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Oil & Gas
Regulatory Authority

Case No. OGRA-6(1)-SEP(NG/RLNG)/2019

License No. NG-25/2021

DECISION

IN THE MATTER OF

SHELL ENERGY PAKISTAN (Private) LIMITED (SEPL)

**LICENCE TO UNDERTAKE REGULATED ACTIVITY RELATED
TO SALE OF NATURAL GAS / RLNG**

UNDER

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

MAY 21, 2021

Mr. Noorul Haque, Chairman

Mr. Muhammad Arif, Member (Gas)

Mr. Zain Ul Abideen Qureshi, Member (Oil)

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TABLE OF CONTENTS

DESCRPITION	Page
DECISION OF THE AUTHORITY	
Brief Facts	03
Admission of the Application	03
Virtual Public Hearing Proceedings	03-04
Presentation by the Applicant	04-06
Arguments of the Participants	06-08
Response of Shell Pakistan Limited	08-09
Observations / Decision of the Authority	09-10






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AUTHORITY'S DECISION

BRIEF FACTS:

1. Shell Energy Pakistan (Private) Limited, Karachi (the applicant) has applied under OGRA's Natural Gas (Licencing) Rules, 2002 for grant of license for Sale of Natural Gas/RLNG. In this project, Engro Elengy Terminal Private Limited (EETL) has confirmed to provide regasification capacity to the Shell while upgrading their terminal. Further the Shell International Trading Middle East Limited (SITMEL) is confirming to supply up to the equivalent of 150 million standard cubic feet per day of LNG to the Shell Energy Pakistan.

ADMISSION OF THE APPLICATION:

2. After a thorough deliberation by concerned Depts. of OGRA, the application was presented before the Authority for consideration of the same which was accordingly admitted by the Authority under Rule 5 of Natural Gas (Licensing) Rules, 2002 on 23-11-2020. Under Rule 5 of the said Rules, the Authority solicited comments / interventions and suggestions from all the interveners and interested / affected persons and parties through Public Notice published in the leading newspapers on 26-11-2020.

In order to proceed further in the matter, OGRA decided to hold Public Hearing in the instant case, however due to 2nd massive wave of Pandemic/COVID-19 outbreak throughout the country, OGRA decided to hold virtual Public Hearing which was conducted through Virtual / Zoom Application on 24-12-2020 at 11:00 a.m. from OGRA Office, Islamabad.

VIRTUAL PUBLIC HEARING PROCEEDINGS:

3. More than 44 participants representing different multinational, national textile industry, groups, companies and General Public attended the Public Hearing proceedings through Virtual / Zoom Application:

Participants of Virtual Public Hearing at Islamabad on 24-12-2020

a) Representatives of the applicant (SEPL)

- i) Mr. Haroon-ur-Rasheed, Chief Executive Officer and Chairman of Shell Energy Pakistan and Shell Pakistan Limited.
- ii) Mr. Nathan Turner, General Manager, New Markets Asia, Shell Energy Asia

- iii) Mr. Mazhar-ud-Deen, Director Shell Energy Pakistan (private) Limited and General Manager – Gas Marketing, Shell Pakistan (private) Limited
- iv) Ms. Lalarukh Hussain, Director, Shell Energy Pakistan (private) and Managing Counsel, Shell Pakistan (private) Limited
- v) Mr. Imran Qureshi, Government Relations Manager, Shell Pakistan (private) Limited
- vi) Mr. Massimiliano Carpegna, Gas Development Manager, Shell Energy Europe
- vii) Mr. Marek Franczk, Business Development Manager, Shell Energy Asia
- viii) Mr. Yasir Ali, Business Development Manager, Shell Pakistan Limited
- ix) Ms. Komal Shakir, Company Secretary, Shell Energy Pakistan and Legal Counsel, Shell Pakistan Limited

Representative of the General Public

- i) Mian Sohail Hussain, Chief Executive Officer, Gresham's Eastern (Pvt.) Limited
- ii) Mr. Awais Mir, Chief Executive Officer, Metro Gas
- ii) M. Yasir Mukhtar, Team Lead – Mitsubishi Corporation, Islamabad
- iii) Mr. Usama Imran Khan, Energas Terminal (Pvt.) Limited, Karachi
- iv) Mr. Mabroor Jameel, Ali Khan Law Associates, Lahore
- v) Mr. Mustafa Qayyum, Managing Director, OTO Gas (Private) Limited
- vi) Mr. Mahmood Ahmed, Director Finance, OTO Gas (Private) Limited
- vii) Mr. Muhammad Farhan, Alpha Energy (Pvt) Limited, Islamabad
- viii) Mr. Irfan Ullah Khan, Fauji Fertilizer Company Limited
- ix) Mr Hamza Sadiq Khan Pakistan Institute of Development Economics
- x) Mr. Muhammad Arif Qasim, MAQ International, Karachi
- xi) Mr. Sai fur Rehman, General Consumer, Karachi

