

IN THE MATTER OF

**ENERGAS MARKETING (Private) LIMITED (EMPL)
LICENCE TO UNDERTAKE REGULATED ACTIVITY RELATED
TO SALE OF NATURAL GAS/RLNG IN PAKISTAN**

UNDER

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

DECISION

JANUARY 12, 2021

Mr. Noorul Haque, Chairman

Mr. Muhammad Arif, Member (Gas)

Mr. Zain Ul Abideen Qureshi, Member (Oil)

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AUTHORITY'S DECISION

BRIEF FACTS:

1. The Energas Marketing (Private) Limited, Karachi (EMPL) (the applicant) has applied under OGRA's Natural Gas (Licencing) Rules, 2002 for grant of license for Sale of Natural Gas/RLNG. EMPL is a sister organization of Energas Terminal private Limited (ETPL). The applicant has furnished a letter from ExxonMobile for LNG Supply, ETPL for regasification and MoU with SNGPL, SSGCL for gas transportation and Consumers for sale of Natural Gas /RLNG. EMPL's LNG import strategy is based on a short term and long-term scenario. In the near term EMPL plans to import LNG by utilizing the idle capacity available in the PGPC terminal supervised by Pakistan LNG Terminals Limited. Through utilizing this capacity EMPL will help mitigate the annual losses incurred by Government of Pakistan in the form of capacity charges to PGPC terminal and also in the form of lost revenue from the underutilization of the Sui pipeline network. In the long term the ETPL LNG terminal will be used for importing LNG, once when it is operational.

ADMISSION OF THE APPLICATION:

2. After a thorough deliberation by concerned Depts. of OGRA, the application was presented before the Authority for consideration of the same which was accordingly admitted by the Authority under Rule 5 of Natural Gas (Licensing) Rules, 2002 on 16-04-2020. Under Rule 5 of the said Rules, the Authority solicited comments / interventions and suggestions from all the interveners and interested / affected persons and parties through Public Notice published in the leading newspapers on 24-04-2020. In response thereto, the Authority received four intervention requests and twelve parties have strongly supported the grant of the subject License to EMPL for Sale of Natural Gas / RLNG in Pakistan.

In order to proceed further in the matter, OGRA decided to hold a Public Hearing in the instant case, however due to 2nd massive wave of Pandemic/COVID-19 outbreak throughout the country, OGRA decided to hold virtual Public Hearing which was conducted through Virtual / Zoom Application on 17-12-2020 at 11:30 a.m. from OGRA Office, Islamabad.

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VIRTUAL PUBLIC HEARING PROCEEDINGS:

3. More than 68 participants representing different multinational, National Textile industry, groups, companies and General Public attended the Public Hearing proceedings through Virtual / Zoom Application:

Participants of Virtual Public Hearing at Islamabad on 17-12-2020

a) Representatives of the applicant (EMPL)

- i) Mr. Anser Ahmed Khan, Chief Executive Officer
- ii) Mr. Usama Imran Khan, Senior Manager

b) Representatives of General Public

- i) Mr. Rahat Kamal Siddiqui (Senior Project Director), PGPC
- ii) Mr. Kashif Hussain, PGPC
- iii) Mr. Yousaf Inaam (Asstt. Manager Sales & Marketing) and PLL Team, Pakistan LNG Limited
- iv) Mr. Mustafa Qayyum, Managing Director, OTO Gas (Private) Limited
- v) Mian Sohail Hussain, Chief Executive Officer, Gresham's Eastern (Pvt.) Limited
- vi) Mr. Bilal Akbar Leghari, Advocate

PRESENTATION BY THE APPLICANT (EMPL):

4. Initially, the Registrar OGRA presented a brief of the instant project and sought permission of the Authority to invite the applicant to present his application / presentation which was acceded to and Mr. Anser Ahmed Khan, Chief Executive Officer, Energas was invited to present Opening remarks about their project. Mr. Anser Ahmed Khan initially paid his words of thanks to the Hon'ble Members of the Authority for extending them an opportunity of hearing to present their case and presented a concise brief of the instant project.

He further added that the Authority may accept their application for the Gas Sales License as per the Natural Gas Licensing Rules, 2002 to provide Gas and serve the Power, Textile and Industrial sector etc. EMPL is a sister Organization of Energas terminal Private Limited ("ETPL") which has already obtained Provisional License from OGRA for Construction of its LNG terminal. EMPL has also formed a strategic partnership with ExxonMobile for supply LNG to EMPL. In the short term, EMPL plans to import LNG by utilizing the idle capacity available in the PGPC terminal supervised by Pakistan LNG Terminals Limited. By utilizing this capacity EMPL will help to mitigate the annual losses incurred by Government of Pakistan in the form of capacity charges to PGPC terminal and also in the form of lost revenue from the underutilization of the Sui

Pipeline network. In the long term the ETPL LNG terminal will be used for importing LNG, once it is operational.

