



شعبة الترجمة الرسمية
Official Translation Department

Law of Gas Supplies and Pricing

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Translation of Saudi Laws



NOTE:

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word “person” or “persons” and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.



Law of Gas Supplies and Pricing

Article 1: Definitions

In this Law, the following terms and phrases shall have the meanings assigned thereto, unless the context requires otherwise:

Saudi Aramco: Saudi Arabian Oil Company.

Relevant Parties: A firm owning an independent gas network or any party seeking to use said network.

Activities Subject to this Law: Any activity in the following fields:

1. Transmission of hydrocarbons.
2. Treatment of hydrocarbons.
3. Fractionation of hydrocarbons.
4. Collection of hydrocarbons.
5. Local distribution of hydrocarbons.
6. Sale of hydrocarbons or disposal thereof in any manner.

Ethane: A gaseous hydrocarbon containing two carbon atoms used primarily as petrochemical feedstock or as a component of dry gas. Commercial ethane may contain a small amount of liquefied petroleum gas or heavy components.

Natural Benzene: Pentane and other heavier natural gas components usually mixed with benzene or used as petrochemical feedstock.

Fractionation: Separation of ethane and other natural gas liquids, whether from a gas processing plant or a gas separation plant, into separate components: ethane, propane, butane, pentane, and other heavier hydrocarbons.

Conversion: Conversion, transfer, sale, assignment, or disposal of the license in any manner or establishing rights thereon including sublicensing. This shall include the intention or attempt of conversion.

License: The right to engage in any activity subject to this Law which is granted according thereto.

Gas Refinement: An activity which is part of the production process and which involves the removal of water, carbon dioxide, sulfur, and free liquid hydrocarbons at plants referred to as gas plants or gas refining plants; it may include, under certain circumstances, condensation control units.

Guarantee: Lien of any type, whether or not it involves the transfer of a title, used as collateral to secure payment or settlement of a debt.



Natural Gas Liquids: One or more of the following petrol components: ethane, propane, butane, pentane, and heavier hydrocarbons, also referred to as pentane and heavier hydrocarbons.

Local Distribution Network: The network that receives dry gas from high-pressure gas pipelines and transmits it to consumers. This usually requires installation of pipelines, decompressing stations, and other facilities, as well as transmitting gas to consumers' meters at appropriate pressure. The local distribution network includes delivery of natural gas to any group of consumers in any industrial area or city.

Main Gas Network: The current main gas network or any future expansion, including an integrated network for the transmission and processing of gas, as well as for the transmission and fractionation of natural gas liquids.

Independent Network: A network not connected to the main gas network the purpose of which is the transmission and processing of gas and the transmission and fractionation of natural gas liquids.

Company: Any company incorporated under the laws of the Kingdom or licensed to operate in the Kingdom, including any joint venture.

Gas: A mixture of hydrocarbons containing methane, ethane, liquefied petroleum gas, pentane and other heavier components, and some impurities, which is often in a gaseous state in ambient conditions.

Liquefied Petroleum Gas: A hydrocarbon-based product which contains propane and butane that are extracted from natural gas and sold as separate elements, mixtures, fuel, or feedstock, and which may contain a small amount of pentane and heavier components; it is often in a liquefied state when stored.

Dry Gas: It is mainly composed of methane but may contain some ethane and small amounts of heavier hydrocarbons and small amounts of other components; it is also referred to as sales gas.

Committee: Supply and Pricing Committee provided for in Article 18.

Implementing Regulations: Implementing regulations issued pursuant to Article 17 of this Law.

Supreme Council: The Supreme Council for Petroleum and Mineral Affairs.

Licensee: A holder of a license to engage in any activity subject to this Law.

Connection Facilities: A facility established to connect to the gas network any activity subject to this Law or any facility the production of which precedes such activity.

Facility: Any facility used or intended to be used for an activity subject to this



Law.

Main Consumer: A standalone industrial or utility project which uses natural gas products as fuel or feedstock and which receives supplies from a system directly connected to a high-pressure gas transmission network rather than a local distribution network.

