

LPG RULES

S.R.O. 172(I)/2001.- In exercise of the powers conferred by section 2 of the Regulation of Mines and Oil fields and Mineral Development(Government Control) Act, 1948 (XXIV of 1948), and in suppression of its Notification No. S.R.O 142(I)/71, dated the 26th April, 1971,the Federal Government is pleased to make the following rules, namely:-

PART I

PRELIMINARY

1 Short title and Commencement.- (1) These rules may be called the Liquefied Petroleum Gas (Production and Distribution) Rules, 2001.

(2) They shall come into force at once.

2. Definitions. - In these rules, unless there is anything repugnant in the subject or context,

(a) "Area of operation" means the area within which a licensee is authorized to produce, separate, strip, liquefy, transmit, process, store, fill or distribute LPG base-stock or LPG.

(b) "Appendix" means the Appendix annexed to these rules.

(c) "*Authority*" means the Oil and Gas Regulatory Authority established pursuant to the Oil and Gas Regulatory Authority Ordinance, 2002.;

(d) "Company" means a joint stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, and receiver or trustee of any of them.

(e) "Consumer" means any person or company who is supplied with LPG by a licensee for his own use and not for storage, processing filling, sale or distribution;

(f) "Container" means any cylinder or vessel, portable or otherwise, used for storing, transporting and distributing LPG.

(g) "Decanting" means transfer of LPG from one container to another container.

(h) "Defaulter" means a company or its directors who fails to fulfill its contractual and legal obligations whether willfully or negligently.

(i) "Distributor" means a person or company appointed by a licensee for the purpose of storing and distribution of LPG in cylinders to a consumer.

Inserted vide Notification SRO No. 261(I)/2003 dated 15th March 2003

(j) "Financial competence" means such ability of a company to raise sufficient financial resources necessary to set up the requisite infrastructure facilities but not less than equivalent of US \$0.5 million, to be supported by a banker's certificate;

- (k) "Imported LPG" means LPG imported into Pakistan from other countries by a licensee.
- (l) "Licence" means a licence granted under rule 7.
- (m) "Licensee" means a company which holds a licence under these rules.
- (n) "LPG" means any material having a vapor pressure not exceeding that allowed for commercial propane composed predominantly of the following hydrocarbons, either by themselves as mixtures: propane, propylene, butane (normal butane or isobutene) and butylenes.
- (o) "LPG base-stock" means that product which is produced, separated, stripped, liquefied or transmitted from a refinery or an unit located near or connected to a well-head or imported into Pakistan.
- (p) "LPG Standards" means the LPG Standards as set out in Appendix I.
- (q) "Meter" means any equipment used for the purpose of measuring any quantity of LPG base-stock or LPG supplied and includes all kinds of apparatus upon whose reading or indication for any supply or sale of LPG base-stock or LPG, as the case may be, is wholly or partly determined in a specified or unspecified time.
- (r) "Reasonable price" means the level of price which is considered to be adequate to cover all operational and other normal expenses, provides a fair margin of profit to a licensee;
- (s) "Source of LPG base-stock" means any refinery or unit connected to well-head for the production, separation, stripping or liquefying of LPG base-stock by chemical or any other process, or any country from where LPG base-stock is imported into Pakistan.
- (t) "Technical competence" means such technical competence of a company entitled by its memorandum of association or any other appropriate instrument to engage in the production, liquefaction, separation, stripping, transmission, processing, storage, filling or distribution of LPG base-stock or LPG and to possess a team of qualified technical and professional personnel to safely undertake or cause to be undertaken the above said activities to be certified by an independent agency appointed by the Authority.
- (u) "Transmission line" means a pipeline used for transportation of LPG whether in liquid or gaseous form for the purpose of sale to, or by a licensee; and
- (v) "Works" include transmission lines, machinery or equipment owned, controlled, operated or managed, established or installed by a licensee for the purposes of production, liquefaction, separation, stripping, transmission, storage, processing, filling or distribution of LPG base-stock or LPG.

PART II

PROCEDURE FOR, AND DURATION OF, LICENCE

3. Licence compulsory:- No company shall, without first obtaining a licence for the purpose from the Authority, undertake or cause to be undertaken under any agreement, the construction and operation of any works.

4. Disposal of LPG base-stock:- (1) Any producer of LPG base-stock may market whole or part of its own product except where it has already entered into a sale and purchase agreement with a licensee in pursuance of any allocations made by the Authority prior to the date of coming into force of these rules in which case he shall complete the period of sale and purchase agreement on such terms and conditions as stipulated in such agreement including the price of LPG base-stock to be mutually agreed between the parties.

