



31-10-2017

ISLAMIC REPUBLIC OF PAKISTAN

LICENSE

FOR

SALE OF NATURAL GAS

TO

PAKISTAN LNG LIMITED (PLL)

UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE,

2002

AND

OGRA'S NATURAL GAS REGULATORY AUTHORITY

(LICENCING) RULES, 2002

Licence No. NG-18/2017

[Handwritten signatures]

Andy Roof
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The Licence

The Oil & Gas Regulatory Authority, (the 'Authority'), established under the Oil & Gas Regulatory Authority Ordinance, 2002 (Ordinance No. XVII of 2002) (hereinafter referred to as 'the Ordinance'), in exercise of its powers conferred by Section 22 (1), 23(1)(d) and 23(6) of the Ordinance and Rule 3(3) of Natural Gas Regulatory Authority (Licensing) Rules, 2002 (the 'Licensing Rules') and in accordance with Federal Government decision regarding "LNG Allocation, Pricing and Associated matters under Petroleum Products Petroleum Ordinance 1967, hereby grants to Pakistan LNG Limited (PLL), having its registered office at 6th Floor, Petroleum House, Sector G-5/2, Islamabad, Pakistan (the 'Licensee') **a License (the 'License') to undertake regulated activity of Sale of Natural Gas to the Consumers as per following model and subject to the terms and conditions given hereinafter:-**

- i) *Natural gas /RLNG will be transported from Transmission and Distribution (T&D) network of Licensed gas companies under the terms and conditions of Gas Transportation Agreement (GTA) and the law and rules applicable to Third Party Access (TPA) arrangements.*
- ii) *PLL will sale the natural gas /RLNG to Retail Consumers at CMSs in accordance with terms and conditions of Gas Sales Agreement between Licensee and Consumers.*
- iii) *Services of gas utility companies will be obtained for the billing and metering under the mutually consented services agreement until and unless licensee set up its own metering / billing system with permission of the Authority.*

Validity


The License shall be valid from October 31, 2017 (effective date) for a period of Ten (10) years, unless the License is revoked earlier under the provisions of the Ordinance, Rules, terms and conditions of the licence.



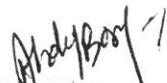
(Dr. Abdullah Malik)
Member (Oil)



(Noorul Haque)
Member (Finance)



(Uzma Adil Khan)
Chairperson

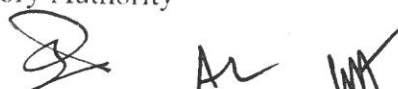


REGISTRAR
Oil & Gas Regulatory Authority
Islamabad

General Conditions Applicable to the Licensee

1. Definitions

- 1.1 Words and expressions used in the License but not defined, unless the contrary intention appears, shall have the same meaning as assigned to them in the Ordinance and the Rules
- 1.2 The following words shall have the following meanings:
 - 1.2.1 'Actual Turn Over' means the actual turnover less amounts representing, sales tax, gas development surcharge and other such charges. Levies, duties, taxes or cesses imposed by the Federal Government and the cost of natural gas plus miscellaneous incomes generated in undertaking in the regulated activity.
 - 1.2.2 'Authority' means the Oil and Gas Regulatory Authority established under section 3 of OGRA Ordinance, 2002.
 - 1.2.3. 'Consumer' means a retail consumer for natural gas or wholesale consumer.
 - 1.2.4 'Consent' includes any license, lease, right, exemption, approval, concession, permission, sanction, permit, authorization, certification, clearance, privilege, option, entitlement, benefit or validation.
 - 1.2.5 'CMS' means Consumer Meter Station designed, installed and protected in accordance with provisions of applicable standards.
 - 1.2.6 'Financial year' means a period of twelve (12) months commencing on July 1st of one year and ending on June 30th of the following year.
 - 1.2.7 'Gas Sales Agreement' means Gas Supply Agreement between Licensee and consumer for supply of natural gas /RLNG.
 - 1.2.8 'License' means this License and any extension/renewal thereof and or any amendment/modification therein under the provisions of the Ordinance and the Rules.
 - 1.2.9 'Ordinance' means the Oil and Gas Regulatory Authority Ordinance, 2002(XVII of 2002).
 - 1.2.10 'Retail Consumer for Natural Gas' means a person who purchases or receives natural gas for consumption and not for delivery or resale other



than resale for vehicular use or self-consumption by a licensee in connection with its regulated activity.

