal form by enabling a company registered in the commercial register of its home EU member state to relocate to another EU member state (by relocating its registered seat) while simultaneously changing its legal form to a different legal form recognized by the law of the receiving EU member state. However, there are certain limitations to this new instrument. In particular, the possibility of cross-border changes in the legal form is limited to Slovak and foreign limited liability companies and joint-stock companies seeking to alter their legal structure across borders.

In general, the adoption of the new complex regulation, implementation of new institutes, and transposition of EU legislation can be seen in a positive light, and new forms and structures of M&A deals, allowing more options and flexibility for the investors, can be expected in the Slovak jurisdiction soon. ●

## INSIDE INSIGHT: MARCELA AUGUSTINIC OF DM DROGERIE MARKT

By Teona Gelashvili

With a background in international law firms, Marcela Augustinic transitioned to become the first general counsel at DM Drogerie Markt in Slovakia, where she has been serving for the last eight years. Augustinic shares her strategies for balancing internal and external legal resources to tackle emerging regulatory challenges and drive sustainable growth in the ever-evolving market.



**CEELM:** Tell us a bit about yourself and your career path leading up to your current role.

**Augustinic:** I have had the privilege of working in international law firms in Prague and Bratislava as a Senior Attorney for many years. My career took an exciting turn when I was offered the opportunity to join DM Drogerie Markt in Slovakia as their first General Counsel and to develop its internal legal team. This was a tremendous opportunity and, at the same time, a challenge to bring my vision into such a well-established multinational company operating in CEE.

I have now been active as the company's General Counsel for eight years. I can confidently say that this experience has greatly enriched me professionally and continues to provide me with ongoing growth and fulfillment. I enjoy the challenges and opportunities that come with the role of an in-house lawyer.

**CEELM:** What was the biggest shock when transitioning to the in-house world? On the flip side, what was the most pleasant surprise?

**Augustinic:** Transitioning from a law firm with many clients to the in-house counsel role within a multinational company was indeed a remarkable experience. One of the advantages of being an in-house counsel is having the opportunity to be involved in projects at both national and international levels in a variety of areas, as well as in being involved in internal processes from their launch to their implementation. Being an in-house counsel allows you to look into the internal workings of the company that you usually do not have access to in private practice. This position requires a deep understanding of the internal processes of the company, thinking in broader contexts, identifying interplays between different departments and topics, as well as finding customized solutions to address the specific needs and goals of the company. This requires many years of practice and a broad range of expertise in a number of legal areas. Having a business approach and economic background is beneficial as well. The company is constantly evolving and with this comes greater dynamism in setting up processes and finding legal solutions. As an in-house counsel, there are no external clients. Instead, we work closely with internal clients, providing support to various departments, branches, the central warehouse, and management. This requires the ability to quickly respond to legal requests from different areas and sides, using their own business language.

One notable difference from private practice is the immediate feedback from internal clients throughout the process of addressing their legal issues. From the initial stages to the final decision and implementation, there is direct communication and involvement with the internal client. This feedback loop enables a more effective and efficient approach to problem-solving within the company.

**CEELM:** How large is your in-house team currently, and how is it structured?

**Augustinic:** Our in-house team currently consists of three lawyers, with each member specializing in different legal areas

and topics. This strategic allocation of expertise allows us to efficiently handle a wide range of legal matters. Furthermore, within our corporate group, we maintain close interaction with legal teams from other countries. We frequently collaborate and exchange experience and expertise on shared projects and topics. This collaborative approach extends to the establishment of internal processes throughout the entire group, ensuring synchronization and consistency across multiple jurisdictions. It allows us to effectively leverage knowledge and resources, ultimately providing comprehensive and tailored legal support to the company's operations.

**CEELM:** What has been keeping you and your in-house team busy over the last 12 months?

**Augustinic:** Our company has embraced dynamic changes over the past 12 months related to the improving environmental footprint of its operations and adjusting to the new legislation. We dedicated significant efforts toward environmental, social, and governance compliance and new EU regulations. Our company also targeted reducing its environmental footprint, investing in technologies, and implementing sustainable concepts and projects in the field of environmental preservation, including for the branded product lines. At a Europe-wide level, our company has adopted an ambitious strategy to fully phase out natural gas supply by 2030 and prioritize the use of cutting-edge VRV systems for heating and cooling. To fulfill this strategy, we have successfully transitioned 16 branches and have been conducting negotiations with landlords to install photovoltaic panels and decarbonization of our branches. Additionally, we are looking to expand our branch offers to include over-the-counter medications. However, the heavy regulation in this area in Slovakia presents a significant challenge.

**CEELM:** What about the upcoming 12 months? What are you keeping on your radar that you think will impact your workload the most?

**Augustinic:** Looking ahead to the upcoming 12 months, there are several initiatives on our radar that we believe will significantly impact our workload. The company plans to open new branches to reach a wider customer base and further expand its market presence. Additionally, the company is in the process of launching a pilot program for self-checkout systems in select branches, aiming to enhance the overall customer experience and streamline our operations. Furthermore, there is a need to modernize the IT infrastructure across branches as part of an ongoing commitment to stay at the forefront of technological advancements. Overall, the focus remains on continued growth, sustainability, and delivering exceptional customer service. The company will prioritize staying abreast of emerging trends, such as advancements in renewable energy, eco-friendly initiatives, and regulatory changes, as they will

undoubtedly impact the nature and scope of our work.

**CEELM:** How do you decide if you are outsourcing a project or using internal/in-house resources?

**Augustinic:** We evaluate whether to outsource a project or utilize our internal legal in-house resources based on various factors. Our internal legal team consists of people with extensive experience and expertise in legal areas necessary for the day-to-day business. Our primary objective is therefore to handle legal matters internally. Depending on the specific topic or expertise that is not covered by the internal legal expertise, we may engage outside counsel. Additionally, we may choose to outsource high-risk areas or when the internal capacity is exceeded. By adopting this approach, we ensure that we leverage both our internal resources and external experts effectively, allowing us to provide comprehensive and timely legal services of the best quality to our company.

**CEELM:** When picking external counsel, what criteria do you use?

**Augustinic:** When selecting external counsel, there is a set of essential criteria. It is crucial that the external counsel has a deep understanding of the business and can effectively navigate its intricacies. They must be able to provide tailored and practical solutions that align with the company's objectives. In addition to professional capabilities and expertise, mutual trust and an effective working relationship are of high value. It is vital to collaborate with external advisors who align with the company's values and can uphold its reputation. Finally, chemistry plays a vital role in our selection processes as well. Having worked as an attorney for many years, I believe this gives me a unique advantage in understanding and evaluating these criteria.

