

ISLAMIC REPUBLIC OF PAKISTAN

LICENSE

FOR

SALE OF NATURAL GAS / RLNG

TO

ENGRO LNG FZE

UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE,

2002

AND

NATURAL GAS REGULATORY AUTHORITY

(LICENCING) RULES, 2002

Licence No: NG-39/ 2024

Plot No. 37 & 39, Mauve Area, G-10/4, Islamabad

پلاٹ نمبر 37 & 39، ماؤ ایریا، جی ٹین فور، اسلام آباد

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Islamabad: April 25, 2024

License No: NG-39/2024

LICENSE FOR SALE OF NATURAL GAS / RLNG

The Oil and Gas Regulatory Authority (the “**Authority**”), established under the Oil and Gas Regulatory Authority Ordinance, 2002 (Ordinance No. XVII of 2002), in exercise of its powers conferred under Sections 22(1) and 23(1) of the said Ordinance and Rule 3(3) of the Natural Gas Regulatory Authority (Licensing) Rules, 2002 (the “**Licensing Rules**”) hereby grants to Engro LNG FZE having its registered office at 3rd Floor, Dawood Centre, MT Khan Road, Karachi, Pakistan (the “**Licensee**”) a license (the “**License**”) to undertake the regulated activity of Sale of Natural Gas/ RLNG to consumers subject to the terms and conditions (the “**Conditions**”) given herein:

Part - A

General Conditions of the License

1. Definitions

1.1. Words and expressions used in the License but not defined herein shall have the same meaning as are assigned to them in the Ordinance and Rules.

1.2. In this License, unless there is anything repugnant in the subject or context, -

1.2.1. “**access arrangement**” means the agreement between the Licensee and a transporter for transportation of gas by utilizing capacity of gas pipeline transportation system, as approved by the Authority;

1.2.2. “**annual turnover**” means the actual turnover less amounts representing sales tax, gas development surcharge and other charges, levies, duties, taxes or cesses imposed by the Federal Government and the cost of gas;

1.2.3. “**consents**” means all such approvals, consents, authorizations, notifications, concessions, acknowledgements, agreements, licenses, permits or decisions required to be obtained by the Licensee prior to the transportation and sale of gas;

1.2.4. “**consumer**” means Industries, Power Plants and OGRA’s licensed CNG Stations in all the provinces or any other category of consumers as approved by the Authority subsequently in writing upon written request of the licensee.

1.2.5. “**financial year**” means a period of twelve (12) months commencing on July 1st of each year and ending on June 30th of the following year;

1.2.6. “**gas pipeline transportation system**” or “**system**” means transmission system, distribution system, pipelines, spur pipelines, equipment, compressors and associated facilities downstream of a gas producer's processing plant, shipper's delivery point or re-gasification terminal which are used for transportation of gas from one point to another but shall not include the gas processing plant and re-gasification terminal pipeline within the battery limit of isolation valves of the plant or terminal;

1.2.7. “**Ordinance**” means the Oil and Gas Regulatory Authority Ordinance, 2002 (XVII of 2002).

1.2.8. “**party**” means a transporter, shipper, owner or operator of a re-gasification terminal, supplier or reseller of liquefied natural gas, consumer, or any service provider, who has entered into a commercial agreement with the Licensee;

1.2.9. “**Rules**” means the Natural Gas Regulatory Authority (Licensing) Rules, 2002, OGRA Gas (Third Party Access) Rules, 2018, Natural Gas Tariff Rules, 2002 and any other applicable rules framed under the Ordinance;

1.2.10. “**shipper**” means a person holding a valid license issued by the Authority for transmission, distribution or sale of gas through an Access Arrangement for transportation of gas by utilizing capacity of gas pipeline transportation system above such thresholds as may be specified in the Network Code;

1.2.11. “**transporter**” means a person holding a valid license issued by the Authority for construction and operation of pipeline for transmission, distribution or sale of gas through a gas pipeline transportation system.

1.3. Any reference to a statute or a delegated legislation shall be deemed to mean and include its modification, amendment, replacement or substitution by a subsequent law.