After the introductory remarks by Mr. Anser Ahmed Khan Chief, Executive Officer, Energas resumed detailed presentation before the Authority and the audience with the following arguments:

- a) Energas is a bi-consortium of Pakistani shareholding largest business groups in Pakistan which includes Sapphire, Yunus Brothers and Halmore and as a combined we total assts of 5.7 Billion USD and an annual turnover of 3.2 Billion USD, alongside construction and operational experience of operating over 2000MWs of energy projects. ENERGAS Marketing Pvt. Limited has a strong and qualified Sponsorship.
- b) Energas is a sister organization of Energas Terminal (Private) Limited (ETPL). We have furnished letters from ExxonMobile for LNG Supply, from ETPL for regasification and MoU with SNGPL, SSGCL for gas Transportation and Consumers for Sale of Natural Gas /RLNG. ETPL is in the process of setting up an LNG Terminal Port Qasim Authority, Karachi from which RLNG shall be obtained and supplied to customers in Pakistan
- c) In line with OGRA objective, Energas aims to: *foster competition, increase private investment and ownership in the midstream and downstream petroleum industry, protect the public interest while respecting individual rights*”.

ARGUMENTS OF THE PARTICIPANTS:

5. After a detailed presentation by the applicant, Registrar OGRA informed the Hon'ble Authority that Pakistan Gas Port Consortium Limited, GEI Pakistan (Private) Limited, Mr. Bilal Akbar Leghari and OTO Gas (Pvt) Limited have requested for comments upon the instant licence application. Accordingly, the following participants presented their point of view:

i) PAKISTAN GAS PORT CONSORTIUM LIMITED

PGPCL understands that Energies has misrepresented in its letter of January 16, 2019 to OGRA that it has access to surplus capacity in the PGPCL Terminal either through Pakistan LNG Terminals Limited (PLTL) or through PGP Consortium Limited (PGPC).

PGPC hereby confirm that we have no arrangements with Energas and upon inquiry, PLTL has also informed them that they have no MOU or any type of Agreement or understanding with Energas for use of surplus capacity at PGPC Terminal. It is also pertinent to note that PLTL does not has the right to the excess capacity at PGPC LNG terminal and neither can

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it transfer its contractual capacity for off-take of 600 MMCFD to any third party without due process under the OSA and law. Therefore, the application for granting license to Energas for sale of natural gas /RLNG be immediately dismissed on the ground that the applicant has made incorrect statements.

ii) **MR. BILAL AKBAR LEGHARI**

The objection raised by Mr. Bilal Akbar Leghari is with regards to the procedure followed by Energas for obtaining the un-utilized capacity of PLTL.

iii) **GEI PAKISTAN (PRIVATE) LIMITED**

While Energas notes the concern raised by GEI Pakistan (Pvt) limited that it had only signed a letter of intent with SAIF POWER (Private) Limited dated December 05, 2017 which clarifies that such letter of intent was later withdrawn by Saif Power, however the same has not withdrawn till date. It is important to convey here that such letter of intent was fully valid at the time of fulfilling of the application by the applicant. Energas was never reliant solely on Saif Power as a potential customer. Despite the withdrawal of the letter of intent by Saif Power, Energas is adequately covered with respect to the requirement of OGRA of having customers for sale of LNG since it has multiple other customers identified and lined up for LNG sale and purchase such as the twelve (12) entities who have filed with intervention request in support of the applicant.

The objection with regards to the deviation from the standardized MOU with Sui Northern Gas pipeline Limited (SNGPL) is not only ill-founded and misconceived but is also incomplete ignorance of the facts of the application.

Another objection raised by GEI was regarding sent-out capacity. It was alleged that the allocation of 1000 MMCFD capacity to Energas would result in monopolization of the capacity available with SSGCL to receive LNG / RLNG from Port Qasim vicinity, thereby impacting GEI'S ability to send out its RLNG.

iv) **OTO GAS (PRIVATE) LIMITED**

OTO Gas (Private) Limited (OTO) in its intervention raised an issue relating to the grant of license to Energas without the satisfaction by Energas of the requirement of an MOU with an operational LNG terminal and thus seeks that OTO be provided with a level playing field with the same exemption.

