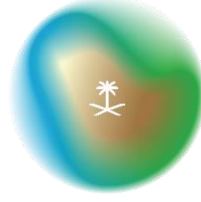


وزارة الطاقة  
MINISTRY OF ENERGY



**The Kingdom of Saudi Arabia**  
**The Ministry of Energy**

Bylaws of the Activity of Transporting the LPG from its Sources to the LPG Facilities  
or Independent Gas Distribution Network

April (2023)

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

## Table of Contents

Introduction: .....	- 3 -
Article (1) Definitions:.....	- 4 -
Article (2) General Provisions:.....	- 4 -
Article (3) Qualification of Bidders:.....	- 5 -
Article (4) Inviting Qualified Bidders to Tender .....	- 6 -
Article (5) Licensing Conditions:.....	- 6 -
Article (6) License Renewal Conditions: .....	- 6 -
Article (7) License Amendment Conditions: .....	- 6 -
Article (8) License Transfer Conditions: .....	- 7 -
Article (9) Fees:.....	- 7 -
Article (10) Technical Obligations and Responsibilities: .....	- 7 -
Article (11) Invoicing Procedures:.....	- 8 -
Article (12) Licensee’s Relationship with Another Licensee:.....	- 8 -
Article (13) Accounting Separation Procedures: .....	- 8 -
Article (14) Auditing and Inspection Powers: .....	- 10 -
Article (15) Supporting National Industry and Increasing Local Content:.....	- 11 -
Article (16) Secure Gas Supply: .....	- 11 -
Article (17) Retention of Documents:.....	- 11 -
Article (18) Entry into Effect .....	- 12 -

**Introduction:**

Based on Article (7) of the Law on Dry Gas and Liquid Petroleum Gas Distribution for Residential and Commercial Purposes, as 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 transporting the LPG from its sources to the LPG facilities or an Independent Gas Distribution Network, in addition to the regulatory and technical requirements and procedures that the Licensee shall observe and comply with.

## Article (1) Definitions:

1. The terms mentioned in the Law on Dry Gas and Liquid 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 Transporting the LPG from its Sources to the LPG Facilities or an Independent Gas Distribution Network.

**LPG Transportation Activity:** The activity of transporting the LPG from its sources to the LPG facilities or an Independent Gas Distribution Network.

**License:** A permission granted for carrying out the activity of LPG transportation from its sources to the LPG facilities or an Independent Gas Distribution Network.

**Licensee:** A Person who obtains a License for the activity of transporting the LPG from its sources to the LPG facilities or the Independent Gas Distribution Network.

**Agreement:** A contract between a 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.

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

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

## Article (2) General Provisions:

1. To practice the LPG transportation activity, a License applicant 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 the relevant laws.
  - b. Ensure that all the equipment and tank-trucks conform to the requirements of the relevant authorities, including the Saudi Standards, Metrology and Quality Organization (**SASO**).
  - c. The LPG shall be in conformity with the applicable approved standards.

- d. Maintain all maintenance and calibration records for a period of not less than five (5) years to be shared with the Ministry upon request.
  - e. Not engage in any activity that undermines or prejudices fair competition to gas activities or any part thereof.
  - f. Not discontinue the LPG Transportation Activity without prior approval from the Ministry.
3. When there is a dispute between a Licensee of the activity of transporting the LPG from its sources to the LPG facilities or an Independent Gas Distribution Network with a Licensee of the activity of establishing, developing, operating or maintaining the LPG filling and storage facilities 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 action to ensure the continuity of the service.
  4. A person may practice more than one of the Activities subjects to the Law that are further articulated in Article (3.1) of the Implementing Regulations, if the LPG Transportation Activity is independent from the rest of activities as follows:
    - a. The LPG Transportation Activity shall have a commercial register independent from another gas activities.
    - b. The LPG Transportation Activity shall have its own financial statements independently from the other gas activities.
    - c. An independent staff shall be assigned to the LPG Transportation Activity.