**CEELM:** What do you foresee as the main challenges for GCs in Slovakia in the near/mid future?

**Augustinic:** In the near/mid future, I believe the main challenges for GCs in Slovakia revolve around two key factors: ever-increasing regulations, particularly in emerging areas such as ESG, and the dynamic nature of our business development. The GCs are tasked with finding legally robust solutions for areas and processes that have not yet been fully developed. This requires us to stay ahead of the curve, not only in terms of regulatory changes but also in identifying innovative approaches to address these challenges. It is our responsibility to navigate the intricate legal landscape while ensuring compliance and minimizing risks, all the while contributing to the growth and success of our companies. To overcome these challenges, GCs must possess a dedication to staying informed, a proactive mindset, and a strong ability to think outside the box. ●



**KNOW YOUR LAWYER:  
VILIAM MYSICKA OF  
KINSELLAR**



**Career:**

- Kinstellar; Partner; 2018-present
- Kinstellar; Counsel; 2015-2017
- Kinstellar; Managing Associate; 2012-2015
- Kinstellar; Senior Associate; 2011-2012
- Kinstellar; Associate; 2009-2011
- Kinstellar; Junior Associate; 2008-2009
- Linklaters; Junior Associate; 2007-2008
- Procter & Gamble – Central Europe South; Legal Counsel; 2006-2007

**Education:**

- Harvard Law School Executive Education; Accelerated Leadership Program, Law; 2023
- BPP Law School; Solicitor (England & Wales), English Law; 2011
- Comenius University, Faculty of Law; Master of Law (Mgr.); 2005

**Favorites:**

- Out-of-office activity: Running, rock climbing. Spending time with my kids.
- Quote: “If someone asks you to walk a mile with them, do more. Go two miles.” – from the Bible
- Book: *The Alchemist* by Paulo Coelho
- Movie: *The Shawshank Redemption* and *John Wick*.

**CEELM:** What would you say was the most challenging project you ever worked on and why?

**Mysicka:** From the last years, I would mention the advice provided on the proposed acquisition of US Steel in Kosice and later also in relation to the sale process, or the recent work for Veolia on a significant M&A project in Slovakia, but there are, of course, many more. The areas that may typically be challenging for lawyers are the cross-implementation of other transactional workstreams into a share purchase agreement, such as the correct implementation of acquisition financing, insurance, and the like.

**CEELM:** And what was your main takeaway from it?

**Mysicka:** The market and legal practices keep changing – you have to be ready to cope with new standards and developments. Quick adaptability is probably even more significant now, with new technologies evolving faster and faster each day.

**CEELM:** What is one thing clients likely don't know about you?

**Mysicka:** I am primarily an M&A lawyer, but most clients usually do not know that I am heavily involved in the restructuring of companies as well. In fact, I'm very active in the area of restructuring & insolvency, and not just as a lawyer – I'm also a member of the Association of Bankruptcy Trustees of the Slovak Republic, and I serve as the chairman of the Slovak desk of the Turnaround Management Association, the only international non-profit association dedicated to corporate renewal and turnaround management. The Slovak branch was established in 2023 with the aim to improve the awareness

**Top 5 Projects:**

- Advising AIP Asset Management, a Seoul-based asset manager, and London real estate investment manager The Valesco Group on the EUR 125 million acquisition of the Twin City Tower project in Bratislava.
- Advising Dan Slovakia – AGRAR on the acquisition of several small farms in Slovakia within a distressed sale organized by UniCredit and Danish Export Bank.
- Advising Stada Arzneimittel, an international pharmaceutical company, on the acquisition of Walmark, a leading manufacturer of consumer health products in Central Europe, from Mid Europa Partners.
- Advising Sygic, a Slovak leading developer of car and truck mobile GPS navigation technology, on its strategic cooperation with the Czech company Eurowag and their mutual M&A process.
- Advising Veolia Energia Slovensko on the acquisition of PPC Investments (part of Avant Energy), which owns and operates a combined cycle natural gas-fired power plant near the Slovak capital, Bratislava.

level of the management of companies facing difficulties or insolvency and thus enable local businesses to be inspired to act in these situations.

**CEELM:** Name one mentor who played a big role in your career and how they impacted you.

**Mysicka:** I actively seek advice and cooperation with mentors. Professionally, Patrik Bolf – as the Managing Partner of the Linklaters and later Kinstellar office in Bratislava – taught me all the basics in M&A, but I also respect him as a role model when it comes to leadership and interpersonal relationships.

**CEELM:** Name one mentee you are particularly proud of.

**Mysicka:** That is definitely Lukas A. Mrazik, my colleague from the Bratislava office who was promoted to Managing Associate last year and who also serves as the firm-wide co-head of the TMT sector, together with me. Lukas is a true star in the technology space, having advised a number of domestic and international companies, from startups to the largest players in this area. I am very proud that I hired him and have supported him on his career path ever since.

**CEELM:** What is the one piece of advice you'd give yourself fresh out of law school?

**Mysicka:** Law is a lifelong journey – be patient. I would also emphasize getting experience and internships during law school (with law firms or associations like Nexteria, Socrates/Erasmus, or ELSA) – these are the best ways to get in touch with the legal world and ensure a smooth career start.

# EXPERTS REVIEW: ENERGY

This issue's Experts Review focuses on Energy in CEE. The articles are presented ranked by renewable energy consumption, i.e., the share of renewable energy in total final energy consumption, according to World Bank 2020 data.

Bosnia and Herzegovina leads the way with 37.71% of its energy consumption coming from renewable sources. Ukraine is the last one with 8.72%.

| Country                | Percentage | Page    |
|------------------------|------------|---------|
| Bosnia and Herzegovina | 37.71      | Page 67 |
| Croatia                | 32.37      | Page 69 |
| Romania                | 24.06      | Page 70 |
| Moldova                | 23.66      | Page 71 |
| Bulgaria               | 21.08      | Page 72 |
| Greece                 | 20.08      | Page 73 |
| Slovakia               | 17.64      | Page 74 |
| Poland                 | 16.14      | Page 75 |
| Hungary                | 14.76      | Page 76 |
| Turkiye                | 13.72      | Page 77 |
| Ukraine                | 8.72       | Page 78 |

## Bosnia and Herzegovina: A New Wave of Energy Legislation

By Nihad Sijercic, Senior Partner, and Ferid Kapidzic, Senior Associate, Independent Attorneys at Law in cooperation with Karanovic & Partners



Bosnia and Herzegovina (BH) has embarked on a transformative journey in its energy sector as both Republika Srpska (RS) and the Federation of Bosnia and Herzegovina (FBH) initiated comprehensive amendments of the energy legislative framework in an effort to reshape the country's energy sector landscape and align the legislation with Energy Community regulations, EU *acquis*, and international standards and best practices.

