



Oil & Gas Regulatory Authority

ISLAMIC REPUBLIC OF PAKISTAN

LICENSE

FOR

CONSTRUCTION AND OPERATION OF PIPELINE FOR TRANSMISSION OF NATURAL GAS

TO

INTER STATE GAS SYSTEMS LIMITED (ISGS)
UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002
AND

NATURAL GAS REGULATORY AUTHOIRTY (LICENCING)
RULES, 2002

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Licence No. NG-19/2019

TABLE OF CONTENTS

	<u>Description</u>	Page	
The License			
GI	GENERAL CONDITIONS APPLICABLE TO THE LICENSEE04		
1.	Definitions	04	
2.	Compliance with Laws	05	
3.	Renewal, Modification and Revocation of Conditions		
4.	Effectiveness, Early Termination of License		
5.	Tariff Determination		
6.	Payment of Fee		
7.	Maintenance of Proper Accounts of the Regulated Activities	08	
8.	Separate Accounts for Regulated Activities	80	
9.	Continuing Obligations	09	
10.	Sale, Assignment and Transfer	09	
11.	Transparency in Procurement Policies and Procedures	09	
12.	Provision of Regulated Activities	10	
13.	O'		
14.			
15.			
16.	Technical Standards		
17.			
18.	Emergencies	11	
	Action against Theft		
20.	Unaccounted Far Gas (UFG)		
21.	Complaints Resolution Procedure		
22.	Performance and Service Standards		
23.	Capacity Infomation		
24.	Inspection by the Authority		
	Technical Audit		
	Enforcement		
27.	Extension of Transmission Pipeline		
28.	Petrolling the Right of Way		
29.	Security and Continuity of Supply		
30.	Interruption of Supply		
31.	Approval of Access Arrangements		
32.	Information of Website		
	Penalty on Contravention		
54.	Notices		
	LIND BY	the state of the s	
	AL WAS -2-	E	
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Islamabad, the 28 January, 2019 License No. NG-019/2018

THE LICENSE

The Oil and Gas Regulatory Authority (the "Authority"), established under the Oil & Gas Regulatory Authority Ordinance, 2002 (Ordinance No. XVII of 2002), and 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 Inter State Gas Systems Limited (ISGS) (the "Licensee") having its registered office at 8th Floor, Petroleum House, Attaturk Avenue, Sector G-5/2, Islamabad, Pakistan a license (the "License") to undertake the following activities (the "regulated activities"), subject to the terms and conditions (the "Conditions") given herein:

Construction and Operation of Natural Gas Pipelines along with ancillary / connected facilities for the purpose of Transmission of Natural Gas for the following Projects:

- a) Iran-Pakistan (IP),
- b) Turkmenistan-Afghanistan-Pakistan-India (TAPI), and
- c) North South Gas Pipeline Projects (NSGP).

Validity

The License shall be valid for an initial term of 15 years from 20/0, 2019 (effective date), unless the License is revoked earlier under the provisions of the Ordinance, Rules, terms and conditions of the License.

(Dr. Abdullah Malik) Member (Oil) (Noorul Haque) Member (Finance)

(Uzma Adil Khan) Chairperson

Oll & Gas Regulatory Authority Islamabad

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General Conditions applicable to the Licensee

1. Definitions

- 1.1 The Words and expressions used in the License but not defined herein shall have the same meaning as are assigned to them in the Oil and Gas Regulatory Authority Ordinance, 2002 (XVII of 2002), and the rules, regulations and Network Code framed there under.
- 1.2 In this License, unless there is anything repugnant in the subject or context,-
 - 1.2.1 "Access Arrangement" means an agreement between transporter and shipper for transportation of gas by utilizing capacity of gas pipeline transportation system, as approved by the Authority.
 - 1.2.2 "Authority" means Oil and Gas Regulatory Authority as defined in OGRA Ordinance, 2002.
 - 1.2.3 "Capacity Allocation" means the maximum daily quantity in MMCF of gas allocated by a transporter to a shipper which can be received at a certain entry point and delivered at a certain exit point and, as and when necessary arrangements have been made by the transporter in this regard, the capacity allocation will be made in MMBTU terms.
 - 1.2.4 "Consents" means all such acknowledgements, agreements, approvals, authorizations, concessions, consents, decisions, licenses, notifications or permits required to be obtained by the Licensee prior to construction, testing, operation and related activities of the transmission system.
 - 1.2.5 "Dispute" means any dispute or difference arising between the parties to the access arrangement or the interconnection and operation arrangement.
 - 1.2.6 "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.
 - 1.2.7 "Ordinance" means Oil and Gas Regulatory Authority Ordinance, 2002 (XVII of 2002).

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- 1.2.8 "Party" means a transporter, shipper or connected system operator who has entered into an access arrangement or interconnection and operation arrangement under these rules and includes any user of the gas pipeline transportation system.
- 1.2.9 "Project" means transmission of natural gas through a specified route or in a geographical area, where the applicant proposes to build the requisite pipelines and other infrastructure.
- 1.2.9 "Regulated Activities" means the scope of activities that is confined to the construction and operation of the transmission system by the Licensee and provision of gas transmission services to the shippers under the applicable Rules.
- 1.2.10 "RLNG" means the natural gas obtained after gasification of liquefied natural gas.
- 1.2.11 "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;
- 1.2.12 "Shipper" means a person holding a valid licence 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;
- 1.2.13 "Transmission" means the activity of transporting natural gas through pipelines and other facilities at a pressure of not less than 300 PSIG or such pressure as the Authority may prescribe from time to time except through pipelines situated wholly within the boundaries of an area to which petroleum rights apply and are owned or operated by the holder of petroleum right;
- 1.2.14"Transmission System" means the pipeline and associated facilities and equipment used by the Licensee from time to time for undertaking the transmission of natural gas from an entry point to exit point;
- 1.2.15 "Transportation Tariff" means the charges payable by a shipper to the transporter for the transportation of gas under the access arrangement and which shall be determined in accordance with the tariff methodology as specified in Schedule -1 of OGRA Gas (Third Party Access) Rules, 2018.