2. Compliance with Laws

2.1. The Licensee shall ensure that it complies at all times with the applicable laws of Pakistan, including the provisions of the Ordinance and Rules made thereunder.

2.2. The breach of any law, including the breach of any provision of the Ordinance, Rules or regulations issued there under, shall be deemed to be a breach of the terms and conditions of the License.

2.3. The Licensee shall apply for, obtain and maintain all consents necessary under applicable laws for carrying out the regulated activities properly and in a timely manner and shall diligently pursue all such applications.

2.4 The Licensee shall ensure to protect SSGCL's rights available under LNG Services Agreement between Engro Elengy Terminal (Private) Limited and SSGCL, relating to the operation of LNG Services Infrastructure and the provision of LNG Services.

3. Renewal, Modification and Revocation of License

3.1. On an application by the Licensee to the Authority at least two (02) years prior to the expiry date of this License, the Authority may renew the License in accordance with the provisions of the Ordinance and Rules.

3.2. The terms and conditions of the License may be amended, varied, modified or revoked by the Authority in accordance with the provisions of the applicable laws.

4. Early Termination of License

4.1. The license hereby granted will be effective subject to execution of the following agreements within one (01) year from the date hereof: -

- 4.1.1. Execution of GTA/ Access Arrangement with SSGCL and SNGPL.
- 4.1.2. Execution of service agreement with SSGCL & SNGPL for metering / billing to the consumers and safety issues.
- 4.1.3. Execution of Natural Gas/ LNG supplies agreement.
- 4.1.4. Execution of Agreement with LNG terminal operator.

4.2. In case the licensee could not execute the aforesaid agreements as mentioned in 4.1 above and failed to start operation within one (01) year of issuance of the licence, the license granted shall stand cancelled / revoked forthwith, until an extension is sought from the Authority one month prior to expiry of aforesaid period of one (01) year.

4.3. The Authority may, on an application made by the Licensee at least one (01) month prior to the proposed termination date, terminate the License in accordance with the provisions of the Ordinance and Rules.

5. Assignment, Sale and Transfer of License

The Licensee shall not assign, encumber, sell or transfer the License or any rights or obligations thereunder without prior written approval of the Authority.

6. Acquisition and Transfer of Shares

The Licensee shall not directly or indirectly acquire or hold any controlling interest or shareholding in any transporter (Sui Companies etc.) without the prior written approval of the Authority.

7. Non-Discrimination

The Licensee shall not exercise discrimination against or show undue preference towards any consumer. The consumers shall be treated in accordance with the license, applicable Rules and Regulations/ Policies of Federal Government.

8. Inspection by Authority

The Licensee shall permit any person duly authorised by the Authority to carry out such inspection and examination of any of its assets or records as may be required to be undertaken by the Authority to comply with its functions or to exercise its powers under the Ordinance and Rules.

9. Audit and Enforcement

9.1. The Licensee shall arrange a technical audit of its operations and license conditions within three (3) years of issuance of the License or within such other period as may be approved by the Authority. Subsequent audits shall be arranged by the Licensee not later than the expiry of each period of ten (10) years of the first audit or such other period as may be specified by the Authority.

9.2. The criteria for the prequalification of technical auditors and terms of reference shall be developed by the Licensee and submitted in writing to the Authority for its approval. Such technical auditors shall be appointed by the Licensee in strict accordance with the criteria approved by the Authority.

9.3. Where the Authority requires any other type of audit with respect to the regulated activities, the Licensee will arrange such audit through a well reputed auditor and submit the audit report to the Authority.

9.4. If the Authority is of the opinion that the Licensee has contravened any condition of the License, decision of the Authority or any provision of the Ordinance or the Rules, the Authority may take such action as may be prescribed by the Ordinance and Rules, including imposition of fine and/ or suspension or revocation of the License in accordance with the Ordinance and Rules.

10. Complaints Resolution Procedure

10.1. The Licensee shall, within sixty (60) days of the date of issue of the License or at such date as may be approved by the Authority, submit its complaints resolution procedure based upon principles of accessibility, efficiency, fairness, openness and proportionality for approval before the Authority.