RS has led the way by adopting a set of new energy laws, including the *RS Law on Electricity* in 2021, the *RS Law on Renewable Energy Sources* in 2022, and comprehensive amendments to the *RS Law on Energy*, paving the way for a new era of the energy sector.

The FBH followed in late 2023 by adopting a set of new energy sector laws aimed at ensuring alignment with Energy Community regulations, addressing the need for clearer regulation of energy activities, and redefining the renewable energy sector: the *FBH Law on Electricity*, the *Law on Energy and Regulation of Energy Activities*, and the *FBH Law on Use of Renewable Energy Sources and Efficient Cogeneration*.

The recently adopted energy sector regulations in both FBH and RS have dual aims: tackling crucial aspects of energy sector regulation to ensure adequate strategic planning and stability of the energy system while also fostering fast and sustainable growth of the energy industry, with a focus on renewable energy sources. Ultimately, these regulations aim to help meet the 2030 EU targets for greenhouse gas emissions, the share of renewable energy in gross consumption, and energy efficiency. We explore the key novelties introduced and provide an overview of the most recent developments in the adoption and implementation of secondary legislation and their anticipated effects.

### Strategic Planning of Energy Sector Development

The new regulatory framework in RS and FBH defines the requirements and procedures for the adoption of long-term energy strategies, action plans, and energy and climate plans, which are expected to enhance energy security, attract foreign investment, and facilitate regional energy cooperation. The new regulatory framework determines the obligation for alignment and adoption of detailed plans for the production of electricity from renewable sources, which is expected to substantially contribute to the strategic and planned development of renewable energy production facilities, optimize the incentive mechanisms, and establish a clear strategic framework which is ultimately expected to attract substantial new investments in the renewable energy sector.



In February 2024, RS adopted the *Program for Use of Renewable Energy Sources* which defines the overall goals of RS for participation of energy from renewable sources until 2030, sectoral goals by year, total contributions expected from individual technologies, types and methods of incentives, and other matters important to achieving the goals established by the *Energy and Climate Plan of RS and BH*. Detailed plans for FBH are expected in 2024.

### New Incentive Mechanisms for Renewable Energy Sources

The new regulatory framework for renewable energy sources in RS and FBH aims to enhance the renewable energy sector by introducing new incentive mechanisms such as FIT for small power plants (up to 250 kilowatts) and FIP auctions for large production facilities. After a period of delay, RS has recently taken significant steps toward implementing the new incentive mechanisms by adopting the *Program for Use of Renewable Sources* and the *Rulebook on Auctions* in January and February of 2024. Although several by-laws required for the implementation of the first FIT auctions in RS are still outstanding, their adoption is expected in the coming months, which should enable the organization of the first FIT auctions in RS in late 2024 or early 2025. So far, bylaws for the implementation of new incentive mechanisms are not adopted in FBH but are expected in the second half of 2024, which implies that the first FIT auctions in FBH could be expected in early 2025.

### Unbundling of Electricity Utility Companies and Market Liberalization

New energy legislation sets clear obligations and deadlines for unbundling of electricity utility companies, which is expected to contribute to liberalization and competition in the energy market. New energy legislation envisages the establishment of a day-ahead energy market which, when implemented, will reshape the energy market paradigm, contribute to better flexibility and integration of renewable energy sources, further encourage the participation of independent electricity producers, and stimulate investments in energy infrastructure.

### Conclusion

Although reforms of the energy sector in BH are still a work in progress, a new era is on the horizon and the country is on a clear path to unlocking the full potential of its energy sector. ●



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## Croatia: New Energy Market Participants

By Tena Tomek, Partner, and Ivona Zagajski, Senior Associate, Marohnic, Tomek & Gjoic



Renewable energy is a key priority within the EU due to its goal of achieving climate neutrality by 2050. This has intensified following the energy crisis experienced in 2021 and 2022. Against the backdrop of the post-crisis environment, and driven by the *REPowerEU* initiative, Croatia is adopting crucial legislation – the *Rules on the organization of the wholesale electricity markets* (Rules).

The EU has long been advocating for the more active participation of consumers, and the electricity market design reform put forward in March 2023 took a step further and recognized the importance of power purchase agreements (PPAs) for the further development of the renewables sector. In line with this, the Croatian Energy Market Operator (HROTE) is proposing a regulation that will allow final customers to actively participate in the electricity market.

The Rules in their current form should enable final customers that regulated their status with the HROTE as active customers to purchase electricity to meet their needs in the electricity market. The *Electricity Market Act* focuses on the active customer selling on the market the excess electricity generated within its premises and does not mention the purchase of electricity. However, the Rules make it clear that active customers can also purchase their electricity on the market and allow them to engage in physical PPAs directly with the producers. This represents a shift from the traditional system, where final customers were restricted to purchasing electricity solely from regulated suppliers.

Active customers must take several other steps before a concluded PPA can be implemented. First, a final customer must conclude an agreement with the HROTE to formalize their status as an active customer and pay a market organization fee. Additionally, an active customer must conclude a balancing agreement due to its status as a market participant and an agreement with the system operator for the delivery of electricity. Moreover, given the variable nature of renewable energy, active customers may still need to secure agreements with suppliers or other producers to cover any deficits not met by their primary PPA.



Therefore, the concept of an active customer may not be suitable for all final customers, especially households or small enterprises. The Rules have introduced additional market participants that may be better suited for final customers with smaller consumption capacities – citizen energy communities and renewable energy communities. Both of these communities comprise natural persons, local authorities, municipalities, and small enterprises, enabling them to collectively participate in the market to meet their energy needs (or to sell electricity that was produced but not consumed within the community). Although these communities have several distinctions, the key difference is their regulation as market participants.

Both communities can play various roles on the market, ranging from producer to supplier to aggregator, but the way the communities will obtain their permit is different. While a citizen energy community requires only one permit for the services it provides, a renewable energy community must obtain as many permits as the number of market roles it intends to undertake. The permit required for the citizen energy community is among the factors currently delaying the adoption of the Rules since the HROTE and the Croatian Energy Regulatory Agency (HERA) – the agency responsible for issuing these permits – are still in the process of determining the procedure for their issuance. Both communities are envisioned as legal entities that can take almost any form, but due to the lack of best practices and given the novelty of the regulation, the optimal type of entity for these communities is yet to be determined. Consequently, organizing these communities initially may entail lengthy and complex negotiations regarding their structure and internal organization.