(2) Subject to sub-rule (1), any producer of LPG base-stock may dispose of the whole or part of its own product to a licensed LPG marketing companies or a new party after its pre-qualification as regards its financial competence and technical competence subject to the condition that it is not defaulter.

5. Application for licence:- (1) A company entitled by its memorandum of association or any other appropriate instrument to engage in the production, liquefaction, separation, stripping, transmission, processing, storage, filling or distribution of LPG base-stock or LPG may submit an application for grant of a licence to the Authority.

(2) An application for grant of a licence shall be submitted in triplicate in the form as set out in Appendix II [*Clearly indicating the source of LPG base stock*] and shall be accompanied by a fee of one hundred thousand rupees, which shall in no case be refunded.

6. Consideration of application.- (1) The Authority shall consider the application having regard to all the circumstances which appear to it to be relevant and, in particular, but not so as to limit the generality of the foregoing, to:

- (a) the public and national interest; and
- (b) the financial and technical competence of the applicant.

Deleted vide Notification SRO No. 763(I)/2001 dated 31st October 2001

(2) The Authority may require such changes and alterations in the plans and in the details, to be made as it may deem expedient.

(3) A licensee shall be bound by the provisions contained in these rules and such other terms and conditions as may be specified in the licence.

7. Grant of licence.- (1) The Authority may grant a licence in the form as set out in Appendix III for the production, processing, storing, filling or distribution of LPG base-stock or LPG in accordance with the provisions of these rules and may specify in the licence such terms and conditions as it may think fit to impose on the licensee, or it may refuse to grant licence.

(2) The Authority shall decide the grant of or otherwise, a licence, within ninety days of receipt of an application, complete in all respects.

(3) In case of refusal to grant, an appeal shall lie from the decision of the Authority to the Federal Government within thirty days from the date of refusal to grant licence.

(4) *Issuance of licence by the Authority in no manner shall establish the right of the party for any allocation of LPG quota.*

8. Duration of licence.- (1) A licence shall be initially granted for a period of two years.

(2) The licence shall be extendable for such further period or periods which are proved by the licensee to be justified for reasons beyond his control, during which period the licensee shall execute his works in pursuance of rule 13.

(3) On completion of works to the satisfaction of the Authority, the period of licence may be extended further for a period of fifteen years.

9. Renewal of licence.- On expiry of a licence it may, unless earlier revoked under rule 10, be renewed from time to time for a period of fifteen years each time on payment of a non refundable fee of twenty five thousand rupees.

(2) Any licensee desiring to have his licence renewed shall make an application in that behalf to the Authority not less than three months preceding the expiry of the period for which the licence is valid.

(3) No application for a renewal of a licence shall be refused unless the licensee has been given an opportunity of being heard.

(4) In case of refusal to renew a licence an appeal shall lie from the decision of the Authority to the Federal Government within thirty days from the date of refusal to renew the licence.

Inserted vide Notification SRO No. 763(I)/2001 dated 31st October 2001

10. Revocation, alteration or amendment of licence.- (1) The Authority may, if in its opinion the public interest so requires, revoke a licence in any of the following cases, namely:-

(a) where the licensee, in the opinion of the Authority, makes willful and unreasonably prolonged default in doing anything required of him under these rules and has been informed in writing to that effect by the Authority;

(b) where the licensee violates any of the terms and conditions of the licence and is so informed in writing and does not rectify the violation within the time specified by the Authority; and

(c) where a licensee is, in the opinion of the Authority, unable to discharge by reason of his insolvency, his duties and obligations fully and efficiently under these rules or imposed on him by the licence.

(2) Where, in the opinion of the Authority, the public and national interest so requires, the Authority may, instead of revoking a licence under sub-rule (1), permit it to remain in force in relation to the whole or any part of the area of operation with such alteration, or amendments in the terms and conditions of the licence, as it thinks fit to make, or upon such new terms and conditions as it may impose upon a licensee.

(3) In case of revocation of a licence or any alteration in the area of operation, or amendments in the terms and conditions of the licence, an appeal shall lie from the decision of the Authority to the Federal Government within thirty days from the date of revocation of the licence or, as the case may be, alteration in the area of operation, or amendments in the terms and conditions of the licence.

