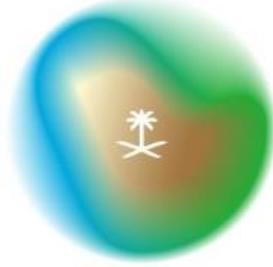


وزارة الطاقة
MINISTRY OF ENERGY



The Kingdom of Saudi Arabia
The Ministry of Energy

Bylaws of the Liquefied Petroleum Gas Wholesale Distribution Activity

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This translation is provided for guidance. The governing text is the Arabic text.

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Introduction

Based on Article (7) of the Law on Dry Gas and Liquified Petroleum Gas Distribution for Residential and Commercial Purposes, amended by the Royal Decree No. (M/112) dated 09/11/1443 AH, and based on the Ministry's regulatory role, these Bylaws have been enacted to set out the procedures and conditions for licensing and practicing the wholesale LPG distribution activity, in addition to the regulatory and technical requirements and procedures that the Licensee shall observe and comply with.

Article (1) Definitions:

1. The terms and phrases mentioned in the Law on Dry Gas and Liquefied Petroleum Gas Distribution for Residential and Commercial Purposes and its Implementing Regulations shall have the same meanings assigned thereto, unless they are otherwise defined in these Bylaws.
2. The following terms and phrases, shall have the meanings assigned thereto, unless the context requires otherwise:

Bylaws: The Bylaws of Wholesale LPG Distribution Activity.

Service Provider Manual: The rules approved by the Ministry, which determine the controls for service provision between licensees and consumers, as well as the principles that regulate the relationship between service providers and consumers.

LPG Distribution Activity: Wholesale LPG distribution activity.

License: A permission granted for carrying out the wholesale LPG distribution activity to consumers or distributing LPG cylinders to a retail licensee.

Licensee: A person who obtains a License for practicing the activity of wholesale LPG distribution to consumers or distributing LPG cylinders to a retail licensee.

Tank: A metal container manufactured according to specific specifications and installed at the consumer's site for storing and using the LPG.

Cylinders: Reusable transportable containers made of metal or composite materials of different capacities.

Agreement: A contract between the Licensee and another licensee to obtain specific services.

LPG Tank Truck: A vehicle designed and equipped with a tank for transporting the LPG, the term tank herein refers to both a single transported tank and the vehicle equipped with a tank.

Truck: A single unit truck, a single unit truck towing a trailer, a trailer and a semi-trailer, or any other street- legal vehicle used to distribute cylinders.

Request for Proposals (RFP): An announcement issued by the Ministry includes details on putting the wholesale LPG distribution activity out for tender, and articulating the technical and financial requirements, obligations, regulations and other aspects related to the tendering process.

Filling and Storage Fees: The fees approved by the Ministry, which are paid by the wholesale LPG distribution Licensee, including operational and capital expenses, profit margin, in addition to the approved gas price and transportation fees.

Distribution Fees: The fees approved by the Ministry that are paid by the Licensee of LPG cylinders retail sale in the places designated for that purpose. Such fees cover operational and capital expenses, profit margin added to the approved gas price, transportation fees, and filling and storage fees.

Article (2) General Provisions:

1. The applicant for the License shall fulfill the conditions and requirements for obtaining the License as set forth in the Implementing Regulations and these Bylaws.
2. The Licensee shall:
 - a. Comply with all necessary requirements and approvals under relevant laws.
 - b. Ensure that all its devices and equipment conform to the requirements of the relevant authorities, including the Saudi Standards, Metrology and Quality Organization (SASO).
 - c. Obtain the LPG from a person Licensed for the activity of establishing, developing, operating, or maintaining LPG filling and storage facilities according to the filling and storage fees.
 - d. Not engage in any activity that undermines or prejudices fair competition in the gas activities or any part thereof.
 - e. Not discontinue practicing the wholesale LPG distribution activity without a prior approval from the Ministry.
 - f. Fulfill all requirements related to the areas covered by the License.
 - g. Use the tanks' and tank-trucks' tracking system and link it with the relevant authorities (the Ministry of Energy and Transport General Authority).
 - h. Deal with and response to their tank-truck fleet accidents and provide the necessary equipment as required.
 - i. Provide parking spaces commensurate with the fleet size that meet the requirements of the relevant authorities.
 - j. Maintain and calibrate its equipment, devices, tanks and trucks in accordance with the technical requirements issued by the relevant authorities.
 - k. Maintain all maintenance and calibration records for a period not less than five (5) years to be shared with the Ministry upon request.
3. When there is a dispute between the wholesale LPG distribution Licensee with a licensee for the activity of establishing, developing, operating or maintaining LPG filling and storage facilities; or with an LPG retail sale licensee regarding any of the terms of the Agreement, either party may resort to the Ministry for an amicable settlement, and the Ministry may take the necessary measures to ensure the continuity of the service.
4. A person may practice more than one of the activities subject to the Law that are further articulated in Article (3.1) of the Implementing Regulations, if the wholesale LPG distribution activity has independent accounting from the rest of activities.