Industrial Project: Any licensed industrial project other than utility projects.

Utility Project: Any project for desalinated water production or electricity generation or both.

Transmission: The transportation of gas or dry gas refined by high pressure through pipelines of large diameters. Transmission usually starts at the outlet of the gas refinery in any gas field and ends with the delivery to a main consumer or a gas distribution station.

Gas Processing: Separating liquid substances of natural gas from gas containing a high percentage of liquids which has been refined for the production of sales gas at plants referred to as either gas processing plants or fractionation facilities connected to the pipelines.

Hydrocarbons: Any gas or liquid hydrocarbons, with the exception of crude oil or condensates, which are produced in the Kingdom and processed at a gas refinery plant.

Transmission of Natural Gas Liquid: Transporting natural gas liquids by pipelines from gas processing plants, or the delivery of said liquids from fractionation facilities to end-users, or for export purposes.

Ministry: The Ministry of Petroleum & Mineral Resources.

Minister: The Minister of Petroleum & Mineral Resources.

Article 2: Licensing Activities Subject to this Law

1. A license must be obtained to engage in any activity subject to this Law, which includes transmission, processing, fractionation, collection, local distribution, sale, or disposal of hydrocarbons. The license application shall be submitted in accordance with procedures of the implementing regulations approved by the Chairman of the Supreme Council. The Ministry shall review and decide on license applications.
2. In reviewing the license application for an activity subject to this Law, the Ministry shall coordinate with government agencies concerned with such activity, taking into consideration all pertinent matters including, but not limited to, the following:
 - a) Ensuring long-term supply of hydrocarbons.



- b) Avoiding undesirable duplication, in order to achieve optimal development of the gas industry in the Kingdom.
- c) The proximity of said activity to the main gas network.

Article 3: Ownership and Operation of Facilities

1. Saudi Aramco shall be in charge of collecting the hydrocarbons that enter into the main gas network.
2. Saudi Aramco or any other company must obtain a license in accordance with this Law for establishing and owning facilities, including pipelines which integrate with the main gas network or supply it with feedstock, and must obtain a license to operate said facilities, if in line with sound business practices.
3. Saudi Aramco or any other company must obtain a license for the establishment, ownership, and operation of any independent network not connected to the main gas network.
4. Saudi Aramco or any other company must obtain a license for the establishment, ownership, and operation of any local distribution network.

Article 4: Right to Use Network Capacity

1. Subject to the availability of capacity and the provisions of paragraphs (2) and (6) of this Article, any company seeking to engage in an activity subject to this Law may make use of gas processing plants, fractionation facilities, natural gas liquids transmission networks, transmission facilities, and local distribution networks.
2. The Ministry may grant an exclusive right for a limited term to use any local distribution network, gas processing plant, fractionation facility, or a transmission facility if it believes that granting such exclusive right is crucial for guaranteeing the economic viability of the activity and serves the Kingdom's interests.
3. The Ministry shall, in accordance with the implementing regulations, publish tariffs for transmission, processing, and fractionation, as well as terms and conditions relating to the main gas network and connection facilities.
4. The relevant parties shall negotiate the tariffs and terms and conditions relating to services provided through any pipeline not connected to the main gas network. If the parties fail to reach an agreement within a specified period, the Ministry may decide the tariffs and the terms and conditions governing the provision of such services in accordance with the implementing regulations; the Ministry's decision shall be binding.



5. The implementing regulations of this Law shall determine the criteria for setting tariffs for the use of any local distribution network by third parties.
6. The Ministry may require any company owning a gas processing plant, a fractionation facility, a transmission facility, or a local distribution network, to increase its capacity and offer the increased capacity to another company, whether licensed or applying for a license, provided that the increased capacity and the offering of such increased capacity to another company is technically and economically viable for the owning company and serves the Kingdom's interests.