11. Licensee not to sell, assign, transfer, conveys or leases his licence or works.-

No licensee shall, without the prior approval in writing of the Authority -

(a) Sell, assign, transfer, convey or lease his licence or his works or any interest therein in whole or in part;

(b) Enter into any agreement or contract for –

- (i) The amalgamation of his works with those of any other person or company; and
- (ii) The operation of his works by any other person or company; or

(c) Mortgage or otherwise create a charge upon the works or any interest therein.

12. Agreements.- Any agreement relating to supply, sale, storage, processing, filling and distribution of LPG base-stock or LPG between the licensees shall be intimated by the concerned licensees to the Authority within fifteen days of its execution.

13. Execution of works after grant of licence.- (1) A licensee shall, after grant of a licence, execute his works in accordance with the LPG standards to the satisfaction of the Authority within a period of two years or such further period as the Authority may allow under special circumstances proved by the licensee to be beyond his control.

(2) The Authority shall appoint one or more third party inspectors for the purpose of verification of works of a licensee in pursuance of sub rule (1) and the licensee shall pay to such third party inspector or inspectors a reasonable fee, as determined by the Authority, from time to time, for the purpose of any such inspection.

(3) The Authority may appoint one or more third party inspectors for the purpose of inspection of the works of a licensee from time to time, at least once in five years, to verify that the works of the licensee conform to the LPG Standards and the licensee shall pay to such third party inspector or inspectors a reasonable fee, as determined by the Authority, from time to time, for the purpose of any such inspection.

14. Addition to or extension of the works.- A licensee shall not make any major alteration, in addition to or extension of, his works as given in his plans and in details, as approved by the Authority under rule 6, unless such alteration, addition or extension is authorized by the Authority in writing.

15. Right to discontinue supply.- A licensee may temporarily discontinue supply of LPG base-stock or LPG when such discontinuance becomes necessary for maintenance of his works.

16. Prohibition on abandonment and shifting of works.- No licensee shall abandon or shift his works or portion of works without the prior approval in writing of the Authority.

17. Export of LPG base-stock or LPG.- No licensee shall export LPG base-stock or LPG in any manner to any other country without the prior approval in writing of the Authority.

PART-III

CHARGES AND ACCOUNTS

18. Price of LPG base-stock and LPG.- (1) A licensee shall charge from another licensee or a consumer a reasonable price of LPG base-stock and LPG, during a specified period, which in no case shall be less than six months, and the licensee shall inform about such prices to the Authority at least fifteen days

prior to the commencement of such specified period. The licensee shall also publicize such prices in the media for information of the public.

(2) In case the prices of LPG base-stock and LPG so fixed by a licensee under sub-rule (1) are not considered to be reasonable, the Authority may, in the public interest, determine a reasonable price of LPG base-stock and LPG, in accordance with the prevailing policy of the Federal Government, which a licensee shall charge from another licensee or a consumer.

19. Measurement.- (1) The quantity of LPG base-stock supplied to a licensee, and LPG supplied to a consumer shall be ascertained by means of a correct meter or weighbridge.

(2) The Authority or any person duly authorized by the Authority shall, at any reasonable time, have access to ensure the correctness of meter, weighbridge, storage tanks, calibrations and container with respect to the quantity of LPG base-stock and LPG for which the prices have been informed by a licensee under sub-rule (1) of rule 18. All reasonable expenses of and incidental to such inspection, as determined by the Authority, shall be paid by the licensee.

20. Power to regulate distribution of LPG.- The Authority may, if satisfied that it is necessary in the public interest to do so, by order in writing, direct a licensee to supply LPG to any area or locality as may be specified in the order.

21. Disputes to be referred to the Authority.- All disputes over measurement, rates and charges of a licensee or in respect of any provision of these rules, shall be referred to the Authority whose decision thereon shall be final and binding on the concerned parties.

22. Records and accounts.- Every licensee shall make, keep and preserve for such period such accounts, records of cost accounting, procedures, correspondence, memoranda, papers, books and other records as the Authority may specify or require for examination and inspection, and shall submit to the Authority such accounts, statistics and information in such forms and for such period as the Authority may specify.

23. Audit of accounts of licensee.- A licensee shall submit on regular basis to the Authority the statement of its annual accounts, duly audited by a firm of registered Chartered Accountants.

24. Willful hindrance in submitting records, etc.-unlawful.- No licensee shall willfully hinder, delay or obstruct the making, submitting or keeping of any information, document, report, memorandum, record or account required to be made, submitted or kept under these rules.

