

Case No. OGRA-6(1)-NG(PFL)/2018
License No. NG-21/2019

IN THE MATTER OF

PAKARAB FERTILIZERS LIMITED

**LICENCE TO UNDERTAKE REGULATED ACTIVITY RELATED
TO CONSTRUCTION AND OPERATION OF PIPELINE FOR
TRANSMISSION OF NATURAL GAS**

UNDER

**OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002,
NATURAL GAS REGULATORY AUTHORITY (LICENCING)
RULES, 2002**

AND

OGRA GAS (THIRD PARTY ACCESS) RULES, 2018

DECISION

OCTOBER 07, 2019

Ms. Uzma Adil Khan, Chairperson

Mr. Noorul Haque, Member (Finance)

Dr. Abdullah Malik, Member (Oil)

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AUTHORITY'S DECISION

BRIEF FACTS:

1. Pakarab Fertilizers Limited (PFL), (the Applicant) has applied under Rule 4 of the Natural Gas (Licensing) Rules, 2002 on 20-08-2018 for the grant of licence to undertake the regulated activity related to Construction and Operation of 16" x 24 km long gas pipeline from processing facility to SNGPL's Muhammadpur valve assembly for the purpose of Transmission of Natural Gas.
2. The Applicant has informed that being cognizant of the hardships faced by the farming community, Economic Coordination Committee (ECC) of the Cabinet Division on 17-05-2018 approved allocation of 75 MMCFD gas from Mari Gas Fields to PFL by using SNGPL system. Restart of operation at PFL will add approximately half a million MT of Urea equivalent fertilizers. As per ECC decision, SNGPL will transport the gas from Muhammadpur valve Assembly to PFL plant at Multan under mutually agreed Gas Transportation Agreement.

ADMISSION OF THE APPLICATION:

3. After a thorough deliberation by concerned Deptts. of OGRA, the application was presented before the Authority to consider the matter which was accordingly admitted by the Authority under Rule 5 of Natural Gas Licensing Rules, 2002 on 13-09-2019. Under Rule 5 of Natural Gas Licensing Rules, 2002, the Authority invited all the interveners and interested / affected persons and parties to furnish their comments / interventions / views, if any, on the application filed by the Applicant through publication of Public Hearing Notice published in the leading national press on 14-09-2019. In the said Notice 14 days period was given to furnish comments, suggestions and interventions upon the said application.
4. In response thereto, no intervention request has been received by OGRA.

PUBLIC HEARING PROCEEDINGS:

5. The Authority also provided an ample opportunity of hearing to the interested/affected persons/parties and general public through Public Hearing held at Islamabad on 02-10-2019, which was attended by the following:-

Public Hearing at Islamabad on 02-10-2019

a) Representatives of the Applicant (Pakarab Fertilizer Limited)

- i) Mr. Fawad Ahmed Mukhtar, Chief Executive Officer
- ii) Mr. Asad Murad, Director Finance
- iii) Mr. Asif ur Rehman, Chief Manufacturing Officer
- iv) Mr. Inammullah Naveed Khan, Director Operations



- v) Mr. Saqib Aziz, Manager Business Development
- vi) Mr. Fahd Mukhtar, Director
- vii) Mr. Muneeb Zia, Legal Counsel
- viii) Mr. Zeeshan Ashraf Baig, Business Development Officer

b) Representatives of the Gas Utility Companies, Corporate and other Entities / General Public

- i) Mr. Sohail Gulzar, Dy. Managing Director (Operations), SNGPL
- ii) Mr. Qasim Masood, General Manager, UFG Control, SNGPL
- iii) Mr. Liaqat Nehra, Chief Officer, SNGPL
- iv) Mr. Zahid Pervaiz, Chief Engineer, SNGPL
- v) Mr. Moazzam Ali, Senior Sales Officer, SNGPL
- vi) Mr. Ghulam Moen Butt, General Manager (P&D), SSGCL
- vii) Mr. Muhammad Ayub Khan, Senior Manager (Ops) MPCL
- viii) Mr. Aqib Anwar, General Manager, Business Development, MPCL
- ix) Mr. Atif Tanveer, General Manager, Business Development, MPCL
- x) Mr. Asghar Hayyat, General Manager, Business Development, MPCL
- xi) Mr. M. Afzaal Ahmad, Business Representative, China Pakistan Engineering & Construction Corporation (CPE &CC)
- xii) Mr. Kou Lei, Country Representative, China Pakistan Engineering & Construction Corporation (CPE &CC)
- xiii) Mr. Sikandar Shah, Fertilizers Advisory Council
- xiv) Mr. Imran Saeed, Secretary Fertilizer Dealers Association
- xv) Brig. Sher Shah, Executive Director, Fertilizer Manufacturers of Pakistan Advisory Council (FMAC)
- xvi) Mr. Khalid Mehmood, President, Kissan Ittehad Pakistan
- xvii) Mr. Malik Ghulam Dastgheer, President Workers Union (CBA), PFL
- xviii) Syed Mumtaz Hussain Shah, Workers Union (CBA), PFL
- xix) Dr. Hafeez, Workers Union (CBA), PFL
- xx) Mr. Qamar Akhtar, Workers Union (CBA), PFL