Article (3) Qualification of Bidders

1. The application for qualification shall be submitted according to the means and the period specified by the Ministry, as well as filling out the approved form and submitting the required documents, including but not limited to:
 - a. Proof of technical ability and financial solvency to practice the wholesale LPG distribution activity.
 - b. Administrative and technical expertise, financial systems, risk management policies and related regulations in addition to the technical resources, adequate operational procedures and systems to ensure the fulfillment of commercial and regulatory requirements.
 - c. A demonstration for compliance with requirements of the Law, Implementing Regulations, and these Bylaws.
2. The Ministry shall review the qualification applications, ensure that the required documents have been provided, and proceed with the qualification to identify qualified bidders.
3. The Ministry shall notify the qualified bidders and announce the qualifications on its website.
4. The Ministry may exclude the LPG distribution activity practitioners from bidder's qualification provisions before this Law becomes effective.

Article (4) Inviting Qualified Bidders to Tender

1. The Ministry shall send the RFP to the qualified bidders, and answer all bidders' inquiries.
2. The Ministry may amend, re-send or cancel the RFP as it deems appropriate.
3. The bidders shall submit their technical proposals during the period specified in the RFP, and no proposal submitted after the expiration of such period shall be accepted.
4. The Ministry shall consider the technical proposals according to the criteria stipulated in the RFP.
5. The Ministry shall announce and notify the winning bidder.

Article (5) Licensing Conditions:

The Ministry shall grant the wholesale LPG distribution activity License to the winning bidder once the following requirements are fulfilled:

1. Providing the Ministry with the necessary documents and the operational plan.
2. Paying the License fees.
3. Obtaining the necessary approvals and permits from the relevant authorities in respect of the wholesale LPG distribution activity, including the following:
 - a. A commercial activity license from the Ministry of Municipal, Rural Affairs and Housing for establishments outside the industrial cities; or a land allotment deed for the establishment sited at the industrial cities.

- b. Obtained a Commercial Register for gas distribution activity.
- c. Ministry of Investment license, if the bidder is a foreign person; or a joint venture with a foreign person.
- d. License to Transport Goods on Land Roads.

Article (6) License Renewal Conditions:

To apply for a License renewal, the Licensee shall:

1. Apply to the Ministry for a License renewal approval, and fulfill the Licensing conditions set forth in Article (5) hereof, six months (6) prior to its expiry date.
2. Pay the Licensee fines.
3. Pay the License renewal fee.

Article (7) License Amendment Conditions:

To amend a License, the Licensee shall:

1. Apply to the Ministry for approval of the License amendment.
2. Not be held in violation of any aspect of the wholesale LPG distribution activity.
3. Pay the Licensee fines.

Article (8) License Transfer Conditions:

To transfer a License, the Licensee shall:

1. Apply to the Ministry for a License transfer approval.
2. Fulfill the Licensing conditions set forth in Article (5) hereof.
3. Not be held in violation of any aspect of the wholesale LPG distribution activity.
4. Pay the Licensee fines.

Article (9) Fees:

The fees for issuing or renewing a License shall be SAR 20,000 (twenty thousand Saudi Riyals) to be paid once before the License is granted or renewed.

Article (10) Technical Obligations and Responsibilities on Wholesale LPG Distribution Licensee:

The Licensee shall comply with the following:

1. Service Provider Manual
2. The approved rates for wholesale distribution of LPG to consumers.

3. Develop guidelines for loading and unloading LPG Tank Trucks. The loading and unloading process shall be conducted by technicians trained on how to deal with emergencies.
4. The general safety requirements when filling and unloading Tanks, including:
 - a. Ensuring that the Tank conforms to the approved technical specifications before filling.
 - b. Performing a visual inspection of the Tank to ensure good conditions before filling.
 - c. Ensuring that there is approval from the General Directorate of Civil Defense for the commercial establishments.
5. Provide continuous training, educate drivers and staff about the dangers of the LPG and its transportation, and responding to emergencies.
6. Provide the Tank Truck driver with a guide for dealing with emergency accidents of Tank Trucks together with the necessary licenses.