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v) **PAKISTAN LNG Limited**

PLL raised the concern that EMPL was relying on existing customers of SNGPL and SSGCL company rather than incremental customers, which would affect SNGPL and SSGC business.

vi) **Question of OGRA Panel**

Mr. Muhamad Arif, Member (Gas)

Hon'ble Member (Gas) inquired about the LNG Supplies of EMPL?

Reply of EMPL

EMPL has been engaged with multiple LNG suppliers for the project. For the purpose of Gas Sales and Marketing Application, EMPL has already furnished a letter from a leading supplier on 19-12-2018. This was part of EMPL's application of Gas Sales and Marketing License on 18-12-2020.

The following parties have strongly supported the stance of EMPL through their written correspondence that the subject License may kindly be granted to the applicant at the earliest for Sale of Natural Gas / RLNG, in order to mitigate the energy shortfall in the country:

- i) Raza Abbas, Sindh Petroleum & CNG Dealers Association
- ii) Tahir Abbas, Sapphire Finishing Mills Ltd
- iii) Munir Ahmad, Diamond Fabrics Limited
- iv) Mujahid Akbar Bozdar, Sapphire Fibres Limited
- v) Nauman Iqbal, Reliance Cotton Spinning Mills Limited
- vi) Ghulam Abbas, Amer Cotton Mills (Pvt) Limited
- viii) Zaheer Ahmed, Halmore Power Generation Company Limited,
- ix) Muhammad Imran (CFO), Sapphire Textile Mills Limited
- x) Altaf H Makna, Yunus Textile Mills Limited
- xi) Dawood Khan, Lucky Motor Corporation Limited
- xii) Muhammad Atif Kaludi, Lucky Cement Limited
- xiii) Muhammad Imran Moten, Gadoon Textile Mills Limited
- xiv) Barrister Ali Asghar Khan
- xvi) Marvi Palijo, Ali Khan Law Associates (AKLA)
- xvii) Adnan Arif, Lucky Textile Mills Limited
- xviii) Faisal Zia Siddiqui (Business Head Energy), Sapphire Electric Company Limited

RESPONSE OF THE APPLICANT (EMPL):

6. EMPL, while responding to the queries of the participants EMPL stated as under:

Reply to PGPCL

In response to PGCPL, it was firstly highlighted by the applicant that the concept of availability of any "surplus capacity" with PGPCL is unclear. It is our clear understanding that the entire capacity of PGPCL has been allocated to PLTL, therefore the availability of "surplus capacity" with PGPCL and the proposition that the same is to be utilized by Energas is a clear misrepresentation and mala fide. Energas has never endeavoured to engage in any discussion relating to "surplus capacity" with PGPCL as it understands that there is none available.

It may kindly be noted that it has always been our position, based on matters set out below, that it may, in the short term, utilize any such capacity of PGPCL terminal that has been allocated to PLTL but remains un-utilized by PLTL (the Un-utilized capacity). A matter that primarily involves PLTL rather than PGPCL.

It is further highlighted that there is no misrepresentation on our part since it has always been our stance that utilization of the un-utilized capacity of PLTL is part of the short-term business plan of Energas. Our overall business plan is to use Energas Terminal, LNG Terminal to import LNG on long-term basis. The business model of Energas is not premised on utilization of un-utilized capacity, therefore, Energas is not reliant on PLTL.

Energas further re-iterated that neither PGPCL has any converted surplus capacity to offer to any one (has the entire capacity has been allocated to PLTL) nor does Energas seeks (or has sought in the past), in each case, any such surplus capacity from PGPCL, has incorrectly claimed in their intervention. It is, therefore clarified that the intent to utilize the Un-utilized capacity, if offered and only if required by us in view of its short term requirements is to help the Government in mitigating the annual losses incurred due to the "take or pay obligations" in the form of capacity charges payable to PGPCL terminal and also in the form of lost revenue from the underutilization of Sui pipeline network, in full compliance of the procedures that will be laid down by PLTL and in accordance with applicable laws.

Regarding backgrounds of our intent of utilization of Un-utilized capacity, it may kindly be noted that the proposition to utilize the unutilized capacity of PLTL was itself hinted in various meetings of Economic Coordination Committee (ECC) of the Federal Cabinet with the intention to allow private sector to use such unutilized capacity (subject to govt approvals) to ease the financial burden of

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PLTL including the ECC decision of July 31, 2019. In this regard, reference is also made to PLTL's letter of March 29, 2019.