PRESENTATION BY THE APPLICANT (SEP) PRIVATE LIMITED PAKISTAN:

4. Initially, the Registrar OGRA presented a brief of the instant project and sought permission of the Authority to invite the applicant to present his application / presentation which was acceded to and Mr. Haroon-ur-Rasheed, Chief Executive Officer was invited to present Opening Remarks about their project. Mr. Haroon initially paid his words of thanks to the Hon'ble Members of the Authority for extending them an opportunity of hearing to present their case and stated as under:

Pakistan is immensely short on gas. LNG imports are a reality today and will continue to happen for a long time into the future and Shell with its longstanding presence in the country since over 100 years can help make it more accessible and affordable.

Shell has most competitive LNG trading position in the world. Given its extensive global footprint, Shell has all the necessary tools to alleviate the gas shortage in Pakistan; and therefore, it has applied for a marketing license with





OGRA. It strongly believes that working along with partners like Engro Elengy Terminal Limited (EETL) and industry stakeholders like SSGC/SNGPL and OGRA, SEP will grant more choice to the customers and more affordable and secure gas supply.

Mr. Haroon Rashid reminded the audience that it was Shell that fueled the first Air Mail service in Indo-Pakistan even before Pakistan was created in 1932 and helped discover Sui Gas field in 1952. Shell has been in the subcontinent for more than 100 years now, fueling the growth of Pakistan's economic engine and will hopefully continue to do so far ahead in the future.

After the introductory brief by Mr. Haroon-ur-Rasheed, he handed over the further proceedings to Mr. Nathan Turner, General Manager, New Markets Asia, Shell Energy Asia who briefly presented the salient features of the project through a detailed presentation before the Authority as under:

Shell has a very long and proud history in Pakistan, and globally through its vast experience in supplying gas in multiple geographies, it is fully geared to complement Shell's ability to deliver a promising value proposition for the gas customers in Pakistan as well.

Shell successfully operates downstream gas aggregation and supply businesses in many mature and developed markets around the world; these include Europe, North America, Australia, Singapore, India, Malaysia, Japan and Korea. Through its sophisticated portfolio of both equity and third-party supply, both in the region as well as globally, Shell through its fleet of more than 85 LNG carriers can offer increasing flexibility and security of supply to its customers.

Shell successfully operates across all parts of the gas value chain, from upstream gas production to liquefaction and shipping, as well as regasification and downstream supply. Through this vertical integration, it can retain greater control over the entire supply value chain and its operations, translating to higher standards in respect to asset integrity. Shell also has experience in supplying gas to a wide range of different customer types, that include amongst many, power generators, energy retailers, fertilizer industries, manufactures and transport sector. In 2019, Shell supplied over 70 million tonnes of LNG to our customers globally; to give some perspective, that's approximately 10 times the total volume of LNG delivered to Pakistan in that same year.

Shell has made many long-term investments in the regasification capacity around the world. On the supply side, Shell has secured supply positions from many places all around the world, including the ones that are strategically important to Pakistan e.g. Qatar, Oman and Egypt, which have a high degree of proximity to the EETL terminal.

The diversity of Shell's supply strength has many other advantages too; it means it has a greater ability to manage interruptions in certain projects around certain supply routes across the continents, absorbing any potential issues and their impacts on its very long list of customers. Secondly, it also means that Shell purchases gas from many different places around the world, majority of which have different pricing structures and it is through the same leverage, that provides SEP a unique ability to structure different kinds of pricing solutions to its potential customers.

It is therefore, for these many reasons that Shell hopes to bring rich international learnings to customers in Pakistan and help grapple with the predicament of gas shortage in the country. To enable this, Shell Energy Pakistan entered into an agreement with EETL in 2019 for contracting additional regasification capacity of 150 mmcf. This additional capacity will result from an expanded FSRU and will be far above the capacity that is contracted and used by SSGC on purely commercial terms and having no "take or pay" obligations on the Govt.