10.2. Upon approval, the Licensee shall implement the complaints resolution procedure to address complaints received from the aggrieved parties in a transparent, result-oriented and effective manner.

10.3. The Licensee shall submit a report on the complaints to the Authority not later than one hundred and eighty (180) days from the date of issue of the License and thereafter every ninety (90) days or at such other date as may be approved by the Authority.

10.4. The report under clause 10.3 shall include the information on the number of complaints handled by the Licensee in the given time period and the breakdown of complaints in various categories based on their nature.

11. Performance and Service Standards

11.1. The Licensee shall conform to such performance and service standards as may be specified by the Authority, from time to time, in respect of the regulated activities.

11.2. The Licensee shall submit an annual report, detailing the extent of compliance with the above standards specified by the Authority.

12. Payment of Fee/ Charges

12.1. The Licensee shall promptly and regularly pay to the Authority the fees/ charges prescribed in the Rules revised from time to time.

12.2. Unless otherwise prescribed in the Rules, the Licensee shall pay the annual fee of 0.25 percent of the annual turnover of the Licensee (as defined in the Licensing Rules, amended/ revised from time to time) from sale of Natural gas in respect of the most recent completed financial year.

12.3. If the annual turnover for the most recent completed financial year is not certain then the Licensee shall use a reasonable estimate of the annual turnover for calculation and payment of the annual fees under clause 12.2.

12.4. The Licensee shall, if it has used an estimate of the annual turnover, file with the Authority a revised account showing the actual annual turnover and the annual fee on the basis of such actual amount on or before September 30th of the year in which the estimate was made, or any other date approved by the Authority in respect of the annual fee where an estimate of annual turnover was used as the basis for calculation of the annual fee. Any short payment in annual fee made evident as a result of filing of the revised account, shall be paid to the Authority within forty-five (45) days of filing of such revised account.

12.5. The Authority shall, if it has received overpayment of annual fee, refund the amount equal to the amount by which it was overpaid within forty-five (45) days of filing of the above-mentioned revised account. The Licensee shall not be entitled to any interest or other additional amount in respect of such over-payment.

13. Provision of Information

13.1 The Licensee shall provide to the transporters such information as may be reasonably requested by them for the purposes of, -

13.1.1. enabling the transporters to fulfil the obligations under their respective licenses for the safe operation, development or maintenance of any pipeline network;

13.1.2. preventing or detecting theft, illegal taking of gas or fraud in relation to gas trading or gas escapes; and

13.1.3. complying with the Network Code and access arrangement.

13.2. The Licensee shall provide all such information to the Authority as may be required for fulfillment of the Authority's functions and powers under the Ordinance and Rules.

13.3. The Licensee shall not be under an obligation to provide the information that may not be compelled to be provided through a Court of competent jurisdiction.

13.4. No party shall use any information provided by the Licensee in any manner and for any purpose except as may be specified by the Licensee and the Authority.

14. Notices

14.1. All notices to be given under any Condition shall be given in writing and shall be deemed to have been properly served if delivered in person or sent by registered mail or transmitted by facsimile or e-mail to the relevant party at the addresses set out below or at such other address as that party may from time to time specify in writing to the other.

Licensee:

Chief Executive Officer,
Engro LNG FZE,
3rd Floor, Dawood Centre, MT Khan Road, Karachi.
Tel: (+92) 21 35297501-10
Fax: (+92)
Email: engroeximpfze@engro.com

Authority:

Senior Registrar,
Oil and Gas Regulatory Authority,
Plot No. 37 & 39, Mauve Area, Service Road South, Sector G-10/4,
Islamabad, Pakistan.
Tel: 051-9244296,051-9244090-98-(157)
Fax: 051-9244310
Website: www.ogra.org.pk

14.2. Any notice given under the provisions of Condition shall be deemed to have been duly served and received at the actual time of delivery, if delivered personally, seven (7) working days subsequent to the date of postage, if sent by registered mail; and at the time of receipt, if transmitted by facsimile or e-mail where there is confirmation of uninterrupted transmission by a transmission report and provided that the original of the notice is then delivered personally or sent by registered mail or courier as soon as reasonably practicable.