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- 1.2.16 "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 / Ordinance / Rules

- 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 the Rules, Regulations made thereunder.
- 2.2 The breach of any law, including the breach of any provision of the Ordinance or any Rules or Regulations framed there under or a decision of the Authority 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 Conditions

- 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 the Rules, as amended from time to time.
- 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. Effectiveness, Early Termination of License

- 4.1 The license hereby granted will be effective subject to fulfillment of the following activities under Natural Gas Regulatory Authority (Licensing) Rules, 2002.
- a. Construction and operation of Gas Transmission Pipeline Projects, i.e. Iran-Pakistan (IP), Turkmenistan-Afghastan-Pakistan-India (TAPI) and North South Gas Pipeline Projects (NSGP).

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- b. In case the Licensee could not comply with the aforesaid covenant and failed to start operation of any of the above Projects, within three (03) years of issuance of the license, the license granted shall stand cancelled / revoked forthwith. Thereafter, a fresh application along with fee will have to be submitted to the Authority for consideration.
- c. In case works related to any of the above Project (s) are initiated and development works w.r.t. other Project (s) is delayed, the Licensee may approach OGRA, at least 6 months before expiry period of 3 years of this license as stated above, for extension / revision of its Projects timelines with tangible / cogent reasons.
- d. In case the Project is on BOOT (Build, Own, Operate and Transfer) basis, the SPV (Special Purpose Vehicle) Company shall also apply to OGRA for the requisite Licence, under NGRA (Licensing) Rules, 2002.
- e. In case of SPV, being Owner / Operator of the Project, separate licence will also be required, as per Rules.

5. Transportation Tariff

- 5.1. The Authority shall approve the transportation tariff of the licensee under the access arrangement, for each project separately or otherwise, undertaken by it in respect of regulated activity / activities in accordance with the relevant criteria laid down for such determination in the Ordinance and the Rules, or any decision thereof by the Authority, as amended from time to time.
- 5.2. The Licensee shall not charge or collect any fees or other charges except upon approval of the Authority.
- 5.3. Any penalty or fine imposed on the Licensee under the Ordinance or the Rules shall not form part of admissible expenditure for the purposes of working out transportation tariff of the Licensee.

6. Payment of Fee

- 6.1 The Licensee shall promptly and regularly pay the fees prescribed under the Rules, as amended from time to time.
- 6.2 Unless otherwise prescribed in the Rules, the Licensee shall pay annual fees of 0.5 percent of the annual turnover (as specified in the Licensing Rules) of the Licensee from the Transmission of natural gas, in respect of the most recent completed financial year.
- 6.3 If the annual turnover for the most recent completed financial year is not certain then the Licensee shall use a reasonable estimate of the

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annual turnover for calculation and payment of the annual fees under Condition 6.2.

- The Licensee shall, if it has used an estimate of the annual turnover under Condition 6.3, 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.
- 6.5 The Authority shall, if it has received overpayment of annual fees, refund the amount equal to the amount by which it was overpaid after 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.

7. Maintenance of proper Accounts of the Regulated Activities

- 7.1 The Licensee shall keep and maintain proper books of accounts and records of its revenues, costs (including depreciation), expenses, assets and liabilities attributable to the regulated activities separately from those in respect of its other businesses.
- 7.2 The financial statements prepared under Condition 7.1 shall set out and fairly present the costs (including depreciation) revenues, assets employed and liabilities of, or as may be reasonably attributable to, the regulated activities and show separately the amounts of any revenue, cost, expense, assets or liability which has been:
 - 7.2.1 Charged from or to any other business of the Licensee; and
 - 7.2.2 Determined by apportionment (in accordance with the rules previously approved by the Authority) and divided among other businesses of the Licensee together with a description of the basis of the charge or apportionment.

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8. Separate Accounts for Regulated Activities

- 8.1 The Licensee shall keep proper books of accounts and records for Transmission of natural gas in such form as prescribed in Natural Gas Uniform Accounting Regulations 2003.
- 8.2 The Licensee shall procure, in respect of financial statements prepared in accordance with the Condition 8.1 in respect of a financial year, a report by the auditors and addressed to the Authority stating whether in their opinion the set of financial statements have been properly prepared.

9. Continuing Obligations

- 9.1 Time shall be of essence in respect of any obligation which is required to be performed by the Licensee within a specified time period.
- 9.2 Subject to just exception under the law, where the Licensee is required to perform an obligation within a specified time limit and fails to do so, the Licensee shall be in breach of its License even if such obligation is subsequently complied with.

10. Sale, Assignment and Transfer

- 10.1 The Licensee shall not charge or otherwise encumber, assign or transfer, in whole or partly, the License or any rights or obligations thereunder without having obtained the prior written approval of the Authority in accordance with the provisions of the Ordinance and the Rules.
- The Licensee shall not (except for securing repayment of a loan or other financing facility obtained in the normal course of business), without the prior written approval of the Authority, encumber any of its operating assets which shall, in the opinion of the Authority, adversely affect its ability to perform its obligations under this License.

11. Transparency in Procurement Policies and Procedures

11.1 The Licensee shall adopt transparent and competitive procurement policies and procedures in relation to the regulated activities and make available the same to any person upon request.

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11.2 The Licensee shall obtain approval from the Authority prior to entering into or amending an access arrangement or interconnection and operation arrangement.

12. Provision of Regulated Activities

- 12.1 The Licensee shall provide the regulated activities to all shippers in accordance with the provisions of the Ordinance and the Rules.
- 12.2 The Licensee shall undertake the regulated activities without fear or favour and shall not exercise discrimination against or show undue preference towards any shipper or retail consumer for natural gas.

13. Training, Research and Development

The Licensee shall allocate appropriate resources for Training, Research and Development to improve operational efficiency and safety aspect of the regulated activities.

14. Gas Quality

The Licensee shall deliver natural gas of the quality and specifications as agreed in access arrangement and which shall conform to the parameters determined / approved, from time to time, by the Authority in accordance with the provisions of the Ordinance and the Rules.

15. 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.