The approval of the Rules is still pending, and it is yet to be seen how they will reshape the energy sector in Croatia. Despite the inevitable hurdles that come with implementing novel legislation, this initiative is a step in the right direction. With time and experience, these challenges will likely diminish, while the increased participation of the consumers on the market will pave the way for the development of the renewable energy sector in Croatia while also supporting the achievement of wider EU goals. ●

## Romania: Watchdog To Tighten Rules for Passporting European Energy Licences

By **Monica Cojocaru, Partner, Vlad Cordea, Managing Attorney at Law, and Cristina Olariu, Attorney at Law, Schoenherr Romania**



The Romanian Energy Regulator (ANRE) recently published a proposal for a new procedure regarding the passporting in Romania of energy or natural gas supply and trading licenses issued in other EU countries, based on ANRE's confirmatory decisions (New Passporting Procedure).

The New Passporting Procedure is set to replace the existing rules, dating from 2015, currently providing a very swift screening process for EU operators who intend to passport their energy or gas supply and trading licenses in Romania (EU Licensees). In a bid to strengthen monitoring powers, the ANRE proposes notable changes to the existing license passporting regime. These involve enhanced scrutiny both from a financial and regulatory compliance perspective while also enhancing ANRE's monitoring and sanctioning powers over EU Licensees.

The New Passporting Procedure was published for consultations in February 2024. Interested parties could contribute observations until March 22, 2024.

### Enhanced Scrutiny of Prior Regulatory Compliance and Trading Behavior

Departing from the current relaxed rules, the New Passporting Procedure renders the passporting conditional on the good financial standing of the applicants, explicitly excluding those undergoing bankruptcy proceedings.

Crucially, applicants must have clean regulatory compliance records, namely (i) no cancellation of licenses by energy regulators or other competent authorities in any EU country in the last five years, and (ii) no cancellation by the ANRE of passport for participation to Romanian energy or gas markets, for reasons attributable to the applicant, in the last five years.

Moreover, applicants' controlling shareholders and directors or BoD members must also have clean operational records. Namely, they must not have held similar positions in licensed entities having defaulted on their payment obligations arising from trades on the energy or gas markets in Romania.

### Financial Guarantees and Local Treasury Accounts in Domestic Currency

To strengthen market security and ensure compliance with the tax payment obligations arising from trades made on the Romanian markets, EU Licensees must (i) open separate accounts in domestic currency with the state's treasury in Romania, and (ii) (in the case of non-residents) provide a EUR 1 million financial



guarantee (in the form of a bank letter of guarantee or cash collateral) to guarantee the payment of windfall taxes on trades due under the temporary mechanism enacted in Romania in 2022 to combat the sharp increase in energy prices.

EU Licensees who have already passported their licenses under the existing rules must also ensure compliance with the above rules within three months from the entry into force of the New Passporting Procedure. If not, they risk the suspension or even cancellation of their rights to participate in the Romanian energy markets.

### Additional Requirements for EU Licensees Holding Digital Licenses

The ANRE also recognizes digital licenses issued by other EU countries. However, where applicants submit such digital licenses or where the passported activities may be performed in their EU country of origin without a license, they will be subject to additional requirements. In these situations, applicants must submit to the ANRE formal letters from the competent authorities to (i) confirm the regulatory framework of the country of origin, and (ii) provide a history of the trading operations performed by the applicant on the relevant markets of the country of origin and of the sanctions applied to them, if any.

### Reduced Initial Validity for Passported Licenses

Departing from the existing regime, where the passporting of EU licenses is automatically granted for the duration of the license issued in their EU country of origin, under the new passporting rules, the ANRE's confirmatory decisions will have an initial validity period of one year, which may be renewed for successive periods of up to five years (not exceeding the validity of the passported license).

### Detailed Dedicated Provisions for Suspension and Withdrawal of Passports

Unlike the existing rules, which contain a casual mention of the ANRE's rights to suspend or cancel the rights of EU Licensees to trade on the Romanian markets, the New Passporting Procedure contains detailed provisions regarding the ANRE's prerogatives to suspend or cancel the respective rights. Among these are an indication of various cases where the suspension or cancellation operates automatically. These include repeated defaults on payment obligations regarding mandatory purchase quotas of green certificates or unilateral termination by the EU Licensees of their energy supply agreements with end customers. ●

## Moldova: New Amendments to Gas Law

By Sorin Dolea, Managing Partner, Dolea & Co



On December 29, 2023, *Law no.429/2023 on amendments of the Law on natural gas no.108/2018* entered into force. The amendment contains some provisions regarding the creation and maintenance of natural gas stocks. Thus, the government will undertake the necessary measures to ensure the use, until November 1 of each year, of the natural gas storage capacity in the storage facilities of other countries that are part of the Energy Community and of the member states of the European Union.

The storage capacity must correspond to a level of at least 15% of the five-year average annual consumption of natural gas by final consumers in the Republic of Moldova that are connected to the natural gas networks of licensed system operators.

The government is to identify a natural gas supplier or trader who has experience in conducting transactions and storing natural gas, and impose the obligation to store a certain amount of natural gas in underground storage facilities in other countries that are part of the Energy Community or from member states of the European Union. The amount of natural gas to be stored will be established by the government.

The holder of the storage obligation will purchase the natural gas through a competitive procurement procedure or in compliance with the rules used on the natural gas markets. At the decision of the government, the storage obligation can be replaced in whole or in part by means of an effort-sharing mechanism with one or more countries that are part of the Energy Community or with EU member states that have natural gas storage facilities.

The project also regulates the certification procedure of the storage facility operator. The document also contains provisions regarding the monitoring of compliance with the certification requirements of the National Agency for Energy Regulation. The obligation of transmission system operators to ensure permanent two-way physical capacity at all cross-border interconnections with neighboring countries will be established to ensure the security of the natural gas supply.

Also, the new amendments impose on all suppliers or potential suppliers seeking to obtain a gas supply license the obligation to hold MDL 1 million (approximately EUR 50,000) free cash on their accounts. At the same time, the conditions under which final consumers can continue to benefit from the regulated prices for the supply of natural gas will be established if they decide to change their supplier. The draft law developed by the Ministry of Energy contains rules for harmonizing the national legislation in the field with the legislation of the European Union, resulting from the commitments assumed within the *Association Agreement* and the *Energy Community Treaty*.