### **Article (3) Qualification of Bidders:**

1. The application for qualification shall be submitted according to the means and 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 LPG Transportation Activity.
  - b. Administrative and technical expertise, financial systems, risk management policies and related regulations in addition to the technical resources, and adequate operational procedures and systems to ensure the fulfillment of the 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 transportation 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 LPG Transportation 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 related to the LPG Transportation 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. Commercial register for gas transportation 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.
  - e. Petroleum Products Purchase Agreement with the Saudi Arabian Oil Company (**Saudi Aramco**).
  - f. The High Commission For Industrial Security's approval of tank-truck drivers.

#### **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 requirements and Licensing Conditions referred to in Article (5) hereof six months (6) before the License expiration 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 a License amendment.
2. Not be held in violation of any aspect of the LPG Transportation 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. Meet the Licensing Conditions set forth in Article (5) hereof.
3. Not be held in violation of any aspect of the LPG Transportation Activity.
4. Pay the Licensee fines.

#### **Article (9) Fees:**

The fees for issuing or renewing a License shall be SAR 40,000 (forty 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. Transport the LPG to Persons Licensed for the activity of establishing, developing, operating, or maintaining the LPG filling and storage facilities or an Independent Gas Distribution Network, according to the Transportation Fees.
2. Obtain the LPG from Saudi Aramco gas sources as per the approved price.
3. Use the tank-trucks' tracking system and link it with the relevant authorities (the Ministry of Energy and Transport General Authority).
4. Deal with and response to their tank-truck fleets accidents and provide the necessary equipment as required.
5. Develop guidelines for loading and unloading tank-trucks. The loading and unloading process shall be conducted by technicians trained on how to deal and respond to emergencies.
6. Provide continuous training and educate drivers and staff about the dangers of the LPG, its transportation, and how to respond to emergencies.
7. Provide the tank-truck driver with a guide for dealing with emergency accidents of tank-trucks.
8. Conduct a hydrostatic examination by an approved third party for any tank-truck that was engaged in an accident and provide the Ministry with the relevant reports.
9. Perform periodic maintenance for tank-trucks and equipment according to the technical requirements issued by the relevant authorities.

10. Provide parking spaces commensurate with the fleet size that meet the requirements of the relevant authorities.
11. When transporting LPG through pipelines, the Licensee who owns the pipelines shall be responsible for their operation, maintenance and examination.

#### **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 register number, and tax register number.
2. LPG source of Saudi Aramco.
3. The name, tax register number, and subscription number of the Licensee for establishing, developing, operating, or maintaining LPG filling and storage facilities.
4. Invoice number and date, payment method, value-added tax, and total amount.
5. Item number, description (LPG, propane, butane) and serial number.
6. Unit price and transportation fees.

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

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

#### **Article (13) 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 Transportation 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 that support such settlement.
  - b. The accounting separation information and data shall be adequately supported by necessary 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 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 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. Prepare 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 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 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 (14) Auditing and Inspection Powers:**

1. The Ministry may carry out audits, inspection and examination of the Licensed sites during the Licensee official working hours to ensure their compliance with the Law, Implementing Regulations, these Bylaws, instructions, and the License requirements.
2. The Licensee shall enable the inspectors to examine all documents related to the LPG Transportation Activity.

3. The Licensee shall provide all the information required by the Ministry for the purpose of the review and inspection.

#### **Article (15) 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 LPG Transportation 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 Transportation Activity services by the Licensee.

#### **Article (16) 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. Withdraw the quantities allocated to them from LPG sources.
5. Develop annual plans that include the necessary quantity and sources of supplies, the means and time required to secure such quantity and sources; this plan shall be reviewed on a quarterly basis.
6. 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, and copies of such arrangements shall be provided to the Ministry.

#### **Article (17) Retention of Documents:**

1. The Licensee shall keep copies of the audited financial statements and information about assets, profits, losses, revenues, costs, debts, and reserves of the LPG Transportation Activity for a period of five (5) years, to be audited by the Ministry.
2. The Licensee shall retain the documents related to LPG Transportation Activity, provided that such documents shall contain at least 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-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 paper or in electronic forms.

### **Article (18) Entry into Effect**

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