PART-IV

GENERAL

25. Entry, inspection and enforcement of the rules.- (1) The Authority or any person duly authorized by the Authority may enter, inspect and examine any place in which he has reason to believe that there is any works for filling, storing, processing, measuring or distribution of LPG base-stock and LPG, and take all necessary steps for the due observance of the provisions of these rules and any order issued by the Authority, by a licensee, consumer or any other person connected with the storage, transmission, distribution, supply and use of LPG base-stock or LPG.

(2) A licensee, owner, manager, proprietor or any other person in charge of the site of works for production, processing, storing, filling, transportation and distribution of LPG base-stock and LPG shall afford the person authorized by the Authority under sub-rule (1), all reasonable facility for making an examination, inquiry, inspection, measurement or for taking any sample.

26. Protection to public.- (1) A licensee shall locate, construct, maintain and operate his works connected with storage, filling and transportation of LPG in accordance with a licence granted by the Chief Inspector of Explosives under the Petroleum Rules, 1937, and shall comply with the provisions of the Gas Cylinder Rules, 1940, so as not to endanger the public health or safety.

(2) A licensee shall immediately, but not later than forty-eight hours of an accident, submit an initial report to the Authority indicating details of the accident and any remedial measures taken thereto.

27. Insurance compulsory.- (1) No licensee shall operate its works including filling plants, storage, transportation and distribution of LPG unless the same are insured against loss and damage to the public life and property due to any operational reason, accident, etc.

(2) Notwithstanding the provisions of sub-rule (1), a licensee shall be responsible for any mishap that takes place at his works, LPG outlets, distributor's premises or during transportation of LPG due to incompetence, negligence or use of substandard material or equipment and shall be liable to compensate the loss of life and property, as determined by the Authority on case to case basis. The compensation so fixed by the Authority shall be paid within a period of one month of the issuance of an order by the Authority.

28. Marking of storage.- A licensee shall mark with conspicuous signs on the place at which the storage tanks are located.

29. Penalty for breach of these rules.- Whoever commits a breach of these rules shall without prejudice to any other action that may be taken against him, be punishable for every such breach with fine which may extend to five hundred thousand rupees.

LPG STANDARDS

1.1 STORAGE AND CYLINDER FILLING PLANTS

- 1.1.1 Health and Safety Executive 34: The storage of LPG at fixed installation.
- 1.1.2 Code of Practice 12 prepared by Liquefied Petroleum Gas Industry Technical Association, UK, (LPGITA) Recommendations for the safe filling of LPG cylinders at depots.
- 1.1.3 NFPA 58, 1998 Edition: Standard for the storage and handling of LPG.
- 1.1.4 Code of Practice 14 prepared by LPGITA Hoses for transfer of LPG in bulk installation, inspection, testing and maintenance.
- 1.1.5 Guidance Note CS-4 from the Health and Safety Executive, UK, the keeping of LPG in cylinder and similar containers.
- 1.1.6 Extracts from US Government, Code of Federal Regulations, “Title 49 – Transportation, part 178 to 199 Revised as of 1 October, 1988”, Dot specifications 4B, 4BA and 4BW relating to welded steel cylinders.
- 1.1.7 (a) Code of Practice 15: Valves for LPG cylinders:
 - Part 1 – Safety Valves.
- (b) Code of Practice 15: Valves for LPG cylinders.
 - Part 2: Outlets valves for butane cylinder-quick coupling type.
- 1.1.8 BS 3016: 1989, BSS for pressure regulators and automatic changeover devices for LPG.
- 1.1.9 BS 4089: 1989, BSS for Hoses and hose assemblies for LPG.
- 1.1.10 BS 3212: 1975, BSS for Flexible rubber tubing and hose (including connections where fitted and safety recommendations) for use in LPG 1 vapor phase and LPG/air installations.
- 1.1.11 BS 5430: Part 2, 1990, BSS for periodic inspection, testing and maintenance of transportable gas containers (excluding dissolved acetylene containers).

1.2 DISTRIBUTION AND RETAIL OUTLETS

- 1.2.1 Code of Practice 2 prepared by LPGITA for safe handling and transport of LPG in bulk by road, including section 3.1.6, 3.1.7, 3.1.8 and 3.1.10.

1.3 TRANSPORTATION AND DISTRIBUTION NETWORK

1.3.1 Code of Practice 14 prepared by LPGITA: Hoses for transfer of LPG in bulk installation, installation, inspection, testing and maintenance.