Finally, the amendments try to exclude the legislative vacuum regarding the express basis for license withdrawal in case of non-compliance by license holders in the natural gas sector with the legal requirements regarding the separation, independence, and/or certification of the transmission system operator. In 2016, by *Law no. 108/2016 regarding natural gas, Directive 2009/73/EC of the European Parliament and of the Council of July 13, 2009, regarding common rules for the internal market in the natural gas sector* was transposed into national legislation through the implementation of the *Energy Package III*, which represents a *sine qua non* in the European Union integration process, in addition to the *2010 Energy Community Accession Treaty* and the *Treaty signed for the European Union Accession Agreement*. One of the basic commitments undertaken by the Republic of Moldova in relation to the European Union in the energy sector is to ensure the separation and independence of natural gas transport system operators from vertically integrated enterprises that carry out the activity of production, distribution, storage, trading, or supply of natural gas, as well as toward any company that controls the companies carrying out these activities. The determination of whether all the requirements regarding the separation and independence of the transmission system operator are met is made through the certification procedure by the national regulatory authority and is subject to approval at the EU level by the Secretariat of the Energy Community. This exercise is a basic precondition for the creation and operation of a competitive energy market and ensuring the non-discriminatory access of all system users to the natural gas transport infrastructure. ●

## Bulgaria: The Energy Sector Is Expecting a Memorable Year Ahead

By Kostadin Sirleshtov, Managing Partner, Borislava Piperkova, Counsel, and Dian Boev, Associate, CMS Bulgari



In mid-2023, the Bulgarian Parliament finally formed a steady Government. The Parliament also introduced predictability in the regulatory environment for renewables along with several legislative developments.

### Energy Market at a Glance

The Bulgarian energy market is undergoing significant changes to decrease its CO<sub>2</sub> emission by 55% until 2030 (compared to 1990) and reach net-zero by 2050.

At the end of 2023, the Parliament adopted the country's road map for decarbonization. The main milestones envisage (i) the phase-out of 1,600 megawatts of its thermal power plants until 2026; (ii) new nuclear and RES capacities of 14,000 megawatts, offshore wind capacities of 2,500 megawatts, and 2,000 megawatts storage capacities until 2040; and (iii) the refurbishment of the Chaira Pumped Storage Hydropower Plant with a power production capacity of 864 megawatts and pumping capacity of 788 megawatts, which is a key asset in the energy balancing market.

### Renewable Energy

The Bulgarian renewable energy market continues its quick development and attracts major investors in utility-scale projects. Currently, over 2,800 megawatts of solar and over 700 megawatts of wind are operational.

For now, Bulgarian legislation does not provide for a tender or other competitive procedures for securing grid connections for new RES projects. Grid connection contracts are provided on a first-come-first-served basis to greenfield projects. By the end of 2023, the Bulgarian Transmission System Operator confirmed that it had received applications for the construction of RES projects with a total installed capacity of over 45,000 megawatts. Nevertheless, in October 2023, the Parliament introduced amendments to the legislation, requiring developers to pay a deposit in the amount of EUR 25,000 per MW installed capacity to secure their grid connection, thus urging the developers to implement their projects and terminate speculative applications.

The upward trend continues in 2024 as the largest photovoltaic project in Bulgaria (the 229-megawatt St. George power plant) has received an energy generation license. As of 2025, it will produce 13% of the country's installed solar capacity. And a new major strategic investor entered the Bulgarian market in 2024, acquiring three photovoltaic projects with a total installed capacity of over 80 MW.

It is highly expected that the Government will start the long-awaited grant scheme in accordance with the *National Recovery and Resilience Plan* for supporting new RES capacity and storage of



electricity. The scheme shall enhance RES production with storage capacity and envisages investment support only for the storage facilities component of projects.

Additionally, at the end of 2023, the EU Commission approved the *Bulgarian Just Transition Budget* in the amount of EUR 1.2 billion supporting the coal power plant's phase-out and enhancement of renewable energy in the regions affected by the CO<sub>2</sub> emissions reduction.

Offshore wind appeared on the Parliament members' agenda in 2024, as an offshore renewable energy draft act was adopted at first voting. The act shall regulate how Bulgaria's offshore wind potential will be exploited and how major investors will be courted. It is expected that in the upcoming months, the draft will pass into law.

### Nuclear Power

At the end of 2023 the Parliament adopted a decision assigning the Minister of Energy to initiate a procedure for the construction of two new AP 1,000 Westinghouse nuclear reactors at the sittings number 7 and 8 of the single operating nuclear power plant Kozloduy NPP. As per the draft timeline, the two new nuclear reactors shall be put into operation at the end of 2034.

At the beginning of 2024, the special purpose company Kozloduy NPP - New Builds EAD initiated the procedure for proposal of interest in the construction and announced that five companies declared their interest in the construction. The proposals are currently being reviewed by the Ministry of Energy.

Furthermore, in January 2024, the Nuclear Regulatory Agency issued a license to Kozloduy NPP AD for the storage of Westinghouse nuclear fuel. However, the Nuclear Regulatory Agency is expected to license the use of the Westinghouse nuclear fuel itself for Unit 5 of Kozloduy NPP only in spring 2024.

### Natural Gas

At the end of 2023, Bulgaria and Serbia put into operation the Interconnector Bulgaria – Serbia with a capacity of 1.8 billion cubic meters per annum. It aims to enhance the gas supplies to Bulgaria from Western Europe.

In addition, in early 2024, the Bulgarian gas transmission operator Bulgartransgaz signed an interconnection agreement with BOTAS A.S which allows for 4.2 billion cubic meters of natural gas per annum to enter Bulgaria from Türkiye.

Leading upstream companies such as OMV Petrom remain committed to Bulgaria and continue the oil and natural gas exploration in the Black Sea. ●



## Greece: Renewable Energy – A Lucrative Investment Horizon

By Dimitris Emvalomenos, Lawyer, Mediator, Deputy Managing Partner, Bahas, Gramatidis & Partners



As the year 2024 unfolds, Greece stands as a shining beacon of opportunity in the energy sector, particularly in the realm of renewable energy. The Greek energy market has undergone a profound transformation in recent years, embracing a diverse and sustainable energy mix that positions the country as an attractive investment destination.

The Greek energy landscape has pivoted, with a strong emphasis on harnessing renewable sources to meet the nation's energy needs. Fueled by a steadfast commitment to environmental sustainability, Greece is leading the charge in a renewable energy revolution, with solar energy, wind power (soon to include offshore wind farms), hydropower, and biomass at the forefront of this transformative journey.

In 2022, Greece surpassed expectations with 43% of its energy derived from renewable sources, surpassing the European average of 41%, as per data released by *Enrostat*. A historic milestone was achieved in October 2022, when Greece powered the entire country solely with renewable energy for an unprecedented five hours. Building on this momentum, the Institute of Energy for South East Europe announced a further 7% increase in total renewable energy participation in 2023 compared to 2022. In July 2023, the nation recorded an impressive 87 consecutive hours without utilizing lignite, showcasing the prowess of renewable energy sources, which accounted for up to 84% of total energy consumption during this period.

The trajectory of the green energy sector is poised for even greater acceleration in the next five years, with total investments in Greece for this decade expected to surpass an impressive EUR 20 billion. To facilitate this monumental shift, Greece has implemented a supportive regulatory framework aimed at encouraging renewable energy investments. Key legislative initiatives include the updated *Law for Fast Track Licensing of Strategic Investments (Law 4608/2019)*, which expedited the implementation of major renewable energy source (RES) parks throughout the country.