Part – B

Special Conditions Applicable to Utilization of Capacity on Gas Pipeline Transportation System

15. Compliance with Network Code

The Licensee shall ensure compliance with, and perform its obligations in accordance with, the access arrangement and the Network Code.

16. Use of Gas Pipeline Transportation System

16.1. The Licensee shall act in a reasonable and prudent manner to access and use the gas pipeline transportation system of a transporter for the purpose of regulated activities.

16.2. The Licensee shall not knowingly or recklessly pursue any course of conduct, whether alone or with some other person, which is likely to prejudice, -

16.2.1. the safe and efficient operation, from day to day, by the transporter of its gas pipeline transportation system;

16.2.2. the safe, economic, and efficient balancing by the transporter of its system; or

16.2.3. the due functioning of the arrangements provided for in the Network Code and access arrangement.

16.3. The Licensee shall not knowingly or recklessly act in a manner which is likely to give a false impression to the transporter as to the amount of gas to be delivered by the Licensee on a particular day to the gas pipeline transportation system of that transporter or as to the amount of gas to be comprised in its offtakes therefrom on that day.

16.4. The Licensee shall use its reasonable endeavours to enter into arrangements with all other shippers for the purposes of provision of prompt and accurate information to a transporter in relation to the deliveries of gas made at each delivery point of the transporter's gas pipeline transportation system at which the Licensee and such other shippers inject gas under their respective licenses.

16.5 The Licensee shall ensure that no gas is supplied to its consumers other than as a metered supply.

17. Security and Continuity of Supply

17.1. The Licensee shall at all times use reasonable endeavors to ensure that it has the right to sufficient pipeline capacity in order for it to facilitate the maintenance of a reliable supply of gas to the consumers with which the Licensee has entered into contractual obligations to supply gas.

17.2. The Licensee shall not unreasonably prevent the consumers from entering into and implementing such arrangements as the consumers deem prudent to ensure the continuity of gas supply.

17.3. The Licensee shall act to maintain the balance of its supplies and demands of gas on a daily basis and in such manner that it can maintain a continuous and reliable supply of gas to its consumers.

17.4. The Licensee shall not interrupt the supply of gas to its consumers, or any class thereof, other than to comply with the provisions of the Ordinance, Rules, applicable policies of the Federal Government and conditions of the relevant gas sale contract.

18. Gas Pipeline Transportation System Planning

18.1. The Licensee shall cooperate with the Authority, the transporter and such other parties as may be specified by the Authority in relation to the transporter's planning and development of the gas pipeline transportation system in accordance with the Network Code and access arrangement.

18.2. The Licensee shall provide all such information that would be necessary for a transporter to plan and develop its gas pipeline transportation system, including forecasts of expected demand and supply of gas in accordance with its respective license.

19. Transfer of Consumers

The Licensee shall not unduly restrict the transfer of a consumer to another Licensee except where, -

- (a) *the proposed seller of gas has requested the Licensee not to transfer based on tangible reasons;*
- (b) *the supply of gas to the premises has been cut off on account of default in payments or other breach by the consumer; or*
- (c) *the supply of gas, in the Licensee's reasonable opinion, is blocked on account of debt.*

Part – C

Special Conditions Applicable to Sale of Gas

20. Sale of Gas under Standard Terms and Conditions

20.1. The Licensee shall use reasonable endeavors, upon the request of a consumer whose premises are connected to a gas pipeline transportation system, to enter into a contract for the sale of gas with the consumer on the standard terms and conditions to be approved by the Authority within one hundred and eighty (180) days of grant of the license; the Licensee may propose, after seeking approval of its Board of Directors, different terms and conditions for sale of gas for different categories of consumers or above such volumes as may be specified by the Authority in this regard. Before entering into the contract for sale of gas, these Standard Terms and Conditions shall have to be approved by the Authority. The Licensee shall provide a copy of its standard terms and conditions for sale of gas to any person upon request.