Article 5: Sales and Marketing Rights

1. Saudi Aramco shall be in charge of local sales and marketing of dry gas, ethane, and natural gas liquids produced by the main gas network, with the exception of the provisions of paragraph (2) of this Article.
2. Any company, other than Saudi Aramco, which is allowed to make use of the main gas network, may receive and consume, at owned or licensed facilities, hydrocarbons which are produced by said company and which are within the network. The volume of such materials shall be revised according to a formula agreed upon by the parties to account for the loss of hydrocarbons in the main gas network.
3. Saudi Aramco may sell all hydrocarbons not consumed or disposed of as per paragraph (2), and shall, in such case, compensate the relevant company as follows:
 - a) Dry gas: at the fixed rate, after deducting tariffs for transmission through the main gas network.
 - b) Ethane (with the exception of ethane consumed, sold, or disposed of within dry gas): at the fixed rate for ethane, after deducting transmission tariffs and processing or fractionation fees.
 - c) Natural gas liquids: based on a fixed price for local sales of natural gas liquids, unless the Ministry decides that it is in the Kingdom's interest to adopt another price to be determined according to paragraph (2)(b) of Article 6 of this Law, after deducting transmission fees or fees for the processing or fractionation of natural gas liquids.
4. Any company producing hydrocarbons which do not pass through the main gas network may consume, sell, or dispose of such hydrocarbons locally, in accordance with terms set by the Ministry.
5. Saudi Aramco shall be in charge of the export of all locally produced natural gas liquids.



Article 6: Prices of Natural Gas Liquids and Dry Gas:

1. Any company consuming dry gas or natural gas liquids in accordance with Article 5(2) or (4) shall be treated on the basis of the local sale price of hydrocarbons referred to in paragraphs (2) and (3) of this Article.
2. a) All liquefied petroleum gas and natural benzene produced by any company other than Saudi Aramco, which are subject to Article 5(3), shall be priced according to the local prices of hydrocarbons approved by the Supreme Council.

b) The Supreme Council may, upon a recommendation by the Minister, exceptionally issue a decision setting the price of items mentioned in Article 6(2)(a) at a rate not lower than the local price and not higher than the export price after the deduction of export-related costs.
3. All dry gas produced by any company shall be priced according to the local fixed price at a point of delivery to a main consumer or to a company licensed to manage a local distribution network.

Article 7: Quota (Allocation of Gas, Ethane, and their Liquids)

1. The Ministry shall implement the quota allocation based on criteria set by the Committee as follows: on the basis of the estimated demand for electricity, petrochemicals, water desalination, and oil sectors, as well as other industrial sectors that use dry gas and natural gas liquids to achieve optimal efficiency and the best possible value to the national economy, and contribute to the increase and diversification of national income sources.
2. The Ministry shall allocate quotas for hydrocarbons as per the plan prepared by the Supreme Council based on the criteria set by the Committee.

Article 8: Antitrust Practices

The Ministry shall monitor the gas sector to detect any antitrust practices and take necessary actions to eliminate such practices.

Article 9: Standards of Technical Services

1. The Ministry shall set technical standards to regulate the design, construction, maintenance, and operation of facilities used for the activities subject to this Law.
2. The Ministry shall review and update the technical standards referred to in paragraph (1) of this Article to ensure compliance with best industrial practices.



3. The Ministry shall take the measures necessary to ensure that licensed companies comply with the technical standards set by this Article and the standards provided for in Article 10.

Article 10: Standards of Commercial Services

The Ministry shall, for the implementation of this Law, consider the following:

1. Accounting procedures and practices used by licensed companies to ensure the separation of costs of activities subject to this Law from other costs and compute the same consistently and adequately.
2. Standards relating to the volume and format of information to be submitted to the Ministry by licensed companies.
3. Procedures for invoicing and for collection of payments for services and hydrocarbons provided by Saudi Aramco or any other licensed company.
4. Any obligation relating to services, especially in relation to any licensed company authorized to establish a local distribution network.