Further, *Climate Law (Law 4936/2022)* has set ambitious targets for the de-carbonization of the Greek economy, aiming to reduce greenhouse gas emissions by 55% by 2030 and 80% by 2040, ultimately achieving climate neutrality by 2050. Complementing these efforts, *Law 4964/2022* was passed to simplify procedures and accelerate the development of RES projects in response to the urgent need to address climate change.

Also, aligned with the *National Energy and Climate Plan (NECP)*, which envisions a significant increase in installed RES capacity by 2030, Greece has increased its target for RES to 28 gigawatts, up from the previous aim of 19 gigawatts. The ongoing de-lignification of certain areas, coupled with the country's geographical location and favorable weather conditions (over 250 days of sunshine per year, high wind potential, etc.), has spurred the development of numerous large-scale RES projects across Greece.

Additionally, long-term Power Purchase Agreements (PPAs) add an attractive dimension to investing in renewable energy in Greece. The NECP aims for a 55% drop in CO<sub>2</sub> emissions and 45% of total energy consumption from RES by 2030, with long-term PPAs being instrumental in achieving these ambitious goals.

Over the past decade, major photovoltaic parks have been established in various regions, including the North East (combining four parks of 1.2 gigawatts), central Greece (700 megawatts), western Macedonia (205 megawatts), northern Greece (362 megawatts), and a cluster of 13 parks (197 megawatts). The Euboea Island hosts one of Greece's largest wind farm complexes boasting a total capacity of 154 megawatts, while a hybrid cluster project on Crete integrates hydroelectric and wind power to generate 227 megawatts.

The funding for these energy projects primarily comes from a combination of local investors and major international players, many of which have shares listed on stock exchanges worldwide. The *National Recovery and Resilience Facility Greece 2.0 (RRF)*, adopted in 2021, has played a pivotal role in financing investments in the green energy sector. Offering long-term loans with remarkably low interest rates, covering up to 50% of the investment cost, the RRF has ushered in a new era of sustainable financing.

All projects eligible for RRF funding fall into this transformative pillar. Already, the RRF has provided funding for PPAs with a capacity of approximately 200 megawatts whereas, when combined with investors' and banks' contributions, the total investment may reach approximately EUR 12.7 billion.

In conclusion, Greece's renewable energy renaissance is not just a testament to its commitment to environmental sustainability but also a lucrative investment horizon for those looking to participate in the global shift toward cleaner and greener energy sources. With a supportive regulatory framework, ambitious targets, and substantial financial backing, Greece stands as a prime destination for investors seeking both environmental impact and financial returns in the burgeoning renewable energy sector. ●

## Slovakia: Update on the Energy Markets

By Bernhard Hager, Managing Partner, Eversheds Sutherland



As always in Slovakia, political changes are accompanied by personnel changes. Thus, having a new government and new deputies to the parliament has initiated the change of the key personnel, including the head of the Regulatory Office for Network Industries (URSO) and of the Slovak electricity transmission system, Plc. (SEPS).

New people also bring new ideas, and the URSO put up on its website a comprehensive package of legislation for public consultation. It seems that the general direction of the electricity and gas markets regulations, quality standards, and further legal acts are under review. As a result of this suggested package, operators of biogas installations will have direct access to the gas network.

Further, the Ministry of Economy put forward a law proposal for the extension of the competencies of the URSO. It is to take over competencies from the Trade Inspection regarding consumer protection and vulnerable customers.

Regarding the electricity market, the URSO aims to change the balancing groups, the responsibility for deviations, the entry of new participants like active customers, the energy community, independent and integrated aggregators, the provision of flexibility, the operation of electricity storage facilities and other related areas, rules on cross border exchange and the procedures and arrangements for the storage of data, and the form and content of the data to be stored.

With respect to the gas market, the new drafts include new details of contractual relations in the framework of access to the transported network and the transport of gas, the conditions for the protection of vulnerable gas customers, the structure of information on the quantity of gas secured for the supply of gas to final gas customers, the contractual details of gas supply contracts and the provision of metered and evaluated consumption data at the customer's point of use, depending on the type of metering at the customer's point of use and the metering structure, as well as the storage of consumption data by network operators.

As to energy resilience, the Ministry of Economy has extended the eligible period for electricity and gas price compensations. In

addition to 2023, it will also be possible to apply for compensation for the period up to June 30, 2024. Applications can be submitted until June 15, 2024. The compensation amounts to 80% of the difference between the price actually paid for gas and electricity and the set maximum limits of EUR 99 per megawatt-hour (gas) and EUR 199 per megawatt-hour (electricity), respectively. This is the net price of the commodity excluding distribution and network charges.

The maximum amount of the subsidy per month for an economic unit is EUR 200,000. At the same time, the maximum cumulative amount of aid for all subsidies granted under Section 2.1 of the *Temporary Crisis Framework* per undertaking has been increased to EUR 2.25 million. If the amount requested exceeds EUR 100,000, the applicant must be entered in the *Register of Public Sector Partners*.

As part of the implementation of the *Renewable Energy Directive* (RED III), on September 4, 2023, a memorandum of cooperation was signed between the Ministry of Economy of the Slovak Republic and the Nuclear Energy Company of Slovakia, a. s. (JESS). The aim of the memorandum is to cooperate on the development of methods for the development of wind energy and the identification and preparation of pilot areas suitable for its development (so-called “go-to” areas), in which JESS plays a decisive role.

The role of JESS shall be the development of methodologies for wind energy development that, *inter alia*, define the precise procedure and conditions for the selection of suitable sites for wind energy development and ensure the preparation and establishment of pilot areas for wind energy development, including the selection of sites for the construction of two wind farms (each with a capacity of up to 50 turbines).

The Ministry of Environment presented a draft for a comprehensive novelization of the *EIA Act*. As the ministry explains, “the aim of the draft law is to eliminate the problems of the administrative process arising from practice, to adapt the processes to the new legislation in the field of construction and spatial planning, to shorten the procedures and ensure greater professionalism of the state administration, as well as to adjust the process in the light of the warnings of the European Commission. Last but not least, the draft law implements principles arising from international conventions and European regulations.” Among other things, the draft contains simplified rules for wind turbines and different energy sources. ●

## Poland: Finding Room for More Renewable Power Plants

By Igor Muszynski, Partner, Wolf Theiss



Poland stands out as an EU member state with extremely high reliance on power generated from coal and lignite. In 2023, 63% of its electricity was produced from these resources. Still, this marks the lowest-ever share of coal and lignite-fired electricity in Poland's annual production thanks to the rapid growth of wind and solar plants.