20.2. The Licensee may not enter into a contract for sale of gas with any consumer, where, in the opinion of the Licensee, -

20.2.1. such contract is likely to prejudice the ability of the Licensee to meet its existing contractual obligations to consumers;

20.2.2. the supply of gas may give rise to a physical danger to any person or the public which could not be prevented by the Licensee's reasonable precautions; or

20.2.3. the gas fittings in the relevant premises do not meet the specifications provided by the Licensee or such fittings are not installed consistent with the technical standards specified by the Authority.

21. Disconnection, Curtailment and Restoration

21.1. The Licensee shall within sixty (60) days of the date of issuance of the License, or any other period approved by the Authority at the request of the Licensee, submit to the Authority its detailed policy and procedure of disconnection, curtailment and restoration of supply of gas to consumers, which shall fully conform to the Rules and applicable policies of the Authority.

21.2. The Authority may, from time to time, direct the Licensee to revise the policy and procedure of disconnection, curtailment and restoration in such manner as the Authority deems expedient in the public interest.

22. Interruptions due to Unforeseeable Circumstances or Force Majeure

22.1. When the Licensee interrupts, restricts or modifies the supply of gas which is likely to continue more than 48 hours on account of unforeseeable circumstances or force majeure, it shall inform the consumers of the scope, duration, and the anticipated time when the said interruption, restriction or modification will end.

22.2. Where the interruption, restriction or modification in the supply of gas is significant in the opinion of the Licensee which may not be manifestly unreasonable, the Licensee shall additionally post the information specified in condition 22.1 on its website.

23. Gas Quality

The Licensee shall supply gas of the quality and specifications determined from time to time by the Authority in accordance with the provisions of the Ordinance, Rules and the Network Code.

24. Environmental Standards

The Licensee shall conform to the requirements of the Pakistan Environmental Protection Act, 1997 (XXXIV of 1997), as amended from time to time.

25. Entry Arrangements

25.1. The Licensee shall submit to the Authority for approval a statement of its proposed arrangement regarding entry into the customer premises and shall fully comply with the statement on its approval.

25.2. The entry arrangements into the retail consumer premises shall provide for all reasonable measures, namely:

25.2.1. to comply with the Ordinance and Rules;

25.2.2. to ensure that the authorized officers, agents or contractors of the Licensee possess appropriate expertise for the required tasks;

25.2.3. to enable the consumers to readily recognize the identity of the authorized officers, agents or contractors of the Licensee;

25.2.4. to ensure that identity cards, uniforms, and liveried vehicles are not misused; and

25.2.5. to ensure that the authorized officers, agents and contractors comply with the applicable laws.

25.3. The Licensee shall use reasonable endeavours to avoid undue disturbance to the owners or occupiers of the premises as a result of visits by the authorized officers, agents or contractors of the Licensees.

26. Efficient and Safe Use of Gas

26.1 The Licensee shall at all times use reasonable endeavours to provide its consumers advice on efficient and safe use of gas, rendered or prepared by a suitably qualified expert.

26.2 The Licensee shall develop and implement suitable procedures and practices for efficient and safe use of gas to fulfil its obligations in this regard under the Ordinance, Rules and Network Code.

27. Security Deposit by the Consumer

The Licensee may require a consumer to furnish a security deposit or bank guarantee of not more than an amount equivalent to the estimated average value of supply of natural gas to that consumer for a period of three (03) months or for such other period as may be agreed between the Licensee and the consumer.

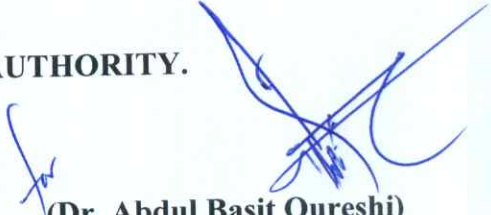
28. Tariff Determination

The Licensee shall be entitled to charge RLNG/ Natural Gas price in accordance with the Policy guidelines issued by the Federal Government from time to time.

29. Validity

The License shall be valid for an initial term of ten (10) years, effective from April 25, 2024 and unless revoked earlier, under Clause 4 hereof.

THIS ISSUES WITH THE APPROVAL OF THE AUTHORITY.


(Dr. Abdul Basit Qureshi)
Senior Registrar
(For and On Behalf of the Authority)