Article 11: Licensing Terms and Conditions

1. In addition to any other license term or condition, a licensed company shall, within a reasonable period set by the Ministry, make plans to increase the percentage of Saudi employees and provide necessary training to them, as well as ensure the safety of and provide healthcare to its employees and the public, and protect the environment against any damage that may result from licensed activities subject to this Law.
2. A licensed company shall immediately provide the Ministry with a copy of its plans.
3. The licensed company shall periodically review and update the plans at reasonable intervals determined by the Ministry and shall immediately provide the Ministry with a copy of the updated plans.
4. If a licensed company fails to implement the plans, wholly or partially, the Ministry shall request the company to rectify the situation. If the company fails to do so within one month from the date of such request, it shall be obligated to pay the compensations prescribed by the Implementing Regulations of this Law. The Ministry may suspend the company's operations if such failure jeopardizes the lives of employees or the public.

Article 12: Insurance and License Fees

1. A license applicant must pay the license fee prescribed in the Implementing



Regulations.

2. The licensed company must pay an annual amount as specified by the Implementing Regulations.
3. The licensed company shall obtain liability insurance from insurance companies approved by the Ministry against third-party claims arising from activities subject to this Law. The insurance coverage must be sufficient to meet third-party claims.

Article 13: Transfer of Licenses and Protection of Assets

1. The Ministry's prior written approval must be obtained for the transfer of any license or any facility or asset used for any licensed activity subject to this Law or for placing any license, facility, or any asset as collateral.
2. The Ministry shall determine the requirements the applicants must satisfy in order to obtain its approval under paragraph (1) of this Article.

Article 14: License Amendment

The Ministry may amend the license in accordance with the license terms and conditions after the licensed company is notified of such amendment; in such case, it shall take into consideration any statement submitted by the company within a reasonable period specified by the Ministry.

Article 15: License Revocation

The Ministry may revoke any license in accordance with the license terms and conditions.

Article 16: Disputes

If a dispute arises between the Ministry and any licensed company or between two or more licensed companies, it shall be settled amicably. Otherwise, such dispute shall be decided as follows:

- a) It shall be referred to the Gas Industry Dispute Settlement Committee which is formed by the Supreme Council and which comprises at least three members, including a legal advisor and a specialist in the subject matter of the dispute.
- b) The Supreme Council shall determine the work procedures of the Gas Industry Dispute Settlement Committee.
- c) Decisions rendered by the Gas Industry Dispute Settlement Committee may be appealed before the Board of Grievances according to the Law of the



Board of Grievances.

Article 17: The Regulations

The Implementing Regulations of this Law shall be issued pursuant to a decision by the Chairman of the Supreme Council. The Regulations shall be published in the Official Gazette and shall enter into force on the date of its publication.

Article 18: Supplies and Pricing Committee

A committee shall be formed at the Ministry of Petroleum and Mineral Resources chaired by the representative of the Ministry and with the membership of representatives from the Ministry of Finance, Ministry of Commerce and Industry, and the Ministry of Water and Electricity, and two members appointed by the Supreme Council upon the Minister's nomination. The Committee shall convene at least four times a year upon a call by the Chairman. Committee meetings shall not be valid unless attended by at least four members, including the Chairman; its recommendations shall be passed by majority vote of attending members. In case of a tie, the Chairman shall have the casting vote.

The Committee shall be in charge of the following:

1. Reviewing the Implementing Regulations of the Law of Gas Supplies and Pricing.
2. Determining the mid-term and long-term needs of gas supplies.
3. Proposing criteria for quota allocation and optimal use of gas as a source of energy and a feedstock.
4. Proposing gas pricing plans based on Ministry recommendations.
5. Reviewing this Law and submitting recommendations thereon to the Minister who shall submit them to the Supreme Council for Petroleum and Mineral Affairs.
6. Reviewing regulatory matters referred thereto by the Minister.

The Committee shall submit recommendations to the Minister who shall bring them before the Chairman of the Supreme Council for approval and completion of statutory procedures.

Article 19

This Law shall be published in the Official Gazette and shall enter into force on the date of its publication.