1.2.11 'Rules' means the NGRA Licensing Rules and any rules made under the provisions of the Ordinance.

1.2.12 'Standard Contract Terms' means the terms of GSA which will apply as between licensee and consumers for sale of natural gas.

1.2.13. 'Wholesale consumer' means a consumer who purchases natural gas for resale.

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 time with the applicable laws of Pakistan and in particular with the provisions of the Ordinance, rules, regulations, terms and conditions of a licence or a decision of the Authority.

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 and obtain all consents necessary under applicable laws for carrying out its Licensed 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 years prior to the expiry date of this License, the Authority may renew the Licence in accordance with the provisions of the Ordinance and the Rules.

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

4. Early Termination of License and its Revocation

4.1 The license hereby granted will be effective subject to fulfillment of the following agreements: -

4.1.1 Execution of GTA with SSGCL and SNGPL.

- 4.1.2 Execution of service agreement with SSGCL and/or SNGPL for metering / billing to the consumers and safety issues.
- 4.1.3 Execution of LNG supplies agreement.
- 4.1.4 Execution of agreement with LNG terminal operator or capacity holder.
- 4.2 In case the licensee could not comply the aforesaid covenant and failed to start operation within one (01) year of issuance of the licence, the license granted shall stand cancelled / revoked forthwith, until an extension is sought from the Authority one month prior to expiry of the license.
- 4.3 The Authority may on an application by the Licensee at least 2 (two) years prior notice in writing to the Authority, terminate the License in accordance with the provisions of the applicable Laws.

5. Tariff Determination

- 5.1 The Licensee shall be entitled to charge RLNG price in accordance with the GoP's Policy guidelines issued from time to time by the Federal Government.

6. Payment of Fee

- 6.1 The Licensee shall promptly and regularly pay the fees prescribed in the Rules.
- 6.2 Unless otherwise prescribed in the Rules, the Licensee shall pay annual fees of 0.25 percent of the annual turnover (as defined in the Licensing Rules) of the Licensee from the sale of natural gas/RLNG, 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 annual turnover for calculation and payment of the annual fees under aforesaid Condition.
- 6.4 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.
- 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 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.

7. Volume Balancing Maintenance of proper Accounts of the Regulated Activities

7.1 Natural gas volume balancing / reconciliation will be carried out periodically to meet Annual contracted quantity obligations and will be settled in GTA.

7.2 The Licensee shall keep and maintain separate proper books of accounts and records of its revenues, costs (including depreciation), expenses, assets and liabilities attributable to its regulated activities separately from those in respect of its other businesses.

7.3 The financial statements prepared 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:

7.3.1 Charged from or to any other business of the Licensee; and

7.3.2 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.

8. Separate Accounts for Regulated Activities

8.1 Commencing from grant of licence or any other date approved by the Authority on an application by the Licensee, the Licensee shall keep proper books of accounts and records separately for sale of natural gas in such form as may be prescribed by the Authority.

8.2 The Licensee shall procure, in respect of financial statements prepared 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 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 the Licence or any rights or obligations there under without having obtained the prior written approval of the Authority in accordance with the provisions of the Ordinance and the Rules.

- 10.2 The Licensee shall not record the transfer of the shares of its majority or controlling share-holder (s) without the prior written approval of the Authority.
- 10.3 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 whose disposal shall in the opinion of Authority adversely affect its ability to perform its obligations under this Licence.

11. Transparency in Procurement Policies and Procedures

- 11.1 Licensee shall adopt transparent and competitive procurement policies and procedures in relation to any of its regulated activities and make available the same to any person upon request.
- 11.2 The Licensee shall enter into all contracts on an arm's length basis and shall seek such approvals from the Authority prior to entering into or amending a contract, as may be required by the Ordinance or the Rules.

12. Non Discrimination

- 12.1 The Licensee shall not exercise discrimination against or show undue preference towards any consumer.

13. Provision of Regulated Activities

- 13.1 The Licensee shall make reasonable endeavours to provide Licensed activities to consumers: (a) Who meet the eligibility criteria and (b) Where Provision of service is technically and economically viable.
- 13.2 The Licensee may not enter into a contract for sale of gas with any consumer, where, in the opinion of the Licensee, -
- i) *such contract is likely to prejudice the ability of the Licensee to meet its existing contractual obligations to retail consumers;*
 - ii) *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*
 - iii) *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.*

14. Use of Gas Pipeline

- 14.1 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 supplying gas.