Reply to Mr. Bilal Akbar Leghari, Advocate

In response to the query of Mr. Bilal, the applicant stated that the applicable laws do not impose a condition precedent stipulating execution of an agreement with an LNG terminal operator for issuance of a gas sales license. Previously as a matter of practice, OGRA has issued Gas Sale licenses to UGDCL and GDCL on February 22, 2016 and December 22, 2016. As per clause 4.1.4 of the said licenses, the license holders did not enter into any agreement(s) with the Terminal Operator at the time of issuance of the license, therefore, it may be noted that the said condition was only a condition precedent to the effectiveness of the licenses and not the grant of such licenses.

Reply to OTO Gas (Private) Limited

While responding to OTO Gas, the applicant submitted that their instant application is not solely for the purposes of selling RLNG obtained from the PGPCL Terminal. Our sister concern namely ETPL i.e. Energas Terminal (Pvt.) Ltd is in the process of setting up an LNG Terminal at Port Qasim Authority, Karachi from which RLNG shall be obtained and supplied to customers in Pakistan. Furthermore, Energas is not in a position to comment on the merits of any application that may have been filed by OTO and the same needs to be dealt with by OGRA in the light of particular facts and circumstances.

Reply to Pakistan LNG Limited

While redressing the contention of PLL, the applicant submitted that the existing customers of the Gas Transmission Companies are facing seasonal /continuous gas shortages and most of these customers have also raised their concerns during the Virtual Public Hearing, mentioning that they are not able to operate at full capacity due to gas shortages and in order to further expand their business they will require additional gas in future. Details of such customers have also been provided to OGRA.

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OBSERVATIONS / DECISION OF THE AUTHORITY:

7. The Authority, after scrutiny of the application, hearing the arguments of the Applicant and the participants at length as well as on the basis of all available information, has arrived at the conclusion that the Applicant fulfills the legal requirements and is entitled to the requisite license. Therefore, the Authority, in exercise of its powers conferred under Sections 22(1), 23(1)(d) and 23(6) of the Oil and Gas Regulatory Authority Ordinance, 2002 read with Rule 3(3) of Natural Gas (licensing) Rules, 2002, hereby grants a license subject to terms and conditions mentioned in the License Document to the applicant in the name and style of **M/s Energas Marketing (Private) Limited, Karachi (EMPL) [the licensee]** to carry out regulated activity of Sale of Natural Gas/RLNG to the consumers for a period of Ten **[10]** years.
8. The licensee shall be liable to pay the fee in accordance with the Schedule-II of the Natural Gas (Licensing) rules, 2002.
9. The terms and conditions imposed on the licensee are contained in the **License Document** consisting of fifteen **[15]** pages which is issued to the licensee today along with this decision. The license is hereby granted subject to fulfillment of the following agreements: -
- i) *Execution of GTA with SSGCL and SNGPL*
 - ii) *Execution of service agreement with SSGCL and SNGPL for metering /billing to the consumers and safety issues.*
 - iii) *Execution of Natural Gas / LNG supplies agreement.*
 - iv) *Execution of agreement with LNG terminal operator.*
10. In case the licensee could not comply with the aforesaid covenants and failed to start operation within one (01) year of issuance of the license, the license granted shall stand cancelled/revoked forthwith.

January 12, 2021



(Zain Ul Abideen Qureshi)
Member (Oil)



(Muhammad Arif)
Member (Gas)



(Noorul Haque)
Chairman

ISLAMIC REPUBLIC OF PAKISTAN

LICENSE

FOR

SALE OF NATURAL GAS / RLNG

TO

ENERGAS MARKETING (PRIVATE) LIMITED

(EMPL)

UNDER

OIL AND GAS REGULATORY AUTHORITY

ORDINANCE, 2002

AND

NATURAL GAS REGULATORY AUTHORITY

(LICENCING) RULES, 2002



Licence No.NG-24/2021

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Handwritten signatures in blue ink: "Za", "ARIP", and a stylized signature.

Islamabad, January 12, 2021

License No: NG-24/2021

LICENSE FOR SALE OF NATURAL GAS

The Oil and Gas Regulatory Authority (the “**Authority**”), established under the Oil and 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 **Energas Marketing (Private) Limited** having its registered office at 6 – A, Muhammad Ali Society, Abdul Aziz Hashim Tabba Street, Gulshan Town, Karachi, Pakistan (the “**Licensee**”) a license (the “**License**”) to undertake the following activities (the “**regulated activities**”), subject to the terms and conditions (the “**Conditions**”) given herein:

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

Validity

The License shall be valid for an initial term of ten (10) years, effective from January 8, 2021 and unless revoked earlier, under Clause 4 hereof.