16. Technical Standards

The Licensee shall conform to the Natural Gas Transmission (Technical Standards) Regulations, 2004 and Standard Technical Specifications for Equipment and Materials as prescribed by the Authority for undertaking the regulated activities or other related technical standards, issued from time to time by the Authority.

17. Maintenance and Safety Program

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- 17.1 The Licensee shall develop and implement an annual maintenance and safety program for the regulated activities.
- 17.2 The Licensee shall, after consultation with the shippers and other parties, submit the annual maintenance and safety programme to the Authority, firstly, within one hundred and eighty (180) days of the issuance of the License, and thereafter on the 1st of July of each financial year or at such other date as may be approved by the Authority at the request of the Licensee.
- 17.3 The Licensee shall not later than sixty (60) days after the end of each financial year submit to the Authority a report on the result of the implementation of the program during such financial year including details of:
 - 17.3.1 Any incidents concerning the safety of each of the regulated activities carried on by the Licensee and the action taken by it in response thereto;
 - 17.3.2The maintenance activity carried out by the Licensee in respect of the regulated activities including maintenance of meters, and measurement devices;
 - 17.3.3Any amendments the Licensee proposes to make to the program; and
 - 17.3.4 Any other information required by the Authority.
- 17.4. The Authority may, from time to time, in consultation with the Licensee, direct the Licensee to make changes to the program in order to enhance the safe operation of the regulated activities.

18. Emergencies

- 18.1 The Licensee shall maintain or cause to be maintained emergency services and all emergency calls shall be responded as stipulated in the performance and service standards specified by the Authority, from time to time.
- 18.2 The Licensee shall, within ninety (90) days of the date of issuance of the License or at such later date as may be approved by the Authority, submit to the Authority for approval the Licensee's plan and procedures for handling any emergency concerning or arising out of the regulated activities.

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- 18.3 The Licensee shall submit a report to the Authority not later than one hundred and eighty days (180) from the date of issuance of the License and, thereafter, every ninety (90) days, providing information specified in Condition 18.4.
- 18.4 The report shall include:
 - 18.4.1 Number of emergencies and their specific locations;
 - 18.4.2 Causes of emergencies;
 - 18.4.3 Any injury and estimate of damages;
 - 18.4.4 Action taken by the Licensee;
 - 18.4.5 Average time taken to respond to an emergency and to handle the emergency;
 - 18.4.6 Any action taken to prevent such emergencies in future; and
 - 18.4.7 Any other information specified by the Authority.
- 18.5. In addition to the report required from the Licensee under Condition 18.3:
 - 18.5.1 The Licensee shall inform the Authority promptly but not later than twenty four (24) hours of any serious emergency having taken place and provide daily update on the emergency and action being taken by the Licensee until such time the emergency has been completely addressed;
 - 18.5.2 For the purpose of this Condition, 'serious emergency' means:
 - 18.5.2.1 Injuries to or death of an individual;
 - 18.5.2.2 Major damage to the property;
 - 18.5.2.3 Damage to or rupture of transmission pipeline;
 - 18.5.2.4 Suspension of natural gas to a shipper or a city;
 - 18.5.2.5 Any other factor prescribed by the Authority.

19. Action against Theft

The Licensee being the owner of the transmission system shall comply with the "Gas (Theft Control and Recovery) Act, 2016", the Ordinance and all other relevant laws, rules and policies for prosecution of the cases of gas theft.

20. Unaccounted For Gas (UFG)

20.1 The Licensee shall take all possible steps to keep the UFG within acceptable limits.

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20.2 The quantum of system use gas and the Transportation Loss (TL) shall be specified in the access arrangement.

21. Performance and Service Standards

The Licensee shall conform to the relevant "Performance and Service Standards for the Gas Utilities" of 2003 in respect of any of the Licensee's performance including Service, efficiency and safe operation of the regulated activities.

23. Capacity Information

- 23.1 The Licensee shall, after construction of its pipeline project(s), provide information regarding capacity as per Schedule -II of OGRA Gas (Third Party Access) Rules, 2018:
 - 23.1.1. on its web site;
 - 23.1.2. to any interested party who requests the same; and
 - 23.1.3. in writing to the Authority.
- 23.2 The Licensee shall update the information specified in condition 23.1 promptly where it vary significantly from the previously reported. The Licensee shall duly and timely provide all such information about capacity and the regulated activities that may be required by the Authority under the OGRA Ordinance and the Rules.
- 23.3 The Licensee shall report each capacity allocation, within a period of seven (7) days of its allocation, to the Authority.

24. 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 the Rules.

25. Technical Audit

25.1 A technical audit of its operations and license conditions shall be arranged by the Licensee for the first time 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 every ten (10) years of the first audit or such other period as may be specified by the Authority.

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- 25.2 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.
- 25.3 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.

26. Enforcement

If the Authority is of the opinion that the Licensee has contravened any condition of the License or Authority's decision or direction, the Authority shall take such action as prescribed in the Ordinance and the Rules.

27. Extension of Transmission Pipeline

- 27.1 The Licensee shall, if in its reasonable opinion it is technically feasible and economically viable to do so, comply with any request:
 - 27.1.1 by a Licensee of a distribution pipeline, for the connection of that pipeline to the transmission pipeline operated by the Licensee;
 - 27.1.2 by any other Licensee of a transmission pipeline, for the connection of that transmission pipeline to any part of the transmission pipeline operated by the Licensee; or
 - 27.1.3 by a shipper, for the conveyance or transportation of natural gas through one part of the transmission pipeline to any other part of the transmission pipeline operated by that Licensee.

28. Patrolling the Right of Way

- 28.1 In accordance with the technical standards specified by the Authority, the Licensee shall institute a program of patrolling the transmission pipeline right of way to observe factors affecting the safe operation of the transmission system including encroachment of the pipeline right of way and the prescribed safe distance along side the right of way.
- 28.2 The Licensee shall take reasonable steps permissible under the relevant law to remedy any encroachment, including reporting such

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encroachment to the relevant authorities and the Licensee shall inform the Authority regarding:

- 28.2.1 The incidence of encroachment and its impact on the safe operation of the system; and
- 28.2.2 Any action taken by the Licensee to remedy the situation.