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

- (i) *the safe and efficient operation, from day to day, by the transporter of its gas pipeline transportation system;*
- (ii) *the safe, economic, and efficient balancing by the transporter of its system; or*
- (iii) *the due functioning of the arrangements provided for in the network code and access arrangement.*

14.3 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.

14.4 The Licensee shall use its reasonable endeavors 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 licensees inject gas under their respective licenses.

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

15. Gas Quality

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

16. Environmental Standards

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

17. Pipeline System Planning

17.1 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.

17.2 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.

18. Transfer of Consumers

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

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

19. Emergencies

19.1 Licensee shall respond to emergency calls as stipulated in the performance and service standards specified by the Authority, from time to time and in accordance with the Licensee's plan and procedures for handling any emergency concerning or arising out of the regulated activity.

19.2 The Licensee shall submit a report to the Authority, providing information specified regarding the emergencies that had occurred in the preceding ninety (90) days and the action taken by the Licensee.

19.3 The report shall include:

- 19.3.1 Number of emergencies and their specific locations;
- 19.3.2 causes of emergencies;
- 19.3.3 Any injury and estimate of damages;
- 19.3.4 Action taken by the Licensee;
- 19.3.5 Average time taken to respond to an emergency and to handle the emergency;
- 19.3.6 Any action taken to prevent such emergencies in future;
and
- 19.3.7 Any other information specified by the Authority.

19.4 In addition to the report required from the Licensee 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;

- 19.5 For the purpose of this Condition, serious emergencies mean injuries to or death of an individual; major damage to the property; damage to or rupture pipeline main; suspension or curtailment of natural gas to a CNG Station and any other factor prescribed by the Authority.

20. Complaints Resolution Procedure

- 20.1 The Licensee shall, within sixty (60) days of the date of issue of the Licence or at such date as is approved by the Authority, submit to the Authority for approval of the Complaints Resolution Procedure.
- 20.2 Upon approval of such complaints resolution procedure by the Authority, the Licensee shall establish a Complaint Resolution System to address complaints received from the public or its consumers in an efficient, transparent and effective manner.
- 20.3 The Licensee shall submit a report to the Authority not later than one hundred and eighty (180) days from the date of issue of the Licence and thereafter every ninety (90) days or at such date as is approved by the Authority, providing information specified regarding handling of complaints by the Licensee under the Complaints Resolution System. The report shall include: Breakdown of complaints in various categories based on their nature including application for connection; Billing; Metering; Safety; Service; Tariff; Miscellaneous; and any other category specified by the Authority.

21. Consumer Service Manual

- 21.1 The Licensee in respect of sale of natural gas shall prepare Consumer Service Manual specifying the rights and obligations of the consumers before and after the sale of gas, for approval of the Authority.
- 21.2 The Authority may revise the draft of the proposed Consumer Service Manual in such manner as Authority deems expedient in accordance with the Ordinance and the Rules. Till it is approved by the Authority the Consumer Service Manual submitted by the Licensee shall be enforced on provisional basis.

22. Performance and Service Standards

- 22.1. The Licensee shall conform to the performance and service standards as specified by the Authority from time to time in respect of any aspect of the Licensee's performance including Service, efficiency and safe operation of its regulated activities.
- 22.2 The Licensee shall submit an annual report, detailing the extent of conformance with the above mentioned standards.

23. Publication of Reports and Sale Prices

- 23.1 Upon the directions of the Authority the Licensee shall publish, in the manner as may be reasonably directed by the Authority: report on complaints resolved; consumer Service Manual; performance report; Sale price of natural gas; and any other report or information specified by the Authority.

24. Inspection by Authority

- 24.1 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. Audit

- 25.1 A technical audit of its operations shall be arranged by the Licensee for the first time within 3 years of issuance of the Licence or within such period as may be approved by the Authority.

26. Enforcement

- 26.1 If the Authority is of the opinion that the Licensee has contravened any condition of the Licence, the Authority shall take such action as prescribed in the Rules.