The new governmental plans target 60% of electricity to come from renewable energy sources by 2030. A significant portion of this electricity will be delivered by 5.9 gigawatts of offshore wind power projects that are currently gearing to commence construction. Onshore wind project prospects are still limited by the rule introduced by the 2016 *Wind Farm Investment Act*. According to it, no residential building can be located closer to a wind turbine than a distance equal to 10 times the height of the wind turbine, including the rotor – thus earning the act the name of the “10H Act.” The 10H Act left only 2% of Poland's territory available for development of wind farms. An amendment to the 10H Act passed in the summer of 2023 kept the 10H rule in principle but granted local authorities the right to agree to wind farms built not less than 700 meters from residential buildings under certain conditions. The changes should allow for an additional 4 gigawatts of new onshore wind energy capacity. However, the relatively long period when the 10H rule was fully in force has effectively frozen the development of onshore wind farms. The new government announced the change of the 700-meter distance to 500 meters as its priority, which was strongly advocated by the wind power community. The recent plan includes replacing the 10H Act with an entirely new law regulating the distance of windmills from residential buildings, allowing for an additional 4 gigawatts of onshore wind farms.

The investor with rights to the project site needs to sign an interconnection agreement with the electricity system operator – a crucial step that has become a major bottleneck for renewable projects. Alarming, in 2023, over 90% of applications from investors seeking an interconnection agreement for new renewable energy projects were rejected by system operators. System operators need to find ways of bolstering their spending on grid

improvement, but the challenge lies in securing additional funding without relying on regulated electricity distribution tariffs. Should a significant increase in distribution tariffs prove impossible, alternative avenues should be explored.

The most frequently used option to overcome a refusal to connect to the grid is the investor offering the system operator to cover the costs of grid improvement. This solution has been chosen by some investors in the most attractive locations, but the investor is fully dependent on the decision of the system operator. Under the *Energy Law*, system operators have no legal obligation to engage in discussions about such an agreement if they once refused to connect the project to the grid.

Changes to the Polish *Energy Law* in 2023 allowed for the installation of capacities higher than the interconnection capacity. Cable pooling provisions were also added to the *Energy Law* that allow now for two or more renewable electricity generation projects to share the same interconnection facility and its capacity. Only the first out of two or more projects sharing the interconnection capacity can obtain and keep state aid. This solution is particularly attractive for operating wind projects where additional PV generation capacities can be built. These can be controlled by the same or a different investor.

The last strategy for new projects lies in repowering. The oldest operating wind farms were commissioned over 12-14 years ago at sites with the best wind conditions available. Since state aid schemes are now limited to 15 years, investors have already received returns on their initial investments. They can now consider replacing old turbines with newer, more efficient models of much higher capacity. This prospect, combined with the legal provision allowing for higher capacity than the interconnection capacity through cable pooling, presents a lucrative business opportunity. Currently, the main obstacle to repowering is the necessity to renew all permits for projects, which is usually a time-consuming process. Fortunately, the government is expected to change the law shortly to align with the *European Wind Charter* and the *RED III Directive*, under which permitting procedures for renewable projects must be shortened to 12 months. Considering these developments, the oldest wind farms in the market could soon become attractive assets to buy. ●

## Hungary: The Network Development Plan for Electricity System 2023 Has Been Approved

By Orsolya Kovacs, Executive Partner, and Daniel Nyulasi, Junior Associate, Nagy es Trocsanyi



On February 14, 2024, the Hungarian Energy and Public Utility Regulatory Authority (MEKH) approved the *Network Development Plan 2023* submitted as a result of the coordinated work of the Hungarian TSO (transmission system operator – MAVIR Zrt.) and distribution network operators.

It is *Directive 2019/944/EU of the European Parliament and of the Council (Directive)* which requires that the development of a distribution system be based on a transparent network development plan that the distribution system operator must publish at least every two years and submit to the regulatory authority. The network development plan must provide transparency on the medium- and long-term flexibility services needed, and set out the planned investments for the next five to ten years, with particular emphasis on the main distribution infrastructure which is required in order to connect new generation capacity and new loads, including recharging points for electric vehicles. The network development plan must also include the use of demand response, energy efficiency, energy storage facilities, or other resources that the distribution system operator is to use as an alternative to system expansion.

Based on *Directive and Act LXXXI of 2007 on electrical energy*, the *Network Development Plan* is an annual network development plan for the national electricity system for networks of 132 kilovolts and above. It includes baseline data for network development, electricity system characteristics, development policies, and strategies with a specific focus on the elements of the transmission network to be built or upgraded in the next 15 years, the developments already approved, and the investments to be made in the distribution network over the next 10 years.

Before approving the Network Development Plan, the MEKH holds a public consultation at the end of the year, where system users are also able to comment on the document. This year, during the preparation of the Network Development Plan, the methodology of the investment generation studies was changed, and in line with the publication procedure for network connection capacities, new principles were applied to the timing of the finalization.

The recently adopted methodology of the *Network Development Plan* and the application of the corresponding practices meet the requirements of the directive.



Among other interesting planned investments, the *Network Development Plan 2023* focuses on the reinforcement of international interconnections of the domestic electricity network with Slovakia, Serbia, and Romania. These projects are to be completed by 2030, and the document also points out that, due to the increased demand for large consumers and renewable power plants compared to previous years, network license holders are required to make significant investments to ensure that demand can be met on the network and to maintain security of supply levels. Note that the new *Network Development Plan* also contributes to the smoothness of future electricity trade with Ukraine and Austria as well.

The main investments linked to the transmission network are also of crucial importance in the *Network Development Plan* in the sense that the electricity generated from renewable energy sources (e.g., solar power plants) at a given point in the day exceeds the electricity used at that moment. It follows that the resulting surplus needs to be exported, which requires an adequate transmission network.

Further development of the transmission system is also required and has been listed in the *Network Development Plan* for future renewable energy and nuclear projects that can increase Hungary's energy independence and reduce CO2 emissions.

The continuous capacity increases in the electricity system are not only in the interest of generators but also of large consumers. In Hungary, a great number of projects are in the pipeline that will face high energy demand in the future. Examples include the cathode factory in Acs, as well as battery factories in Debrecen and God. The batteries and components produced there are intended to provide sufficient storage capacity in the future for solar power plants and electric vehicles.