29. Security and Continuity of Supply

The Licensee shall at all times act to maintain the balance of the supplies and demands of natural gas such that it can maintain a continuous and reliable supply of natural gas to its shippers from time to time. The Licensee shall determine and maintain the level of system reliability in the transmission system, and apply methods and policies to secure the technical functioning of the system, in accordance with the Network Code.

30. Interruption of Supply

- 30.1 The Licensee shall submit each access arrangement or inter connection arrangement alongwith applicable fee and shall obtain prior approval of the Authority under the rules.
- 30.2 Where the Licensee considers that, for reasons of safety or emergency requirements, the supply of natural gas to some or all the shippers in any specified area must be interrupted, reduced or restricted, it shall, so far as reasonably practicable in the circumstances, interrupt, reduce or restrict natural gas supply to the shippers in accordance with the provisions of the Network Code and in an equitable, non-discriminatory and transparent manner.

31. Approval of Access Arrangements

- 31.1 The Licensee shall submit each access arrangement or inter connection arrangement alongwith applicable fee and shall obtain prior approval of the Authority under the rules.
- 31.2 The Licensee shall not amend the approved access arrangements without the prior written approval of the Authority.

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32. Information on website

The Licensee shall place on the website the information, as required under the OGRA Gas (Third Party Access) Rules, 2018 and Pakistan Gas Network Code.

33. Penalty on Contravention

The Authority may, on contravention by the Licensee of the Rules, Regulations, applicable Standards, conditions of this License, Authority's decisions or instructions, impose a fine or revoke the License in accordance with the provisions of the Rules.

34. Notices

34.1 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 to the relevant party at the address set out below or at such other address as that party may from time to time specify in writing to the other:

Licensee:

Managing Director, Inter State Gas Systems Limited, 8th Floor, Petroleum House, Sector G-5/2,

Islamabad

Telephone: +92-51-9217667-69

Fax: +92-51-9217671

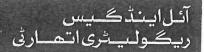
Authority:

Registrar,
Oil and Gas Regulatory Authority
54-B Fazal-e- Haq Road, Blue Area,
Islamabad, Pakistan.
Telephone No. 051-9244296, 051-9244090-98
Fax No. 051-9244310
Website: www.ogra.org.pk

- 34.2 Any notice given hereunder shall be deemed to have been duly served and received:
 - 34.2.1 at the actual time of delivery, if delivered personally;
 - 34.2.2 seven (7) working days subsequent to the date of postage, if sent by registered mail; and
 - 34.2.3 at the time of receipt, if transmitted by facsimile 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 as soon as reasonably practicable.

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Oil & Gas Regulatory Authority

OGRA-6(1)NG/ISGS/2016 Licence No. NG-19 /2019

IN THE MATTER OF

INTER STATE GAS SYSTEMS LIMITED (ISGS)

LICENCE TO UNDERTAKE REGULATED ACTIVITY OF CONSTRUCTION & OPERATION OF PIPELINE FOR TRANSMISSION OF NATURAL GAS

UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002

AND

NATURAL GAS REGULATORY AUTHORITY
(LICENCING) RULES, 2002

DECISION

JANUARY 28, 2019

Ms. Uzma Adil Khan, Chairperson

Mr. Noorul Haque, Member (Finance)

Dr. Abdullah Malik, Member (Oil)

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TABLE OF CONTENTS

DESCRPITION	Page
DECISION OF THE AUTHORITY	,
Brief Facts	03
Admission of the Application	03
Comments / Observations Of SNGPL	03
Comments / Observations Of FWO	04
Public Hearing Proceedings	05
Presentation / Observations of KPOGCL	09
Observations / Decision of the Authority	12-13



672

AUTHORITY'S DECISION

BRIEF FACTS:

- Inter State Gas Systems Limited (ISGS), (hereinafter referred to as "the applicant") filed an application before the Authority on February 24, 2017 under Rule 4 of the Natural Gas Regulatory Authority (Licencing) Rules, 2002 (NGLR, 2002) for the grant of licence to carry out the regulated activity of Construction and Operation of Pipelines for Transmission of Natural Gas (Nationwide).
- The applicant informed that they are mandated by the Government of Pakistan to import natural gas and its delivery to the transmission systems of Sui Northern Gas Pipelines Limited (SNGPL) and Sui Southern Gas Company Limited (SSGCL). The applicant under the directions of Govt. of Pakistan through Ministry of Energy (Petroleum Division) is implementing Iran-Pakistan (IP), Gwadar-Nawabshah LNG Terminal and Pipeline (GNGP), Turkmenistan-Afghanistan-Pakistan-India (TAPI) and North South Gas Pipeline (NSGP) projects.

ADMISSION OF THE APPLICATION:

- 3. The Authority considered the matter and after admitting the application under Rule 5(1) of Natural Gas Licensing Rules, 2002 on 02-06-2017, invited all interveners and interested / affected persons / parties and general public to furnish their comments / interventions / views, if any, on the application filed by the applicant through publication of the notice in the leading national press on 07-06-2017 within 15 days of said publication.
- 4. In response thereto, the following interveners filed intervention/comments requests in writing, with the Authority:
 - i) Sui Northern Gas Pipelines Limited, Lahore (SNGPL)
 - ii) Khyber Pakhtunkhwa Oil & Gas Company Limited, Peshawar (KPOGCL)
 - iii) Energy & Power Department, Govt. of Khyber Pakhtunkhwa, Peshawar (Govt. of KPK)
 - iv) Frontier Works Organization, Rawalpindi (FWO)

COMMENTS / OBSERVATIONS OF SNGPL:

 With reference to Public Notice published in the newspapers on 07-06-2017, SNGPL vide its letter dated 06-07-2017 submitted following comments / observations:-

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- i) The applicant has not provided details about the professional / technical expertise for managing the operation of the transmission pipelines including the core functions, such as metering and compression, etc. associated with transportation of Natural Gas / RLNG upto delivery points of SNGPL and SSGCL as per Sub Rule 3(h) of Rule 4 of NGLR, 2002.
- ii) The applicant has not provided the details of anticipated timetable for the construction and operation of the projects as per Sub Rule 6(b) of Rule 4 of NGRA (Licencing) Rules, 2002.