27. Security and Continuity of Supply

- 27.1 The Licensee shall at all times act to maintain the balance of its supplies and demands of natural gas such that it can maintain a continuous and reliable supply of natural gas to its existing consumers from time to time, and without prejudice to the generality the foregoing can meet all such demands for natural gas considering all relevant conditions including historic weather conditions.

- 27.2 The Licensee shall not interrupt its service to its consumers other than to comply with the requirements of the Ordinance and the Rules, and to the extent expressly provided for in the contract with such consumer.

28. Standard Contract Terms for Consumers

- 28.1 The Licensee shall not sell gas to consumers without a contract. All agreements or contracts should be negotiated, entered into or amended on an arm's length basis and in accordance with the provisions of the Ordinance and the Rules.

- 28.2 Within three (03) months of the issuance of the Licence the Licensee shall, unless it has done so prior to the issuance of the Licence, provide to the Authority for approval a copy of its proposed Standard Contract Terms in respect of consumers, which shall be consistent with the provisions of the Ordinance and the Rules as well as the terms and conditions of the Licence.
- 28.3 Except with the prior written approval of the Authority, the Licensee shall not enter into any contract with any consumer on terms, which are inconsistent with the Standard Contract Terms.
- 28.4 The Licensee shall not amend the Standard Contract Terms without the prior written approval of the Authority.
- 28.5 The Licensee shall provide a copy of its Standard Contract Terms to any person upon that person's request.

29. Installation Inside Premises

- 29.1 The Licensee shall from time to time check its consumers at random for leakages in the internal pipelines of the premises; inform the consumer of the potential risks and hazards, and safe and efficient use of natural gas; educate and advise the consumers to use efficient equipment and provide a telephone number in writing which the consumer can use any time during twenty four (24) hours to report emergency and service concerns.

30. Disconnection of Supply of Natural Gas

- 30.1 The Licensee shall within sixty (60) days of the date of issuance of the Licence, 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 and restoration of supply of natural gas in respect of consumers serviced by it.
- 30.2 The Authority may, from time to time direct the Licensee to revise the draft of policy and procedure in such manner as the Authority deems expedient in the public interest.
- 30.3 The Licensee on written advice of the Authority shall disconnect the gas supply to a consumer who is in noncompliance, prolonged default of Authority's instructions or GoP policies.

31. Security Deposit by the Consumer

- 31.1 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.

32. Interruption due to Unforeseeable Circumstances or Force Majeure

32.1. When the Licensee interrupts, restrict or modifies the provision of a regulated service which is likely to continue more than 48 hours on account of unforeseeable circumstances or force majeure, it shall inform the affected consumers by publication in one locally distributed English and one locally distributed Urdu daily newspaper circulated in the affected area or by a communication means of greater dissemination in the pertinent locality of the scope, duration, and where possible the date and time when the said interruption, restriction or modification will end.

33. Priority During Interruption of Supply

33.1. Where it is considered that, for reasons of safety or in order to undertake demand management measures to meet seasonal or emergency requirements, the supply of natural gas to some or all consumers in any specified area must be interrupted, reduced or restricted, the same shall be done in accordance with GoP Policies.

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:

Chief Operating Officer,
Pakistan LNG Limited,
6th Floor, Petroleum House, Sector G-5/2,
Islamabad
Telephone: 051-9216903-04

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 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 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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(آئل اینڈ گیس ریگولیٹری اتھارٹی) OIL & GAS REGULATORY AUTHORITY
"SAY NO TO CORRUPTION"

24

Case No. OGRA-9(444)/2017-PLL
License No. NG-18/2017

IN THE MATTER OF

PAKISTAN LNG LIMITED

LICENCE TO UNDERTAKE REGULATED ACTIVITY RELATED
TO SALE OF NATURAL GAS

UNDER

OIL AND GAS REGULATORY AUTHORITY ORDINANCE, 2002

AND

NATURAL GAS REGULATORY AUTHORITY (LICENCING)
RULES, 2002

DECISION

OCTOBER 31, 2017

Ms. Uzma Adil Khan, Chairperson

Mr. Noorul Haque, Member (Finance)

Dr. Abdullah Malik, Member (Oil)

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AUTHORITY'S DECISION

BRIEF FACTS:

1. Pakistan LNG Limited PLL, (the applicant) has applied under Rule 4 of the Natural Gas (Licencing) Rules, 2002 for the grant of licence to carry out the regulated activity of the sale of Natural Gas to the consumers.
2. The applicant has stated that PLL is wholly owned subsidiary of Government Holdings Private Limited (GHPL) and will avail re-gasification, transmission and distribution facilities of terminal operator and Sui companies. Natural Gas will be injected into Transmission and Distribution network of the licensed gas companies (SSGCL and SNGPL) on the basis of OGRA Natural Gas (TPA) Rules, 2012. The estimated volume of gas to be sold is 1.8 bcf/d.