EETL has already issued a draft terminal Coordination Agreement in June 2020 which cover terms and condition for the terminal that will be jointly used by SEP and SSGC. In accordance with the Network Code that has already been published in 2018, Shell will propose to secure the necessary gas pipeline capacity to transmit gas to its end consumers on Third Party Access basis. The exact details of that capacity reservation will be subject to the location of the customers.

Shell will enter into gas supply agreements with customers who are looking to buy re-gasified LNG from SEP, and that will be on terms and conditions that are bilaterally agreed between the two parties. Through active engagement with a variety of customers and sectors in Pakistan over the last 4 years Shell fully understands that consumers are seeking greater security of supply on a year-round basis and at highly competitive terms and conditions. It has received expressions of interest for gas supply from a wide array of customers across different sectors, including power, fertilizer, manufacturing and CNG sector.

ARGUMENTS OF THE PARTICIPANTS:

5. After a detailed presentation by the applicant and question session from OGRA Panel to the applicant, Registrar OGRA informed the Hon'ble Authority that some participants have requested for comments upon the instant licence application. Accordingly, the following participants presented their point of view:






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i) Questions for OGRA Panel

Mr. Muhamad Arif, Member (Gas)

- a) When was the last piece of information provided to OGRA from Shell on this application?
- b) Why is SEP a single member company as opposed to a Private company with multiple shareholders?

Mr. Imran Akhtar, Executive Director (LNG)

- c) Regarding the expansion of terminal, the issues between EETL, SSGC and PQA have still not been resolved, and Shell is requesting for a license for sale of RLNG based on deliverables of related entities. Can Shell comment on this issue – how do they plan to proceed further.
- d) How can EETL satisfy the Authority that the additional capacity from the expanded terminal was offered in a transparent manner?
- e) Where does Shell stand with SSGC right now?

ii) Gresham Eastern (Pvt) Limited, Karachi

Mian Sohail Hussain, Gresham Eastern (Pvt) Limited, Karachi stated during the hearing that Shell confirmed that they intend to deliver LNG only via the SSGC network. In this regard, OGRA should ensure and instal in any approval for Shell that distribution/delivery through 20/40 ft. container shall not be allowed to any consumer in Pakistan.

Our suggestions in the best interest of Pakistan are that:

- a) *No Foreign Exchange involvement of Pakistan Government or any Pakistan Bank or any liability of the Pakistan Government for the Capex investments of the project.*
- b) *The LNG Import will be by Shell from its own foreign Exchange Resources and payment made between Buyer & Seller on Take & Pay basis.*
- c) *Every Consumer using SHELL deliveries or to SSGC/SNGPL will be through individual GPRS based system with Link Connection to OGRA evidencing the LNG Delivery and quantity as and when the occurrence has taken place.*

It is further suggested that SHELL may consider Landing point at Gaddani, Baluchistan in view of conversion of HUBPOWER old plant to LNG as well as supply of LNG to the new SEZ and other users on Steel Plant whose needs cannot be met with existing system of SSGC. The pipeline is about 20 km and will connect to SSGC SMS at Hub Chowki.

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421

iii) Metro Gas (Pvt) Limited, Karachi

Mr. Awais Mir, Chief Executive Officer, Metro Gas stated that they appreciate OGRA decision to hold public hearing for the Application of Shell Energy Limited. We feel that the process should be further expedited by the Authority considering the overall gas scenario in our country.

RESPONSE OF THE APPLICANT (SEPL):

6. SEPL, while responding to the questions from OGRA Panel and other participants stated as under:

The application was filed on the 11th of November 2019. Shell then received a couple of queries from Registrar office for which the last response was submitted in June 2020.

A Single Member Company is a duly registered company in Pakistan under the Company's Act and Shell registered SEP under the same guidelines. The reason to have a single member company for SEP is that it allows Shell Group to streamline shareholding for separate divisions within the group itself and keep Shell Pakistan Ltd (SPL), involved in the sales and marketing of oil products, separate from the business of LNG. Nevertheless, there is a contract between Shell Pakistan and SEP for resource sharing and concurrently many Shell Pakistan employees are also working in various capacities within SEP.

Shell is fully aware that the grant of their license is a pre-condition to their ability to supply RLNG to customers. Following the issuance of gas marketing license, Shell will fulfill all requirements and obligations necessary for the sale of gas with related counter parties including EETL, SSGC and its potential customers.