PRESENTATION BY THE APPLICANT:

6. Initially, the Registrar OGRA presented a brief of the instant project and sought permission of the Authority to invite the applicant to present their application / presentation which was acceded to and Mr. Mr. Asad Murad, Director Finance (PFL) was invited to present their project. Mr. Asad, initially started his presentation and made a request before the Authority that Mr. Fawad Ahmed Mukhtar, Chief Executive Officer (PFL) may be allowed for Opening Remarks which was acceded to:

a) Mr. Fawad Ahmed Mukhtar paid his words of thanks to the Hon'ble Members of the Authority for extending them an opportunity of hearing to present their case



- b) He stated that with the resumption of the instant project will contribute ½ Metric Ton urea which will be available in the market for enhancing more development in agriculture sector in Pakistan
 - c) This project will increase Gross Domestic Product (GDP) and it will play a vital role to boost the national exchequer and it is a project of national importance which will also save foreign exchange and reduction of subsidy burden on the national economy
 - d) Their group decided to make huge investment in this project due to devaluation and significant increase in LNG prices and PFL can no more able to operate on very expensive RLNG. At the end of his submission, he urged before the Authority that since several years this project is non-operational and after re-start of operation. PFL will significantly contribute to agriculture growth, economic development and will provide a large number of employment opportunities, therefore the Authority is requested to grant them the license being considered a project of national importance at an early stage.
7. After the introductory remarks by the Chief Executive (PFL), Mr. Asad Murad, Director Finance (PFL) resumed detailed presentation to the Authority and the audience under the following arguments:
- a) While introducing his organization, he stated that Fatima Group (FG) is founded under a Participation Agreement between Government of Pakistan and State of Abu Dhabi on November 01, 1973 to establish first compound fertilizers plant in Pakistan. Serving the nation since 1974 providing value-added products to farmers having capacity of 847K MT and produced more than 30 Million MT Fertilizer since its inception.
 - b) Since privatization in 2005, Rs.8 Billion CAPEX incurred to improve operational efficiency and reliability of Plant. PFL provides direct employment to 2500 workforce. Being a responsible corporate citizen, since its privatization, PFL spent over PKR 500 Million on CSR activities (till 2013) in health and education sectors in Pakistan. On technical side they have a multi-disciplinary team of more than 300 engineers capable of undertaking state of art project from conceptualization – commissioning. Their team has completed 750 Mil \$Fatima Fertilizer Project in 2011. Their operation and maintenance team has excellent safety record and completed Lost Work Injury free 50-million manhours at FG operating unit. Achieved Excellent level 4-DuPont audit compliance. Outstanding O&M experience of three world-scale Fertilizer units.