ADMISSION OF THE APPLICATION:

3. The Authority considered the matter and after admitting the application under Rule 5 of Natural Gas Licensing Rules, 2002 on 31-05-2017, invited all interveners and interested / affected persons and parties to furnish their comments / interventions / views, if any, on the petition filed by the petitioner through publication of the notice in the newspapers on 07-06-2017 within 15 days of said publication.
4. In response thereto, the following interveners filed intervention requests in writing, with the Authority:-
 - i) Sui Northern Gas Pipelines Limited.
 - ii) Gaseous Distribution Company (Pvt.) Limited.

PUBLIC HEARING PROCEEDINGS:

5. 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 :-

Public Hearing at Lahore on 01-08-2017

a) Representatives of the Petitioner (PLL)

- i) Mr. Saleem Anwar, Manager Technical, PLL
- ii) Mr. Faisal Khalil, Manager Legal, PLL
- iii) Mr. Omair Shabbir, Manager Marketing, PLL
- iv) Mr. Muhammad Ahmed Rasheed, Management Associate, PLL

b) Interveners

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- i) Mr. Sohail M. Gulzar, Senior General Manager (D), SNGPL
- ii) Syed Jawad Naseem, Senior General Manager (BD), SNGPL
- iii) Mr. Mehmood Zia, Senior General Manager (D), SNGPL
- iv) Mr. Liaqat Ali, Chief Accountant (RA), SNGPL
- v) Mr. Abdul Hanan, Engineer (RA), SNGPL
- vi) Mr. Muhammad Zaman Riaz, Executive Engineer (RA), SNGPL

c) Representatives of General Public

- i) Mr. Salman Qaisrani, Dy. Director General (BOT) – FWO
- ii) Mr. Mobin Saulat, Managing Director, ISGS
- iii) Mr. Mohammad Anas Farook, Chief Financial Officer, ISGS
- iv) Mr. Muhammad Farooq Qamar, Dy. General Manager (T), ISGS
- v) Mr. Aurangzeb Mehmood, Company Secretary, ISGS
- vi) Maj. Abdul Majid, Dy. General Manager - FWO
- vii) Mr. Muhammad Raza Khan, Assistant Manager, FWO
- viii) Mr. Fawad Haider, Chief Consultant & Engineering Services, KPOGCL
- ix) Mr. Nuzhat Jehan, Manager, Mitsubishi Corporation
- x) Sheikh Muhammad Ayub, Former Chairman, APTMA
- xi) Mr. Mohsin Aftab, Regional Secretary, APTMA
- xii) Mr. Amar Jalil, Asstt. Engineer, KPOGCL
- xiii) Mr. Atif Javed, Asstt. Engineer, KPOGCL

Public Hearing at Karachi on 09-08-2017

a) Representatives of the Petitioner (PLL)

- i) Mr. Saleem Anwar, Manager Technical, PLL
- ii) Mr. Faisal Khalil, Manager Legal, PLL
- iii) Mr. Muhammad Ahmed Rasheed, Management Associate, PLL

b) Interveners

- i) Sardar Abdul Rafi Abbasi, Director, GDCL
- ii) Mr. Khurram, Manager, GDCL

c) Representatives of General Public

- i) Mr. Tariq Ali Shah, Chief Executive Officer, Sindh Petroleum Ltd, Energy Deptt., Govt. of Sindh
- ii) Mr. Kamran A. Mian, Commercial & Business Development Manager, ENI Pakistan Ltd.
- iii) Mr. Muhammad Farooq Qamar, Dy. General Manager (T), ISGS
- iv) Syed Ali Askari Abedi, Commercial Officer, ENI Pakistan Ltd.
- v) Mr. Muhammad Javed Aslam, Business Development Advisor, ENI Pakistan Ltd.
- vi) Syed Anwer Alam, Muslim World Economist
- vii) Mr. Owais Mir, Metro Gas
- viii) Mr. Mohammad Awais, Analyst, Pak Burnai
- ix) Mr. Aurangzeb Mehmood, Company Secretary, ISGS
- x) Mr. Shamas Baig, Manager, SAM TECH
- xi) Mr. Usman Ali, Citizen
- xii) Mr. Baleegh Hussain, Consumer
- xiii) Ms. Sofia, Consumer