EETL confirmed that it has submitted all required documents and clarifications to concerns regarding "modification of terminal" to OGRA. Furthermore, EETL reiterated the fact that the ECC had approved the expansion of its terminal in Aug 2019 and it is on the same assurance that EETL signed a Heads of Agreement with Excelerate in January 2020 for expansion of FSRU.

EETL's decision to expand the terminal was driven by Shell whereby the latter provided and satisfied all capacity obligations for additional capacity offtake in its proposal.

In April 2019 and Feb 2020, Shell along with its partners Engro, Vopak and Excelerate hosted workshops to educate wider stakeholders like SSGC, SNGPL, OGRA and industry about Third Party Access framework. In June 2020 EETL issued to both SEP




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422

and SSGC a proposed set of terms and conditions for the Coordination Agreement, which would effectively be the mechanism to provide Third Party Access to the terminal. Unfortunately, feedback from SSGC is still awaited despite a lag of 6 months. We look forward to immediate cooperation from SSGC so that we can provide the people and consumers of Pakistan with desperately needed RLNG and all the benefits previously mentioned.

OBSERVATIONS / DECISION OF THE AUTHORITY:

7. The Authority hereby observed that after the Public Hearing applicant was asked vide letter dated 30-12-2020 and 12-01-2021 for change of status of the company from single member company to private limited company. Now the Shell Energy Pakistan (the applicant) has got their status converted to a private limited company from SECP (the name and style M/s Shell Energy Pakistan (Private) Limited) and they have provided Certificate of Conversion and relevant documents with respect to the change of directors of Single Member Company into Private Limited Company under section 50 of the Companies Act 2017.
8. 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)(d) and 23(6) of the Oil and Gas Regulatory Authority Ordinance, 2002 read with Rule 3(3) of Natural Gas (Licensing) Rules, 2002, 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 Shell Energy Pakistan (Private) Limited, Karachi (SEPL)** [the licensee] to carry out regulated activity of Sale of Natural Gas / RLNG to the consumers for a period of Ten [10] years with effect from [May __, 2021].
9. The licensee shall be liable to pay the fee in accordance with the Schedule-II of the Natural Gas (Licensing) Rules, 2002.
10. The terms and conditions imposed on the licensee are contained in the **License Document** consisting of *Fifteen* [15] pages which is issued to the licensee today along with this decision. The license hereby granted will be effective subject to fulfillment of the following agreements: -
 - i) *Execution of GTA with SSGCL and SNGPL*
 - ii) *Execution of service agreement with SSGCL and SNGPL for metering / billing to the consumers and safety issues.*
 - iii) *Execution of Natural Gas / LNG supplies agreement.*
 - iv) *Execution of agreement with LNG terminal operator.*

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423

11. In case the licensee could not comply with the aforesaid covenants and failed to start operation within one (01) year of issuance of the license, 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.

Signature of the then Authority December 24, 2020

MAY 21, 2021



(Zain Ul Abideen Qureshi)
Member (Oil)



(Muhammad Arif)
Member Gas



(Noorul Haque)
Chairman


REGISTRAR
Oil & Gas Regulatory Authority
Islamabad

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424
Oil & Gas
Regulatory Authority

ISLAMIC REPUBLIC OF PAKISTAN

LICENSE

FOR

SALE OF NATURAL GAS / RLNG

TO

SHELL ENERGY PAKISTAN (PRIVATE) LIMITED

UNDER

OIL AND GAS REGULATORY AUTHORITY

ORDINANCE, 2002

AND

NATURAL GAS REGULATORY AUTHORITY

(LICENCING) RULES, 2002

Licence No: NG-25/2021


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Table of contents

Description

Page

The License	3
-------------------	---

PART – A

GENERAL TERMS AND CONDITIONS APPLICABLE TO THE LICENSEE

1. Definitions	4
2. Compliance with Laws	5
3. Renewal, Modification and Revocation of License.....	5
4. Early Termination of License.....	5
5. Assignment, Sale and Transfer of License	6
6. Acquisition and Transfer of Shares.....	6
7. Non-Discrimination.....	6
8. Inspection by Authority.....	6
9. Audit and Enforcement.....	6
10. Complaints Resolution Procedure.....	7
11. Performance and Service Standards.....	7
12. Payment of Fee/Charges.....	7
13. Provision of Information.....	8
14. Notices.....	9

