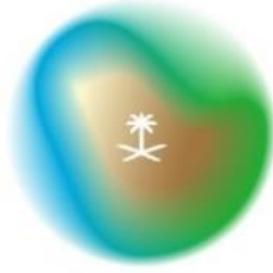


وزارة الطاقة
MINISTRY OF ENERGY



The Kingdom of Saudi Arabia
The Ministry of Energy

Bylaws of the Activity of Establishing, Developing, Operating or Maintaining Liquified
Petroleum Gas Filling and Storage Facilities

April (2023)

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 Liquefied 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 activity of establishing, developing, operating or maintaining LPG filling and storage facilities, 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 the Activity of Establishing, Developing, Operating or Maintaining LPG Filling and Storage Facilities

Filling and Storage Activity: The activity of establishing, developing, operating or maintaining LPG filling and storage facilities.

License: A permission granted for carrying out the activity of establishing, developing, operating or maintaining LPG filling and storage facilities.

Licensee: A Person who obtains a License for practicing the activity of establishing, developing, operating or maintaining LPG filling and storage facilities.

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

Storage: The process of receiving the LPG from a Licensed person for transporting the LPG from its sources at the filling and storage facilities, and storing it in fixed storage facilities, in preparation for distribution in tank trucks or cylinders.

Cages: An iron container used to store and transport the LPG cylinders.

Defective Cylinders: Cylinders with a defect caused during their production, storage or transportation that may pose threats or cause damage to the consumer.

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

Transportation Fees: The fees approved by the Ministry, which are paid by the Licensee of the activity of establishing, developing, operating or maintaining LPG filling and storage facilities or the activity of establishing an independent LPG distribution network, including the operational and capital expenses and the profit margin added to the approved gas price. The Transportation Fees vary according to the methodologies determined by the Ministry.

Filling and Storage Fees: The fees approved by the Ministry that are paid by the LPG wholesale distribution Licensee, including operational and capital expenses, profit margin added to the approved gas price and transportation 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. Maintain all maintenance and calibration records for a period not less than five (5) years to be shared with the Ministry upon requested.
 - 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 filling and storage activity without a prior approval from the Ministry.
3. When there is a dispute between a Licensee for the activity of LPG filling and storage with a licensee for the activity of transporting LPG from its sources to LPG facilities or an Independent Gas Distribution Network; or with an LPG wholesale distribution 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 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 filling and storage 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 filling and storage 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 filling and storing 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 filling and storage 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 filling and storage activity, including the following:
 - a. Obtained a Commercial Register for gas activity.
 - b. The Ministry of Investment license, if the bidder is a foreign person or a joint venture with a foreign person.
 - c. An environmental permit from the National Center for Environmental Compliance.
 - d. The High Commission for Industrial Security's approval on the site to be used for the filling and storage activity.

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 filling and storage 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 filling and storage 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:

The Licensee shall comply with the following:

1. Carry out the filling activity for LPG wholesale distribution licensees according to the filling and storage fees.
2. Obtain the LPG from a licensed person for transporting LPG from its sources to the LPG facilities or Independent Gas Distribution Network as per the prescribed Transportation Fees.
3. Comply with the conditions and requirements of the relevant authorities during sites selection process for establishing filling and storage facilities, as well as the policy for the entering and exiting of trucks, tank trucks and other means of transport.
4. Clean all cylinders before handing them over to the LPG wholesale distribution licensee according to the standards set by the Ministry.
5. Maintain all cylinders and cages in accordance with the specifications and technical requirements issued by the Saudi Standards, Metrology and Quality Organization (SASO).
6. Develop guidelines for the procedures of filling and emptying tanks. The process of filling and emptying the tanks shall be carried out by technicians trained for emergency procedures and how to respond to such scenarios.

7. Ensure that loading and unloading is carried out in the filling and storage facilities by qualified persons to avoid safety risks.
8. Develop guidelines for loading and unloading cylinders in accordance with the requirements for filling, transporting, handling and storing LPG cylinders, ensuring that the process is conducted by technicians trained on how to deal and respond to emergencies.
9. Ensure that labors utilize personal protective equipment (PPE), including suitable gloves, and safety shoes.
10. Maintenance and periodic calibration of devices and equipment in accordance with the technical requirements issued by the relevant authorities.
11. Have a separate place to isolate the Defective Cylinders from the perfect ones.

Article (11) Invoicing Procedures:

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

1. Name and details of service provider, commercial registration number, and tax registration number.
2. Name, tax registration number, and subscription number of the Licensee for LPG wholesale distribution activity.
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. Unit price, Filling and Storage Fees.

Article (12) Licensee's Relationship with Another Licensee:

The Licensee shall sign agreements with persons licensed for the activity of transporting LPG from its sources to LPG facilities or the Independent Gas Distribution Network; and the LPG wholesale distribution in accordance with the Ministry's terms and requirements.

Article (13) Use of Filling and Storage Facilities by Another Licensee:

The Licensee of filling and storage facilities activity may allow persons licensed for the activity of transporting LPG from its sources to LPG facilities or the Independent Gas Distribution Network; or the LPG wholesale distribution; to use its facilities.

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 the filling and storage 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 interpretations that 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 consistent annually, unless there is a reasonable justification and clarification of the reasons for the change 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. Prepare the accounting separation statements in a manner that ensures it has no material impact on regulatory decisions.
 - h. The information shall be well 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 methodologies, principles, and procedures that the Licensee 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 need to be addressed by the licensee, the Ministry shall notify the licensee of those 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 filling and storage 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 filling and storage activity facility to the total spending on both.
3. Preparing a plan indicate the percentage of local content planned to be achieved during the period of providing filling and storage activity 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. Maintain a gas stock of no less than (70%) of the storage capacity in each facility, and in case of emergencies, shall notify the Ministry of their inability to maintain the specified stock percentage, and submit supporting documents.
3. Secure a stock of cylinders covering at least an average sales volume equivalent to two (2) days, according to the reports shared by Licensee and received by the Ministry.
4. Develop emergency response plans for maintaining business continuity and provide the Ministry with a copy, and update the plans periodically.

5. Develop annual plans that include the necessary quantity of supply, means and the time required to secure such quantity; this plan shall be reviewed on a quarterly basis.
6. Make necessary arrangements to ensure their business continuity and fulfill their obligations when an unexpected interruption of business, taking into account the nature and size of their business. Such arrangements shall be documented and regularly updated and periodically verified to ensure their effectiveness, copies of such arrangements shall be submitted 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 for the filling and storage activity for a period of five (5) years, to be audited by the Ministry.
2. The Licensee shall retain documents related to the filling and storage 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 the licensees.
 - d. Training reports.
 - e. Data related to daily sales of gas.
 - f. Any other documents as the Ministry deems necessary.
3. The Ministry may request the Licensee to provide copies or take samples from these documents, whether in hard or 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.