- c) He presented that this group has a Total Asset base of PKR 247 Billion having excellent relationships with Local & International Financial Institutions. Fatima Group is also listed on Pakistan Stock Exchange.
- d) He stated that PFL has applied before the Authority under Section 23 of Oil and Gas Regulatory Authority Ordinance, 2002 read with Rule 4 of the Natural Gas (Licencing) Rules, 2002 for the grant of licence to carry out the regulated activity of Construction and Operation of 16" x 24 km long gas pipeline for the purpose of Transmission of Natural Gas from Pakarab Gas Processing Facility in MPCL leased area to SNGPL's tie in point at Muhammadpur (SNGPL Valve Assembly) for onwards transportation of gas to PFL in Multan by using capacity over SNGPL's network.
- e) He further added that 16" x 24 KM buried pipeline capacity would be 110 MMCFD and its location would be from Pakarab Processing Facility (Shahbazpur Mari D&P Lease Area) Distt. Ghotki and Metering Station at Muhammadpur, Distt. Ghotki.
- f) The project cost including infrastructure and other related factors would be approximately Rs. 4 billion whereby 100% basic and detailed design completed, all studies and surveys completed, equipment for Phase-I sourced and arrangements are in place for required NOCs and permission etc.
- g) While briefing the significance of the instant project he added that Pakistan Fertilizer Industry is the sixth largest fertilizer industry in the world and its agriculture accounts for 19% of Pakistan's GDP & Employs 39% of the labor force. Pakistan's projected population of 221 million would require 50% more food by 2025 and the country cannot afford impediments in Agriculture growth. He further added that Fertilizer Industry plays a key role in ensuring national food security, pivotal to the agricultural growth, economic development of the country and provides employment opportunities in the country.
- h) While pointing out the Gas Supply Issue to PFL, he added that their plant is severely affected due to gas supply issues and has remained operational from 2011 onwards for very limited days. From 2015 to 2017, PFL operated on very expensive RLNG /Blended Gas. Due to devaluation and significant increase in RLNG prices, PFL can no more operate on very expensive RLNG. Only fertilizer plant is non-operational since September, 2017 due to which livelihood of thousands of directly or indirectly associated families is at high risk due to no operation at PFL.
- i) He emphasized that revival of the instant project, while implementing the decision of ECC dated May 17, 2108 the GoP has focused upon this project in order to mitigate the shortage of fertilizers and to avoid additional burden



on foreign exchange due to fertilizer imports, allocated additional gas production from MPCL's existing reservoirs to PFL and PFL will make necessary arrangements for processing and transportation of allocated gas to SNGPL injection point at its own cost. The allocated gas will be transported by SNGPL through its system for supply to PFL plant at Multan. This transmission will be done through pipeline capacity allocation by SNGPL.

- j) He also differentiated that the earlier licenses i.e. Fatima Fertilizer Company (2007), Fauji Fertilizer Company and Engro Chemical Pakistan Limited (2005) granted by OGRA for Transmission of Natural Gas were different from this project because they were for dedicated lines but PFL is constructing the pipeline from Gas field to SNGPL's network for onwards transportation of gas / using SNGPL's network till its Fertilizer Plant.
- k) At the end, Mr. Asad Murad requested the Authority to grant the instant License to PFL in the national interest vis-a-viz ensuring national food security and agriculture growth and economic development of the country.

During the proceedings, Hon'ble Chairperson raised a question that how many years this project will provide gas to PFL, in response thereto, CEO (PFL) stated that actually the RLNG cost is much higher than the domestic gas and PFL will get this domestic gas for next seven years from this project and the experts of PFL are working on other alternate energy mode i.e. coal gasification, however, the project cost incurred by PFL on this project is to revolve this non-operational project because their non-operating cost is much more higher than the now investment cost. Further added that if Mari Petroleum Company Limited (MPCL) get more gas from this field, PFL will continue to run this project from indigenous gas. He further added that their project cost is more valuable as compared to non-operation of this project which currently has less production, so that very reason PFL has taken this initiative and has made huge investment in this project.

During the proceedings, Hon'ble Chairperson asked from the representative of MPCL that why they have not been able to process/construct the facilities / pipeline. In response thereto, the representative of MPCL stated that they are engaged with PFL through an agreement to only sale of gas and all construction operation activities / facilities will be made by PFL.



ARGUMENTS OF THE PARTICIPANTS:

8. After a very length presentation by the applicant, Registrar OGRA informed the Hon'ble Authority no objection / intervention request against the instant License Application has been received by OGRA, however the following parties having submitted written comments by strongly supporting the request of the applicant for grant of the subject license. The comments of the parties are as under:

i) Worker Union (CBA) of Pakarab Fertilizers Limited, Multan

They are the workers of PFL and for the last several years, due to shortage of gas supply, the plant is non-operational. This plant is an asset of Pakistan which can contribute more for agriculture development. It is a very first Fertilizer Plant of its kind in Southern Punjab which was providing quality fertilizer and due to its non-operation, the local industry, transportation, loading unloading, hoteling, dealers and agriculturists are affecting badly, therefore they humbly request OGRA Authority to grant this Transmission License, so that thousands of families can run their lives and number of employment opportunities can be created. The Worker Union of PFL will always pray for the betterment of the esteemed Authority.

ii) Fertilizer Manufacturers of Pakistan Advisory Council (FMPC), Islamabad

The Fertilizer Plants on SNGPL network remained shut down to various degrees due to gas curtailment. At full production level fertilizer industry has the capacity to meet domestic demand. We regret to highlight that this year GOP has to import 200,000 MT of urea worth UDD 60 Million and provided subsidy on imported urea worth of Rs. 4 Billion.