Response of the Applicant:-

- The applicant has approved strength of 93 positions to lead and supervise projects in various domains in which 37 is technical team strength. It has extensive plan to handle future requirements of operational phase while acquiring services of suitable and skilled workforce from the market in close coordination with the consultant and contractors for enhancement of capabilities / resources, however detailed information has been provided in the instant application.
- ii) The applicant stated that Rule 6(b) is applicable in case of application for the Project Licence, however, the applicant has submitted the instant application under Sub Rule(3) of Rule 4 of NGLR, 2002. The tentative timeline for completion of the projects TAPI & NSGP is December, 2020.

COMMENTS / OBSERVATIONS OF FWO:

- With reference to Public Notice published in the newspapers on 15-07-2017,
 FWO vide its letter dated 17-07-2017 submitted following comments / observations:
 - i) FWO is interested in executing Gwadar-Nawabshah LNG Terminal & Pipeline (GNGP) and North South Gas Pipeline (NSGP) on Build-Operate-Transfer (BOT) basis and it has already submitted an unsolicited proposal to the applicant and Ministry of Petroleum & Natural Resources regarding the above mentioned projects. As per the unsolicited proposal, FWO shall undertake to provide financing, detailed engineering design, procurement, construction, commissioning, operation and maintenance of the project pipeline and associated facilities.
 - ii) FWO has managed to secure the requisite funding needed to finance the project through Foreign Direct Investment (FDI) and is in a position to achieve financial close within 3-6 months after signing of Build-Opeate-Own-Transfer (BOOT) contract and complete the entire project in 2 years time.

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iii) Since FWO is an affected party in the above mentioned projects, it is therefore requested that due consideration may be given to their reservations.

Response of the Applicant:-

- i) The applicant submitted that they are neither in receipt nor aware of any proposal of FWO regarding the GNGP and NSGP and they are nominated/designated entity for execution of the Projects under the G to G agreement with China and Russia for both GNGP and NSGP respectively.
- ii) The applicant is a 100% Government owned Special Purpose Vehicle (SPV) mandated to develop and implement the gas import projects in the country. The above mentioned two projects have been assigned to the applicant by the Federal Cabinet through the Inter-Governmental Agreements.
- iii) At the end, the applicant requested the Authority to disregard the comments advanced by FWO and the Licence for Transmission of Natural Gas may kindly be granted to the applicant.

PUBLIC HEARING PROCEEDINGS:

7. The Authority also provided an opportunity of hearing to the interested/affected persons/parties and general public through Public Hearing Notices published in the leading National Press on 15-07-2017. Accordingly, Public Hearings were held at Lahore and Karachi on 01-08-2017 and 09-08-2017 respectively, which were attended by the following:-

(I) Public Hearing at Lahore on 01-08-2017

- a) Representatives of the Applicant
- i) Mr. Mohammad Anas Farook, Chief Financial Officer
- ii) Mr. Aurangzeb Mehmood, Chief Manager (Legal) / Company Secretary
- iii) Mr. Muhammad Faroog Qamar, Dy. General Manager (T)
- b) Representatives of Interested/affected Persons/ Parties / Interveners and General Public
- i) Mr. Saleem Anwar, Manager Technical, Pakistan LNG Limited (PLL)
- ii) Mr. Faisal Khalil, Manager (Legal), PLL
- iii) Mr. Omair Shabbir, Manager (Marketing), PLL
- iv) Mr. Muhammad Ahmed Rasheed, Management Associate, PLL
- v) Mr. Sohail M. Gulzar, Senior General Manager (D), SNGPL

-5- KL WAS

- vi) Mr. Ghiyas Paracha, Chairman, All Pakistan CNG Association
- vii) Syed Jawad Naseem, Senior General Manager (BD), SNGPL
- viii) Mr. Mehmood Zia, Senior General Manager (D), SNGPL
- ix) Mr. Liaqat Ali, Chief Accountant (RA), SNGPL
- x) Mr. Muhammad Zaman Riaz, Executive Engineer (RA), SNGPL

(II) Public Hearing at Karachi on 09-08-2017

a) Representatives of the Applicant

- i) Mr. Aurangzeb Mehmood, Chief Manager (Legal) / Company Secretary
- ii) Mr. Muhammad Faroog Qamar, Dy. General Manager (T)

b) Representatives of General Public / Interested / affected persons / parties

- i) Mr. Saleem Anwar, Manager Technical, PLL
- ii) Mr. Tariq Ali Shah, Chief Executive Officer, Sindh Petroleum Energy, Govt. of Sindh
- iii) Mr. Faisal Khalil, Manager (Legal), PLL
- iv) Mr. Muhammad Ahmed Rasheed, Management Associate, PLL
- v) Mr. Owais Mir, Chief Executive Officer, Metro Gas
- vi) Mr. Kamran A. Mian, Commercial & Business Development Manager, ENI Pakistan Limited
- vii) Syed Ali Askari Abed, Commercial Officer, ENI Pakistan Limited
- viii) Mr. Muhammad Javed Aslam, Business Development Advisor, ENI Pakistan Limited
- ix) Mr. Muhammad Awais, Analyst, Pak Burnai
- x) Sardar Abdul Rafi Abbasi, Director, Gaseous Distribution Company Limited
- xi) Mr. Muhammad Arif Bilvani, Commentator
- xii) Mr. Shafqat Ellahi, Director Go-organic, Karachi
- xiii) Mr. Baleegh Hussain, Marketing Consultant
- xiv) Mr. Waris Shah, Lecturer
- xv) Syed Anwer Alam, Muslim World Economist