PART – B

SPECIAL CONDITIONS APPLICABLE TO UTILIZATION OF CAPACITY ON GAS PIPELINE TRANSPORTATION SYSTEM

15. Compliance with Network Code.....	10
16. Use of Gas Pipeline Transportation system.....	10
17. Security and Continuity of Supply.....	10
18. Gas Pipeline Transportation System Planning.....	11
19. Transfer of Consumers.....	11

PART – C

SPECIAL CONDITIONS APPLICABLE TO SALE OF GAS

20. Sale of Gas under Standard Terms and Conditions	12
21. Disconnection, Curtailment and Restoration.....	12
22. Consumer Service Manual.....	13
23. Publication of Reports and Sale Prices.....	13
24. Security and Continuity of Supply of Gas	13
25. Interruptions due to Unforeseeable Circumstances or Force Majeure	13
26. Gas Quality.....	14
27. Environmental Standards	14
28. Entry Arrangements	14
29. Efficient and Safe Use of Gas	14
30. Deposit by the Consumer	15
31. Tariff Determination	15

426

Islamabad: May 21, 2021

License No: NG-25/2021

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 by 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 **Shell Energy Pakistan (Private) Limited (SEPL)** having its registered office at Shell House, 6 Ch. Khaliquzzaman Road, Karachi, Pakistan (the “**Licensee**”) a license (the “**License**”) to undertake the following activities (the “**regulated activities**”), subject to the terms and conditions (the “**Conditions**”) given herein:

- i. Sale of Natural Gas/ RLNG to consumers.

Validity

The License shall be valid for an initial term of ten (10) years, effective from 21st May 2021 and unless revoked earlier, under Clause 4 hereof.

20

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427

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 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;

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22




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428

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.

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 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.

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- 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 (1) 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.

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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.

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[Signature]

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43 ✓

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/ Managing Director,
Shell Energy Pakistan (Private) Limited (SEPL),
Shell House, 6, Ch. Khaliquzzaman Road,
Karachi, Pakistan
(P.O Box 3901 Karachi)
Tel: (92-21) 111888222
Fax: (92-21) 35630220
Email: iftikhar.ahmed@shell.com

Authority:

The Registrar,
Oil and Gas Regulatory Authority,
Blue Area, Fazl-e- Haq Road,
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.

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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

   
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434

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.

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.*

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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.




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436

22. Consumer Service Manual

22.1. The Licensee shall, in respect of sale of gas, develop and implement the Consumer Service Manual on the basis of principles of accessibility, fairness, non-discrimination, safety, timeliness and transparency, as approved by the Authority. During the time that the Authority reviews and grants its approval, the Consumer Service Manual submitted by the Licensee shall be enforced on a provisional basis.

22.2. The Authority may revise the approved Consumer Service Manual in such manner as the Authority deems expedient in accordance with the Ordinance and Rules.

23. Publication of Reports and Sale Prices

The Licensee shall publish the following documents and information in such manner as may be directed by the Authority:

- i. Consumer Service Manual;
- ii. performance report;
- iii. sale price of gas for different categories of consumers; and
- iv. any other report or information specified by the Authority.

24. Security and Continuity of Supply of Gas

24.1. 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.

24.2. 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.

25. Interruptions due to Unforeseeable Circumstances or Force Majeure

25.1. 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.

25.2. 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 26.1 on its website.

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26. 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.

27. 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.

28. Entry Arrangements

28.1. 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.

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

28.2.1. to comply with the Ordinance and Rules;

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

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

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

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

28.3. 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.

29. Efficient and Safe Use of Gas

29.1 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.

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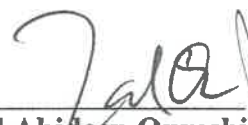
29.2 The Licensee shall develop and implement suitable procedures and practices for efficient and safe use of gas to fulfil its obligations in this regard under the Ordinance, Rules and Network Code.

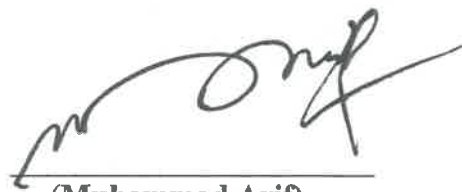
30. Security Deposit by the Consumer

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.

31. 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.


(Zain Ul Abideen Qureshi)
Member (Oil)


(Muhammad Arif)
Member (Gas)


(Noorul Haque)
Chairman/ Member (Finance)


REGISTRAR
Oil & Gas Regulatory Authority
Islamabad