PFL has been non-operational since 2017. PFL produces value added products for the farming community. Fertilizer production at PFL would improve supply side and hence will help in controlling market sentiments and avert imports. Additional benefits to GDP growth and contribution to national exchequer by saving foreign exchange and reduction of subsidy burden on imported fertilizer are also foreseen.

In view of above, FMPAC requested the Authority for grant of the subject License to PFL.

iii) All Pakistan Fertilizer Dealers Association (APFDA), Gujranwala

APFDA represents a network of 10000 dealers across Pakistan. We draw your kind attention towards the importance of a positive outcome with regard to the PFL license Public Hearing. Agriculture is a backbone of Pakistan economy and its major part is played by fertilizers. Due to close of PFL plant, the farmers are deprived from balanced fertilizer. If this plant starts producing fertilizer again, it will add to the domestic production and supply can be given immediately to the farmers. Operation of PFL plant will help in ensuring better crops yields, reducing imports, stabilizing prices and boost the economy, so the License must be granted to PFL.



iv) **Pakistan Kissan Ittehad, Lahore**

Due to shortage of gas supply to PFL, this plant is non-operational since 2017. This plant has contributed a lot for the agriculture growth in Southern Punjab. One of the agriculturists, Madam Rabia Sultan have got best agriculture production award in 2017 form the Govt. of Punjab. After resumption of this project, the farmers will be able to get better production of their different crops, therefore the farmers community strongly supports for grant of this License to PFL which will be a value-added helping hand to mitigate the poverty in Southern Punjab.

OBSERVATIONS / DECISION OF THE AUTHORITY:

9. The Authority, after scrutiny of the application, hearing the arguments of the Applicant and the participants at length as well as on the basis of all available information, has arrived at the conclusion that the Applicant fulfills the legal requirements and is entitled to the requisite license. Therefore, the Authority, in exercise of its powers conferred under Sections 22(1), 23(1)(a)(d) and 23(6) of the Oil and Gas Regulatory Authority Ordinance, 2002 read with Rule 3(3) of Natural Gas (Licensing) Rules, 2002 and Rule 3(1) of OGRA Gas (Third Party Access) Rules, 2018, hereby grants a license subject to terms and conditions mentioned in the License Document to the applicant in the name and style of **M/s Pakarab Fertilizers Limited** [the licensee] to undertake the following activities subject to the terms and conditions given herein:
- i) *Construction and Operation of 24-Kilometer long pipeline of 16-inch diameter for the purpose of transmission of natural gas from the Licensee's processing facility located at the Mari Gas Field to the tie-in point on the gas pipeline transportation system of Sui Northern Gas Pipeline Limited (the "transporter") at Muhammadpur, District Ghotki (the "Entry Point") for onward transportation to the Licensee's fertilizers manufacturing plant at Multan (the "Exit Point") under an access arrangement with the transporter in accordance with the Network Code and Rules for the purpose of Licensee's self-consumption.*
10. The License shall be valid for an initial term of Seven **[07]** years with effect from **[October 07, 2019]** unless revoked earlier or modified or amended by the Authority.
11. The licensee shall not be liable to pay annual fee under the Natural Gas (Licensing) Rules, 2002 to the Authority so long as the Licensee is carrying out the transmission of natural gas exclusively for self-consumption.

The Licensee shall be liable to promptly and regularly pay to the Authority the fee under the OGRA Gas (Third Party Access) Rules, 2018.



12. The terms and conditions imposed on the licensee are contained in the **License Document** consisting of Eight **[08]** pages which must be implemented by the Licensee in its true letter and spirits

October 07, 2019



(Dr. Abdullah Malik)
Member (Oil)



(Noorul Haque)
Member (Finance)



(Uzma Adil Khan)
Chairperson