(III) Public Hearing at Peshawar on 22-08-2017

In August, 2017 twenty two [22] Hon'ble Members National Assembly (MNAs), three Senators [03], thirteen [13] Members Provisional Assembly (MPAs) of Khyber Pakhtoonkhawa (KPK) and KPOGCL from KPK vide their applications submitted that the way the applicant is being managed by the Federal Government, especially RLNG and TAPI very adversely affecting the people of Khyber Pakhtunkhawa and its economy and requested the Authority that in the light of Article 158 of the Constitution, a Public Hearing in the instant case may also be held in Peshawar in order to ascertain the input of the people of Khyber Pakhtunkhawa and to make it a part of the summary to Committee of Common

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Interest (CCI). In response thereto, the Authority decided to extend full opportunity of hearing to the people of Khyber Pakhtunkhawa, therefore, Public Hearing Notices were published in the leading national press on 17-08-2017 and Public Hearing was held at Peshawar on August 22, 2017, which was attended by the following:-

a) Representatives of the Applicant

- i) Mr. Aurangzeb Mehmood, Chief Manager (Legal) / Company Secretary
- ii) Mr. Mobin Saulat, Managing Director
- iii) Mr. Muhammad Farooq Qamar, Dy. General Manager (T)
- iv) Mr. Ihsan Ullah, Sr. Engineer

b) <u>Interveners</u>

- i) Mr. Razi Uddin Razi, Chief Executive Officer, KPOGCL
- ii) Mr. Amar Jalil, Asstt. Engineer, Energy Deptt. Govt. of KPK

c) Representatives of the Interested person / parties / General Public

- i) Syed Jawad Naseem, Senior General Manager (BD), SNGPL
- ii) Mr. Khalid Ali Khan, Legal Advisor, KPOGCL
- iii) Mr. Amin Jan, Dy. General Manager, KPOGCL
- iv) Mr. Nasir Akbar, Asst. Engineer, KPOGCL
- v) Mr. Salman Shah, M.T.O, KPOGCL
- vi) Mr. Zulqarnain Ahmed, M.T.O, KPOGCL
- vii) Mr. Atif Javed, Asstt. Engineer, KPOGCL
- viii) Mr. Hamid Nawaz, Engineer, KPOGCL
- ix) Mr. Muhammad Tufail, Engineer, KPOGCL
- x) Mr. Zartash Haider, Engineer, KPOGCL
- xi) Mr. Sheraz Iqbal, Engineer, KPOGCL
- xii) Mr. Saad uddin, Engineer, KPOGCL
- xiii) Syed Ali Raza Shah, Asstt. Engineer, KPOGCL
- xiv) Mr. Hassan Khaliq, Chemical Engineer, KPOGCL
- xv) Mr. Muhammad Atif Aurakzai, Chemical Engineer, KPOGCL
- xvi) Mr. Saddam Hussain, Mechanical Engineer, KPOGCL
- xvii) Mr. Shahzad Sohibzada, Chemical Engineer, KPOGCL
- xviii) Mr. Saeed Akhtar Awan, Electronics Engineer, KPOGCL
- xix) Mr. Usama Ali, Chemical Engineer, KPOGCL
- xx) Mr. Nasir Igbal, Engineer, KPOGCL
- xxi) Mr. Shahzeb Khan, Engineer, KPOGCL
- xxii) Mr. Aimal Khan, Engineer, KPOGCL
- xxiii) Mr. Yasir Zain, Engineer, KPOGCL
- xxiv) Mr. Abd ur Rehman, Engineer, KPOGCL
- xxv) Mr. Tariq Islam, Engineer, KPOGCL
- xxvi) Mr. Sajid Naseer, Engineer, KPOGCL
- xxvii) Mr. Danish Kamal, Engineer, KPOGCL
- xxviii) Mr. Muhammad Rayan Khan, Engineer, KPOGCL

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xxix) Mr. Zia uddin, Engineer, KPOGCL

xxx) Mr. Anees Alam, Engineer, KPOGCL

xxxi) Mr. Tariq Ahmad, Engineer, KPOGCL

xxxii) Mr. Fawad Ali, Civil Engineer

xxxiii) Mr. Jawad Hussain, Electronic Engineer

xxxiv) Mr. Javed Muhammad, Govt. Servant

xxxv) Mr. Manzoor Ali, Reporter Dawn

xxxvi) Mr. Muhammad Hayat, Dunya News

xxxvii) Mr. Sameen Jan, Reporter DTV

xxxviii)Mr. Zafar Ali, Student

xxxix) Mr. Muhammad Zaman Riaz, Executive Engineer (RA), SNGPL

xl) Mr. Liagat Ali, Chief Accountant (RA), SNGPL

- 8. During the Public Hearings proceedings, the representative of the Applicant presented their stance before the Authority which is as under:
 - a) While introducing the Company Profile, he explained that the Applicant is mandated by the Govt. of Pakistan to import Natural Gas (NG) through pipelines from neighboring countries to the delivery points of Natural Gas (NG) distribution companies i.e. SSGCL and SNGPL. The applicant is the nominated entity for execution of the projects under Govt. to Govt. (G to G) arrangements with China and Russia for both GNGP and NSGP project, respectively. As the applicant is 100% Govt. owned SPV mandated to develop the projects assigned by the Federal Govt. through Inter-Governmental Agreements. Projects to install all required facilities such as pipelines, compression stations, block valve stations and other related equipment for transmission of natural gas received from the neighboring countries at their respective delivery points up to the gas transmission networks of SSGCL and SNGPL in Pakistan. The Applicant requires a Transmission Licence for construction and operation of pipeline for transmission of NG and both the utility companies i.e. SSGCL and SNGPL will sale the NG to retail consumers being Licence holders from OGRA.
 - b) It was further informed that the Applicant, under the directions of Govt. of Pakistan through Ministry of Petroleum & Natural Resources is implementing IP (725 MMCFD), GNGP, TAPI (1325 MMCFD) and NSGP projects to mitigate the energy shortfall in the country. TAPI project will be executed / operated by TAPI Pipeline Company Ltd., a consortium of Turkmenistan, Afghanistan, Pakistan and India nominated Gas Company. The Applicant is a part of TAPI Pipeline Company Ltd. and will provide necessary support within Pakistan. Expected Gas Volume of this project will be 3.2 bcfd. NSGP project will be executed / operated by Russian

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nominated entity under the Inter-Governmental Agreement between Russia and Pakistan and the Applicant will provide Right of Way (ROW), Security and necessary support within Pakistan. Expected Design Flow of this project will be 1.2 bcfd.

c) At the end, the representative of the Applicant concluded that this is a Cost Effective Cross-Border Corridor of Gas pipeline transportation system by linking the regions to fuel the economy of Pakistan thus contributing to peace and prosperity of entire region and striving for continuous sourcing of energy through fostering a culture of high standards of organizational values and pursuing the best practices to ensure cost effective and safe transportation of gas thereby enriching the quality of community life.