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- xiv) Ms. Saadia Qazi, Mitsubishi Corporation
xv) Mr. Muhammad Arif Bilvani, Commentator

PRESENTATION BY THE APPLICANT:

6. During the Hearing Proceedings, the representative of the applicant presented their case / stance at length and informed the Authority and participants of the hearing as under:-
- a) That applicant is a Public Sector Entity, incorporated under the Pakistan Companies Ordinance, 1984, wholly owned subsidiary of Govt. Holdings Private Limited (GHPL), operates under auspices of the Ministry of Petroleum and Natural Resources, Govt. of Pakistan (GoP) and PLL is mandated by GoP to manage supply chain of LNG to overcome the shortfall in the gas supply position vide ECC decision No.ECC-148/19/2015 dated 25-11-2015.
- b) The applicant further narrated that Demand-Supply gap in gas is 2bcfd (constrained) & over 4bcfd (unconstrained). 50% of Pakistan's energy mix is gas-based and due to the gas crisis:
- Gas powered generation not being utilized at capacity (minimum 3000 MW)
 - Excess use of furnace oil generation (extra cost of \$1-2B per year)
 - No supply to fertilizer (\$1.5B needed to be imported)
 - Shut down & higher cost for the textile sector (4 hrs of gas supply, 50-60% units not operating, alternative fuel generation 2-3X more expensive)
 - CNG sector collapse
- c) The applicant further elaborated that to create the infrastructure needed to absorb excess LNG supply (terminals, pipelines, power-plants, captive units, etc.) requires time & investment. Unlike other countries Pakistan already has the basic infrastructure & can readily utilize excess / cheap LNG from the global market. Pakistan is already a gas based economy (50% of energy mix) & has a pipeline network of over 120,000 km. With this inherent advantage, Pakistan can not only fulfill its gas deficiency but also dramatically lower its energy costs for the foreseeable future leading to:
- Higher employment
 - Higher economic growth
 - More inclusive development (SME's)
- d) At the end, the applicant stated their current status that with respect to LNG Supply, 5 year term tender, for 1 cargo a month, awarded to Gunvor through successful competitive bidding process @11.62% slope, 15 Year Term Tender, for 1 cargo a month, awarded to ENI through successful competitive bidding process @11.99% slope and

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G2G negotiations in progress for remaining 4 cargoes. Terminal use and Re-gasification Agreement has been finalized with Pakistan LNG Terminal Limited (PLTL). Gas Sale and Purchase Agreement finalized with SNGPL.

- e) After at length presentation, the applicant prayed before the Authority that they met all the legal and codal formalities as provided under applicable laws of OGRA and other concerned organizations / departments, hence are eligible to be granted a Licence for Sale of RLNG/Natural Gas to the end consumers.

ARGUMENTS OF THE INTERVENERS:

7. Representative of one of the interveners i.e. Sui Northern Gas Pipelines Limited (SNGPL) presented their stance during the Public Hearing, however the other intervener i.e. Gaseous Distribution Company Limited did not raised any objections / comments. The jist of the reservations / contentions of SNGPL are as under:-
- i) The applicant has a lack of human resource / technical expertise for managing the core functions of metering and billing associated with the sale of Natural Gas / RLNG as evident from the organogram given in its application.
 - ii) The applicant intends to take over existing Bulk consumers of SNGPL in Power & Fertilizer sectors, whereas SNGPL has already executed firm supply agreements for sale of Natural Gas / RLNG with these Bulk consumers.
 - iii) Taking over of these firm supply consumers without the consent of SNGPL and those of the consumers may create legal complications.
 - iv) The applicant intends to supply gas to textile, CNG and General Industrial sector, whereas no MOU signed with these industrial & CNG consumers was furnished through its application.
 - v) Under current arrangement, these industrial consumers are currently getting "indigenous system gas supplies" @ 35% (subject to variation) of their Contractual Loads. There is very little likelihood that the industrial consumers will forego this arrangements as there is considerable difference of tariff of "indigenous system gas supplies" and RLNG.
 - vi) The UFG Benchmark given by OGRA caters for the overall losses in Bulk and Retail sector consumers and in case some of the Bulk consumers getting 'indigenous system gas supplies' are taken over by the applicant and SNGPL is left with option to supply gas to retail sector consumers (commercial, domestic, etc), it will adversely affect the bulk-retail ratio, thus the UFG disallowance of the Company.
 - vii) SNGPL has signed a tripartite agreement with PSO and SSGCL for purchase and re-gasification of LNG equivalent to 600 MMCFD and another agreement with PLL for purchase of RLNG equivalent to 600 MMCFD is almost finalized. If the existing consumers of SNGPL are transferred to PLL, as claimed by them, then SNGPL would not be in a position to honor the LNG / RLNG purchase commitments towards our suppliers.