Article (11) Technical Obligations and Responsibilities on LPG Cylinder Wholesale Distributor for Distributing to Retail Licensees:

The LPG Cylinder Wholesale Distributor who distribute cylinders to retail licensees shall:

1. Distribute Cylinders to the LPG retail sale licensee at the places designated for that purpose and as per the Distribution Fees.
2. Handle Cylinders in the cages intended for this purpose.
3. Establish warehouses to store Cylinders in the service areas, while covering at least an average Cylinders sales volume equivalent to two (2) days in each warehouse, in accordance with the reports received by the Ministry.
4. Develop a guideline for loading and unloading Cylinders in accordance with the requirements of filling, transporting, handling and storing LPG Cylinders. The loading and unloading process shall be conducted by technicians trained on dealing with emergencies.
5. Provide continuous training and educate drivers and staff about the risks of LPG and its transportation, and the emergency response.
6. Provide Truck drivers with a guide on dealing with Trucks emergency accidents; with the necessary licenses.

Article (12) Invoicing Procedures:

Without prejudice to the jurisdiction of other authorities, the invoices shall include the following:

1. Name of the service provider, the filling and storage facility and related details, commercial register number, and tax register number.

2. Name of consumer, their subscription number, and tax register number if the Consumer is a commercial person, or the name of the Licensee, their subscription number, and tax register number of the LPG Cylinder retail sale Licensee.
3. Invoice printing number and date, payment method, value-added tax, and total amount.
4. Item number, description (LPG, propane, butane), and serial number.
5. Quantity, unit price, transportation fees, and gas mixing fees.

Article (13) Licensee's Relationship with Another Licensee:

The Licensee shall sign agreements with persons Licensed for the activity of establishing, developing, operating or maintaining the LPG filling and storage facilities and the LPG Cylinders retail sale activity in accordance with the Ministry's terms and requirements.

Article (14) Accounting Separation Procedures:

1. The Licensee shall submit to the Ministry the audited annual financial statements no later than ninety (90) days from the end of the fiscal year.
2. The Licensee shall separate the costs and revenues related to LPG wholesale distribution activity from other activities, and provide the Ministry with the accounting separation documents.
3. When separating costs and revenues and submitting the accounting separation documents, the Licensee shall abide by the following rules and principles:
 - a. The accounting separation information and data shall be consistent with, and settled against, the audited financial statements subject to the relevant Laws in the Kingdom; and provide information, data and interpretation which support such settlement.
 - b. The accounting separation information and data shall be sufficiently supported by proofs, documents and methodologies, allowing an internal or external auditor to track and review their source.
 - c. When an activity, product, or service results in costs, revenues, or the purchase of assets, these costs, revenues, or assets shall be reflected in the relevant accounts. The allocation shall be based on the reality of the cost or revenue, unless otherwise determined by the Ministry, and the allocation mechanisms shall be clear, understandable and compatible during the allocation process.
 - d. The methodologies, accounting principles and standards used for conducting the accounting separation shall be annually consistent, unless there is a reasonable justification and clarification for the reasons of the changes and modifications; such changes shall be supported by the submission of the justifications and supporting documents to the Ministry.

- e. Ensure transparent and clear settlement among the internal databases, reports and statements related to the accounting separation process.
 - f. The accounts, allocations, and other information and data used in the accounting separation system, which to be retained and submitted for auditing are based on verifiable data.
 - g. Develop the accounting separation statements in a manner that ensures it has no material impact on regulatory decisions.
 - h. The information shall be detailed, accurate and reliable.
 - i. The senior executive management of the licensee shall be responsible for the quality and accuracy of the information and data provided to the Ministry in relation to the accounting separation.
 - j. The accounts, data, reports and information shall be clear, traceable and easy to understand, and they shall be submitted for auditing in unrestricted forms that can be used by standard software and data processing tools.
4. The accounting separation documents shall include at least the following:
- a. **Accounting separation guide:** A guide explaining all the methodologies, principles, and procedures that the Licensee shall pursue, including, at least, the following:
 - Accounting separation system design and structure.
 - Cost and revenue allocation criteria.
 - Description of the list of Licensee's cost and revenue accounts
 - Principles of assets revaluation and methodology used.
 - b. **Accounting separation outputs:** The outputs of the accounting separation process conducted as per the accounting separation guide shall include, at least, the following:
 - The actual outputs of the accounting separation process.
 - Statement of income and financial position, if required for the licensed activity.
 - Statement of the settlement between the accounting separation and the audited financial statements.
 - Cost and revenue allocation matrices.
 - Information on assets including fixed asset register.
 - Information on sales volume.
 - Statement of management responsibility to be included in the Ministry's approved form.
 - c. **Supporting studies:** Such studies shall provide additional technical and standard details on some cost allocation criteria in the accounting separation system.
5. The licensee shall submit the accounting separation documents annually to the Ministry no later than five (5) months after the end of each fiscal year as per the following specifications:

- a. A soft copy of the accounting separation documents in two formats (Microsoft Excel and Microsoft Word) as required by the nature of each item of the accounting separation output items described above. These files shall be unprotected, and the information and data contained therein shall be traceable, editable, and auditable.
 - b. A signed soft copy of the statement of management responsibility (PDF format).
 - c. A soft copy of the relevant audited financial statements for the fiscal year.
6. The Ministry shall review and verify the correctness and objectivity of the accounting separation in light of the relevant data, information and documents, and when there are any observations or requirements needed to be addressed by the Licensee, the Ministry shall notify the Licensee of these observations or requirements in the form it deems appropriate. The Licensee shall comply with such requirements and amendments within the time limit set by the Ministry.
 7. Without prejudice to the provisions of Paragraph (6) of this Article, the Ministry may request the Licensee to appoint, at their own expense, a third party who is approved by the Ministry to audit and review the accounting separation documents, and to submit to the Ministry the necessary reports regarding the review and audit process, accompanied by recommendations and opinions on the accounting separation documents.

Article (15): Auditing and Inspection Powers:

1. The Ministry may carry out audits, inspections and examinations of the Licensee's sites during the Licensee official working hours to ensure their compliance with the Law and Implementing Regulations, these Bylaws, instructions, and the License requirements.
2. The Licensee shall enable the inspectors to examine all documents related to the LPG wholesale distribution Activity.
3. The Licensee shall provide all the information required by the Ministry for auditing and inspection purposes.

Article (16): Supporting National Industry and Increasing Local Content:

The Licensee shall comply with:

1. Labor localization requirements issued by the relevant authorities.
2. Measuring the rate of local content, which is the percentage of the amount spent on Saudi components in an establishment or the wholesale LPG distribution activity against the total spending on both.
3. Preparing a plan indicate the percentage of local content planned to be achieved during the period of providing LPG wholesale distribution services by the Licensee.

Article (17) Secure Gas Supply:

The Licensee shall:

1. Notify the Ministry immediately of any event that may affect supply security stating the countermeasures taken to address such event.
2. Develop emergency response plans for maintaining business continuity and provide the Ministry with a copy, and update the plans periodically.
3. Sign the necessary agreements attending to the license regions' needs of LPG.
4. Develop annual plans that include the necessary quantities and sources of supplies, the means and time required to secure such quantities and sources; this plan shall be reviewed on a quarterly basis.
5. Make necessary arrangements to ensure their business continuity and fulfill their obligations in the event of an unexpected interruption of business, taking into account the nature and size of the business. Such arrangements shall be documented and regularly updated and periodically verified to ensure their effectiveness, copies of such arrangements shall be provided to the Ministry.

Article (18): Retention of Documents:

1. The Licensee shall retain copies of the audited financial statements and information about assets, profits, losses, revenues, costs, debts, and reserves of the wholesale LPG distribution activity for a period of five (5) years, to be audited by the Ministry.
2. The Licensee shall retain documents related to LPG wholesale distribution activity which shall at a minimum contain the following information:
 - a. Licenses issued by the relevant authorities.
 - b. Documents related to business continuity arrangements.
 - c. A copy of the agreements with licensees.
 - d. Complete record of tank and truck numbers, drivers, and staff.
 - e. Training reports.
 - f. Data related to daily sales of gas.
 - g. Any other documents the Ministry deems necessary.
3. The Ministry may request the Licensee to provide copies or samples of these documents, whether in hard or in soft copies.

Article (19): Entry into Effect:

These Bylaws shall enter into force as of the date of their publication on the Ministry's website.