PRESENTATION / OBSERVATIONS OF KPOGCL:

- 9. During the Public Hearing at Peshawar, KPOGCL extended their observations as under::
 - i) Representative of KPOGCL contended that TAPI Gas pipeline project's route decided by the Federal Govt. is not only drawn-out in terms of kilometers (KM) but also very expensive.

The shortest, economical and viable route for TAPI pipeline project is via Galkynysh Gas Field (Turkmenistan), Kabul (Afghanistan), Peshawar (Pakistan) and Fazilka (India). The proposed route is not only 300 km shorter than the one proposed by the Federal Govt. but also reduces the project cost from \$10 Billion to \$8 Billion.

- ii) It was further added that Federal Govt. via Economic Coordination Committee (ECC) has made decision upon utilization, distribution, purchase and sale of RLNG. The decision made by ECC regarding LNG is out of their jurisdiction. The Federal Govt. should treat all the four provinces equally by extending the RLNG Transmission pipeline to all the four provinces.
- iii) Khyber Pakhtunkhwa is producing about 10-12% of natural gas while its consumption is merely 5-6%. The consumers of this province have always been deprived of natural gas. Gas allocation may be provided to this province out of SNGPL gas shares of 65% from IP and 75% from TAPI. As per quota, atleast 430 MMCFD of gas shall be allocated to this province out of SNGPL share of 1,950 MMCFD of gas.

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- iv) Government Holdings Private Limited (GHPL) is a source of funding for the Applicant Opex and Capex. GHPL funds are for upstream sector and shall only be used for the development of upstream activities. Moreover, GHPL being an Exploration & Production company, it is completely against the company's object clause (Memorandum of Association) to invest in imported gas. The Authority is requested not to grant licence to the Applicant in case a single dollar of GHPL is used for ISGS operation expenditure or midstream projects.
- v) Mineral, Oil and Natural Gas falls at Entry-2, Part-II of Federal Legislative List. Article 154 of Constitution authorizes CCI to supervise, control and monitor such matter. Therefore, by virtue of Article 154 of the Constitution of Islamic Republic of Pakistan, 1973, OGRA is under the control and supervision of Council of Common Interest (CCI) and not Ministry of Petroleum & Natural Resources (MPNR).
- vi) Under Rule 16(2) of NGLR, 2002, whether or not the Authority before issuing a license checks the applicant's legal / constitutional stature. Under these Rules, the Authority has not consulted the Provisional Govt. for evaluation of the application. Since the clause has been breached, therefore, the Authority is requested not to grant Licence until the Authority consults the Govt. of Khyber Pakhtoonkhawa for evaluation of the instant application.
- vii) Under Rule 20(7) of NGLR, 2002 the parent company i.e.GHPL must justify the actions of subsidiary company i.e. the Applicant. The responsibilities of GHPL may be shared towards its subsidiary company.

Response of the Applicant:-

The representative of the Applicant responded the queries of KPOGCL as under:

- i) KPOGCL's proposed route is vague, unclear and without any supporting documents. The basis of the proposed line on the map has not been explained. It is also not clear how the proposed route would connect with the gas transmission network of Afghanistan. The statement about shorter route by 300 km is also without any supporting documents.
- ii) Initially, two routes were proposed by the consultant for TAPI project. The Northern Route and the Southern Route. The Northern Route was aligned across the cities of Shebergan, Mazar-e-Sharif and Kabul in Afghanistan

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-10-

to enter Pakistan near Peshawar and connect to the transmission network of SNGPL. The Southern Route was passing through cities of Herat and Kandahar in Afghanistan to enter Pakistan near Quetta and moves onward to Multan and then towards Pakistan-India border near Fazilka. It may also be pointed out that the Northern route proposed by the consultant and considered by TAPI Parties was shorter than the Southern route by 50 KM only as against 300 km stated by KPOGCL.

- The pipeline route was finalized after thorough consultations with all the TAPI Parties (especially Afghanistan) and the consultants. The key consideration in its finalization were cost (OPEX [Operating Expenditure] and CAPEX [Capital Expenditure]), security, terrain, environmental impacts, access to gas market (local Gas Transmission System) in Afghanistan and Pakistan. In view of above, the four governments preferred the Southern route which was also agreed by the consultant. Moreover, the savings shown during presentation by KPOGCL will wipe out because of security incidents.
- related to natural gas under Article 158 of the Constitution. The Applicant is of the view that the relevant approvals of the Federal Cabinet, ECC and Ministry of Energy (Petroleum Division) adequately provide the requisite approval umbrella to the Applicant with no requirement of any further approval from CCI. However, based on the Federal Govt.'s decision ISGS would comply with any direction given, if at all.
- iv) The Applicant is fully complying with the requirement of the NGLR, 2002 and its application for Transmission Licence sufficiently covered its technical, administrative and financial capabilities which are in execution phase and shall be shared with the Authority through a presentation.
- V) With regard to legal & constitutional status of the Applicant as referred to by KPOGCL, the same is irrelevant and not supported by OGRA Ordinance, Rules and Regulations framed thereunder. The Authority has the obligation to remain within its legal mandate as given by the Parliament through OGRA Ordinance. Consideration of any requirement which is not covered or supported by the provisions of this Ordinance and Rules would be a violation of law and prejudicial to the rights of the Applicant, therefore the Applicant reserves its rights available under the Constitution of Pakistan, 1973 and the relevant laws, if its application is declined in consideration of any new requirement as being proposed by KPOGCL and not supported by relevant laws. However, the Applicant would like to state that it has and shall comply with all requirements as stipulated in OGRA laws.