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- viii) At the end, on the basis of above, SNGPL requested the Authority that the application of PLL for grant of Licence for Sale of Natural Gas may please be rejected or at least partially rejected to the extent where they have shown their intention to take over our firm supply consumers.

REPLY OF THE APPLICANT:

8. The applicant responded to aforesaid intervention/objections of the intervener in the following manner:-
- (i) The applicant assisted that it has furnished DG(Gas)'s letter 20-09-2015 wherein it has been informed that Government is in process of establishment of 100% government owned subsidiary company(s) under the umbrella of GHPL with the objective to handle LNG import, its storage /re-gasification and transportation thereof. The summary in this respect is under submission to ECC of the Cabinet for decision and accordingly all the agreements being executed amongst PSO, SSGCL and SNGPL i.e. (a) Tripartite Agreement (b) Gas Sales Agreement (c) Reimbursement agreement (d) LNG service agreements and LNG Sale Purchase Agreements with LNG supplier (s) shall be novated / transferred / assigned to government owned company(s).
 - (ii) The applicant also informed that it has furnished DG(Gas)'s letter dated 22-12-2016 wherein it has been informed to SNGPL that the applicant has been nominated for the purposes of novation of Gas Sales Agreement (GSA) and Reimbursement Agreement (RA) with Quaid-e-Azam Thermal Power Company Ltd. The entire novation process shall take place after the applicant acquires necessary license from OGRA as required under OGRA Ordinance and relevant rules.
 - (iii) Under TPA Rules the transporter must provide metering services to the end users at the exit point of the gas pipeline network.
 - (iv) Any party with a valid license may sell natural gas /RLNG to consumers and as such open competition will only improve market conditions and reduce price for end users.
 - (v) There is also a very strong likelihood that consumers may prefer to have a firm gas commitment of RLNG even though it may be slightly more expensive than indigenous gas.
 - (vi) SNGPL is currently supply gas on as and when available basis and as such these consumers are not being supplied gas at maximum capacity (demand). If such consumers are able to receive RLNG in firm quantities at full capacity the total quantum of gas being consumed by them will increase. This increase in total system gas will not decrease SNGPL's current supply to the bulk sector but in fact be over and above their existing supply.

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OBSERVATIONS / DECISION OF THE AUTHORITY:

9. The Authority, after scrutiny of the application, hearing the arguments of the applicant and the intervener 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 Pakistan LNG Limited** to carry out regulated activity of Sale of Natural Gas/RLNG to the consumers for a period of Ten [10] years with effect from [October 31, 2017]. The License will be effective subject to fulfillment of the following agreements:-

- a) Execution of GTA with SSGCL and SNGPL.
- b) Execution of service agreement with SSGCL and/or SNGPL for metering / billing to the consumers and safety issues.
- c) Execution of LNG supplies agreement.
- d) Execution of agreement with LNG terminal operator or capacity holder.

In case the licensee could not comply the aforesaid covenant and failed to start operation within one (01) year of issuance of the licence, the license granted shall stand cancelled / revoked forthwith, until an extension is sought from the Authority one month prior to expiry of the license.

10. The licensee shall be liable to pay the fee in accordance with the Schedule II of Natural Gas Licensing Rules, 2002.

11. 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.

Dated: October 31, 2017



(Dr. Abdullah Malik)
Member (Oil)



(Noorul Haque)
Member (Finance)



(Uzma Adil Khan)
Chairperson


REGISTRAR
Oil & Gas Regulatory Authority
Islamabad