Part - A
General Conditions of the License

1. Definitions

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

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

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

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

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

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


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

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

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

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

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

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

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

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

2. Compliance with Laws

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

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

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

3. Renewal, Modification and Revocation of License

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

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

4. Early Termination of License

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

4.1.1. Execution of GTA with SSGCL and SNGPL.

4.1.2. Execution of service agreement with SSGCL & SNGPL for metering / billing to the consumers and safety issues.

4.1.3. Execution of Natural Gas/ LNG supplies agreement.

4.1.4. Execution of agreement with LNG terminal operator.



- 4.2. In case the licensee could not comply with the aforesaid covenants and failed to start operation within one (1) year of issuance of the licence, the license granted shall stand cancelled / revoked forthwith, until an extension is sought from the Authority one month prior to expiry of the License.
- 4.3. The Authority may, on an application made by the Licensee at least one (01) month prior to the proposed termination date, terminate the License in accordance with the provisions of the Ordinance and Rules.

5. Assignment, Sale and Transfer of License

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

6. Acquisition and Transfer of Shares

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

7. Non-Discrimination

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

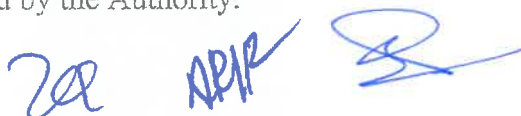
8. Inspection by Authority

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

9. Audit and Enforcement

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

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



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

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

10. Complaints Resolution Procedure

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

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

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

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

11. Performance and Service Standards

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

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

12. Payment of Fee/ Charges

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



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

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

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

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

13. Provision of Information

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

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

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

13.1.3. complying with the Network Code and access arrangement.

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

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

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

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14. Notices

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

Licensee:

Chief Executive Officer,
Energas Marketing (Private) Limited,
6 – A, Muhammad Ali Society,
Abdul Aziz Hashim Tabba Street, Gulshan Town,
Sindh 75350, Karachi, Pakistan.
Tel: (92-21) 34168203
Fax: (92-21) 34168202
E-mail: marketing@energas-lng.com

Authority:

The Registrar,
Oil and Gas Regulatory Authority,
Blue Area, Fazl-e- Haq Road,
Islamabad, Pakistan.
Tel: 051-9244296, 051-9244090-98 (157)
Fax: 051-9244310
Website: www.ogra.org.pk

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

Part – B

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

15. Compliance with Network Code

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

16. Use of Gas Pipeline Transportation System

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

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

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

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

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

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

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

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

17. Security and Continuity of Supply

17.1. The Licensee shall at all times use reasonable endeavors to ensure that it has the right to sufficient pipeline capacity in order for it to facilitate the maintenance of a reliable supply

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of gas to the consumers with which the Licensee has entered into contractual obligations to supply gas.

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

18. Gas Pipeline Transportation System Planning

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

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

19. Transfer of Consumers

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

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

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Part – C

Special Conditions Applicable to Sale of Gas

20. Sale of Gas Under Standard Terms and Conditions

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

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

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

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

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

21. Disconnection, Curtailment and Restoration

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

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



22. Consumer Service Manual

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

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

23. Publication of Reports and Sale Prices

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

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

24. Security and Continuity of Supply of Gas

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

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

25. Interruptions due to Unforeseeable Circumstances or Force Majeure

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

25.2. Where the interruption, restriction or modification in the supply of gas is significant in the opinion of the Licensee which may not be manifestly unreasonable, the Licensee shall additionally post the information specified in condition 26.1 on its website.



26. Gas Quality

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

27. Environmental Standards

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

28. Entry Arrangements

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

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

28.2.1. to comply with the Ordinance and Rules;

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

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

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

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

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

29. Efficient and Safe Use of Gas

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




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

30. Security Deposit by the Consumer

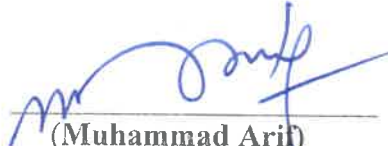
The Licensee may require a consumer to furnish a security deposit or bank guarantee of not more than an amount equivalent to the estimated average value of supply of natural gas to that consumer for a period of three (03) months or for such other period as may be agreed between the Licensee and the consumer.

31. Tariff Determination

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



(Zain Ul Abideen Qureshi)
Member (Oil)



(Muhammad Arief)
Member (Gas)



(Noorul Haque)
Vice Chairman/ Member (Finance)