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- Vi) KPOGCL has alleged that the Authority has not consulted with Khyber Pakhtoonkhawa Govt. and therefore has breached Rule 16(2) of the NGLR, 2002. It is submitted that OGRA laws do not obligate the Authority to hold consultation with the Provincial Governments. The legal frame work in vogue only specifies that the Authority would hold public hearings wherein every participant would be given a fair chance to give his comments or become an intervener, if so desired. The Authority has so far fully complied with the legal framework. The consultation with provisional governments would be an additional requirement not supported by relevant laws.
- vii) The Applicant in pursuance of Federal Government decisions is implementing the projects. The synchronization of all activities including the readiness of gas transmission and distribution network post Applicant's delivery point is a must. Both the sui companies being shareholders of the Applicant are fully onboard with regard to the implementation status of projects. The ECC of the Cabinet has already allocated the IP and TAPI gas to both the sui companies. Since the completion of projects would take approximately three years, the Applicant expects that the necessary pipeline capacity would be made available by that time.
- viii) The Applicant was formed in 1996 in pursuance of ECC of the Cabinet's decision as a SPV, and as a joint venture of SSGCL and SNGPL with 51% and 49% shares, respectively. Both the companies own and operate gas transmission and distribution network in Pakistan as per the terms and conditions of licence issued by OGRA. On 15th December, 2016, the ECC approved the summary regarding 'Funding of Expenditure of ISGS' and approved the following proposals:
 - a) GHPL be tasked to fund all project activities of ISGSL as a 100% subsidiary company, therefore, all Government (e.g. from Gas Infrastructure Development Charges [GIDC]) in projects being undertaken by ISGS shall be routed to GHPL; and
 - SSGCL and SNGPL shall transfer their shares in ISGSL to GHPL as face value.

The Sui companies have not yet transferred their shares to GHPL and still continue to hold their investment in ISGS. Moreover, it is clear from the above mentioned ECC decision, all Govt. Investments in projects being undertaken by ISGS shall be routed to GHPL.

ix) Based on the assumptions that the source of OPEX and CAPEX is GHPL, and that GHPL is not authorized under its Memorandum of Association, which is categorically refuted through above mentioned point. KPOGCL

-12- AL WAS

has stated that ISGS application is infractuous. This is humbly contested, ISGS application for grant of Transmission Licence is fully justified under the relevant laws, rule and regulations.

- x) The IP and TAPI project agreements cannot be shared with the interveners/commentators. These are commercial agreements between the nominated entities of the respective countries containing confidentiality clauses. Sharing of these agreements would result in breach of the relevant confidentiality clauses of these agreements with the interveners.
- At the end, representative of the Applicant concluded that it has adequately responded to all the queries raised during hearings. The objections raised by interveners during hearing were vague, irrelevant, and not supported by any documentary evidence, hence liable to be disregarded/rejected. The Applicant believes that the country is in dire need of gas transmission network to meet gas deficiency and grant of Transmission Licence to the Applicant would a step in the right direction. In view of the foregoing, the Applicant humbly requests the Hon'ble Authority for grant of Licence for Transmission of Natural Gas.

OBSERVATIONS / DECISION OF THE AUTHORITY

10. The Authority, after detailed in-house deliberations, scrutiny of the application and hearing the viewpoints of the applicant and participants of Public Hearings held at Lahore, Karachi and Peshawar, has observed that the objections raised by the interveners and participants of general public during the proceedings of the instant case does not establish that they are directly and adversely affected by the grant of the subject Licence to the Applicant, hence the Authority 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 Section 22(1) and 23(6) of the Oil and Gas Regulatory Authority Ordinance, 2002 read with Rule 3(3) of Natural Gas Regulatory Authority (Licensing) Rules, 2002, hereby grants a license for a period of Ten [15] years with effect from [January _____, 2019] to the Applicant to undertake the following regulated activities subject to the terms and conditions mentioned in the attached License Document:

Construction and Operation of Natural Gas Pipelines along with ancillary / connected facilities for the purpose of Transmission of Natural Gas for the following Projects:

- a) Iran-Pakistan (IP),
- b) Turkmenistan-Afghanistan-Pakistan-India (TAPI), and

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c) North South Gas Pipeline Projects (NSGP).

The License hereby granted will be effective subject to fulfillment of the following activities under NGLR, 2002.

- a. Construction and operation of Gas Transmission Pipeline Projects, i.e. Iran-Pakistan (IP), Turkmenistan-Afghastan-Pakistan-India (TAPI) and North South Gas Pipeline Projects (NSGP).
- b. In case the Licensee could not comply with the aforesaid covenant and failed to start operation of any of the above Projects, within three (03) years of issuance of the licence, the license granted shall stand cancelled / revoked forthwith. Thereafter, a fresh application along with fee will have to be submitted to the Authority for consideration.
- c. In case works related to any of the above Project (s) are initiated and development works w.r.t. other Project (s) is delayed, the Licensee may approach OGRA, at least 6 months before expiry period of three (03) years as stated above in this licence, for extension / revision of its Projects timelines with tangible / cogent reasons.
- d. In case the Project is on BOOT (Build, Own, Operate and Transfer) basis, the SPV (Special Purpose Vehicle) Company shall also apply to OGRA for the requisite Licence, under NGRA (Licensing) Rules, 2002.
- e. In case of SPV, being Owner / Operator of the Project, separate licence will also be required.
- The Applicant shall be liable to pay the fee in accordance with Schedule-II of NGLR, 2002.

12. The terms and conditions imposed on the Applicant are contained in the **License Document** consisting of (16) pages, which is being issued to the Applicant today along with this decision.

January 28, 2019

(Dr. Abdullah Malik) Member (Oil) (Noorul Haque) Member (Finance)

(Uzma Adil Khan) Chairperson

Oil & Gas Regulatory Authority