Overall, the *Network Development Plan* is not only a document that shows and locates developments but also gives a picture of the role of renewable energy production and the investments mentioned above in support of the goals toward energy independence, and helps investors to invest in larger projects in Hungary. ●

## Turkiye: New Amendments Will Allow for the Construction of Electricity Generation Facilities on Water Bodies

By Zahide Altunbas Sancak, Partner, and Aziz Can Cengiz, Associate, Guleryuz Partners



With the introduction of a recent omnibus legislative proposition presented to the Grand National Assembly on January 29, 2024, a significant legislative shift will occur in Türkiye's renewable energy production sector. This proposal, reportedly aimed at regulating floating photovoltaics and expanding renewable energy capacity by an estimated 80 gigawatts, represents a bold step toward sustainable development and increased renewable energy production by opening Türkiye's lakes, reservoirs, and seas for solar and wind power projects without zoning requirements. From a legal standpoint, the amendments warrant a nuanced analysis, especially from the perspective of stakeholders in the energy sector such as investors aiming to invest in such projects as well as energy law practitioners and environmental advocates.

The primary aspect of the amendments is the changes made to the *Coastal Law*, which will allow investors to establish wind and solar power facilities on all aquatic bodies, including seas, reservoirs, and artificial or natural lakes. This is a significant departure from the current approach where the construction of electricity generation facilities is only possible on seawater. Moreover, according to the proposed amendments, the construction of these facilities will be exempt from zoning requirements, which can prove to be a significant hurdle in the current regime where investors must request a zoning order before the construction of the project.

The amendments introduce a novel approach to utilizing natural resources for energy production in comparison to both traditional land-based renewable energy projects and existing regulations in the area. However, while innovative, this approach also raises several legal considerations. First, the absence of zoning requirements for these projects simplifies the bureaucratic process, potentially accelerating the deployment of renewable energy technologies. However, it also necessitates robust environmental assessments to ensure that the ecological integrity of these water bodies is preserved. Therefore, in an environmental context, existing legal environmental frameworks such as environmental impact studies and reports should be given further consideration to

prevent potential adverse impacts. It is also important to note that while the projects will not be subject to zoning requirements, they will nevertheless only be able to be constructed in zones that are designated as renewable energy sources.



Secondly, investors looking to establish these plants will have to apply for an electricity production license in line with the *Electricity Market Law*, in theory ensuring that the utilization of water bodies for energy projects is subject to oversight, aligning with broader objectives of sustainable water management. However, certain projects such as electric infrastructure designed to meet the electricity demand of the State Hydraulic Works or agricultural irrigation collectives will be established with the permission of State Hydraulic Works without the need for an electricity production license.

Moreover, while the proposed amendments allow for the establishment of wind and solar power facilities on aquatic bodies, certain water bodies are nevertheless excluded from the legislation. Particularly, maritime areas covered by the *Coastal Law* and lakes used as drinking water sources will be explicitly excluded from this possibility. Apart from these exclusions, water bodies or specific zones of a water body will be determined as renewable energy source zones by the Ministry of Energy and Natural Resources and be opened to these investments.

While the amendments are yet to be voted on by the General Assembly, the omnibus is expected to pass without significant amendments and will take effect as soon as it is adopted and published in the Official Gazette. As the Grand National Assembly prepares to vote on the bill, it is imperative for legal professionals in the area to closely monitor these developments. The new legislation not only represents a significant opportunity for the growth of renewable energy in the country but also poses a range of legal challenges and opportunities. The interplay between environmental sustainability, energy security, and legal frameworks will be critical in shaping the future of renewable energy and the practice of energy law in Türkiye. ●

## Ukraine: Progress Made on the Renewables Agenda

By Maksym Maksymenko, Partner, and Yuliia Pidlisna, Managing Associate, Avellum



Despite martial law, Ukraine has significantly advanced its renewable energy agenda over the last year. Ukraine's trajectory in the renewable energy sector is not merely a response to challenges but a proactive and strategic approach to shaping a greener and more sustainable future.

In terms of numbers, in 2023, “green” energy capacities have increased by approximately 190 megawatts of wind power plants, 500 megawatts of solar power plants, and 100 megawatts of gas power plants. Given the temporary shortage of other generating capacities due to military actions, “green” generation significantly contributed to the power system's stable operation.

In June 2023, Ukraine adopted the so-called *Green Transformation Law*, which provided the legal basis for implementing guarantees of origin registry, introduced a net billing scheme for self-consumption, and laid out directions for future renewable energy auctions. As a result, in its recent *Implementation Report*, the Energy Community praised Ukraine's progress in approximating the national legislation to the Community's *acquis*.

The system of guarantees of origin is a long-awaited development. The obligation to create a mechanism for issuing, using, and terminating guarantees of origin is envisaged by *EU Directive 2018/2001*, mandatory for implementation in Ukraine. Introducing this mechanism will allow Ukrainian businesses to comply with EU regulations regarding the climate goals of decarbonization, confirm corporate compliance with sustainable development goals, avoid additional costs when exporting goods to EU countries, and attract green financing.

A guarantee of origin issued for electricity will confirm the production of such electricity or its part from renewable sources. Thus, guarantees of origin will be able to verify that offered goods and services leave a smaller carbon footprint.

The National Energy and Regulatory Commission (NEURC) is designated as the issuing body for guarantees of origin for renewable electricity. NEURC is currently exploring possible registry options and is in the process of drafting secondary legislation.



The adoption of the *Green Transformation Law* also paves the way for market-based renewable support schemes through a feed-in-premium model. Currently, support for renewables capacities continues to operate under an administratively determined feed-in tariff. Under it, the guaranteed buyer – a specially designed state enterprise – is supposed to purchase all volumes of “green” energy eligible for the feed-in tariff. As a result, the guaranteed buyer ended up with significant debts to the energy-generating companies. While the debt has gradually been reduced during the last few years, it has significantly diminished business confidence in the feed-in tariff.

The newly introduced feed-in-premium mechanism allows energy producers to freely trade on the market, with the guaranteed buyer covering the difference between the awarded green tariff or the auction price and the market price. In turn, the producers are obliged to pay service costs once the market price exceeds the green tariff or auction price. The adoption of all relevant by-laws is still pending, yet the scheme is expected to be well-received by businesses.

Additionally, Ukraine is replacing feed-in tariffs for households with a net-billing mechanism. The latter will allow consumers to sell electricity produced by them from small-scale renewable installations to their suppliers. At the end of the billing month, the consumer and the supplier would set off their payments. If the cost of energy consumed from the network exceeds the cost of released energy, the difference is payable by the consumer in favor of the supplier. If the cost of energy supplied exceeds the cost of energy consumed, the difference is payable by the supplier to the active consumer. The net-billing mechanism is supposed to incentivize the installation of generating facilities by domestic and small commercial consumers.

As can be seen, Ukraine's commitment to a greener and more sustainable energy future positions the country for continued progress in the renewable energy sector. The recent legislative initiatives do not simply address immediate challenges but also lay the foundation for a resilient and environmentally conscious energy landscape in the years to come. ●

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