1.4 LPG USERS

1.4.1 BS 5482: Part 1: 1979, Code of Practice for domestic butane and propane-gas-burning installations.

1.4.2 Extracts from US Government, Code of Federal Regulations: “Title 49 – Transportation, Part 178 to 199 Revised as of 1 October 1988”, DOT Specifications 4B, 4BA and 4BW relating to welded steel cylinders.

1.5 LPG IMPORT TERMINAL

1.5.1 NFPA 58, 1998 Edition: Standard for the storage and handling of LPG.

1.6 LPG SPECIFICATIONS

1.6.1 GPA Standard 2140=90, LPG Specifications and Test methods.

APPLICATION FOR GRANT OF LICENSE

**PRODUCTION/LIQUEFACTION/PROCESSING/SEPARATION/STRIPING /STORAGE
/TRANSMISSION/FILLING/DISTRIBUTION/HANDLING OF LPG/LPG BASE-STOCK**

(To be submitted in triplicate along with a fee of Rs. 100,000 which should be deposited in the federal Government Treasury under the Head of Account "XLVI-Miscellaneous-Receipts arising out of Mines Oilfield and Mineral Development (Federal Control) Act, 1948-Other Receipts" and Challan attached)

Area of Operation					
A	PRODUCTION	A1	<input type="checkbox"/>		
	SEPARATION	A2	<input type="checkbox"/>		
	PROCESSING	A3	<input type="checkbox"/>		
	STRIPPING	A4	<input type="checkbox"/>		
	STORAGE	A5	<input type="checkbox"/>		
	FILLING PLANTS	A6	<input type="checkbox"/>		
B	TRANSMISSION	B1	<input type="checkbox"/>		
	DISTRIBUTION	B2	<input type="checkbox"/>		
	OTHER (name it)	B3	<input type="checkbox"/>		

Present Business:	Location(s):
Last 3 years Audited: Reports:	

Name of all Directors	Nationality	Share holding	Executive Auditing
1.			
2.			
3.			
5.			
6.			

Fill in the following if principal place of business is outside Pakistan, name and address of duly authorized agent in Pakistan

Agent's Name	Location(s)
OPERATION APPLIED FOR	ON-GOING PROPOSED
Area of Operation (A.1 to B-3):	
Location:	
Mature & Capacity of Fixed Assets:	
Source of :Raw Material:	
Details of Utilities and Services:	
Details of Techn & Operate Organigram:	
Completion Period & Time of Commissioning:	

CAPITAL COST BREAK DOWN (Rupees and Foreign Currency)		Indicate if attached
Plant Cost		
Land		
Building		
Electrical Equipment		
Firefighting Equipment		
Furniture & Fixture		
Vehicle and Transport		
Construction & Engineering		
Other misc. Assets		
For Distribution License : indicate DETILS		Indicates if attached
Market Surveys		
Other		
Quantity		
LPG Supply Source		
Attachments		Indicates if attached
1. Proof of Financial Competence of the Company		
2. Proof of the Technical Competence of the Company		
Remarks		
<p><i>We hereby solemnly declare that all the particulars given above are correct.</i></p> <p><i>We hereby solemnly declare that if a licence is granted to us. We will abstain from all political activity or whatsoever affecting the sovereignty or security of Pakistan or such as may be tantamount to interference in its internal affairs and that we eschew all espionage.</i></p> <p><i>We solemnly undertake not to sell, mortgage etc. either directly or indirectly or through association, the rights privileges and obligation granted under this licence</i></p> <p><i>In the event of any violation this undertaking by me/us the Authority shall have the right to cancel the licence provided that my dispute between the Authority and the company as to whether any of my /our activities can be considered as a violation of this undertaking shall be subject to settlement in accordance with the provision of sub-rule (3) of rule 8 of the Liquefied Petroleum Gas (Production and Distribution Rules 2000, and the appropriate clause in the licence.</i></p>		
Signature(s) of Applicant(s).....		
Date and place of application.....		
Capacity in which form is signed.		

Title of the Licence			
Licence No.	Date		
Particulars of the Licensee Company			
Name of the Company			
Name of the Chief Executive			
Registration No. (under companies Ordinance)	No	Date	Place
Address			
Contact Number	Phone		
	Fax		
	Email		
Details of the License			
Validity	From	To	
Areas of operation			
Terms and Conditions (to be specified for different licensees at the time of issuance of licence)			
Signature of the issuing Authority			
Name of the issuing Authority			
Designation			
Official Stamp			