

وزارة الطاقة
MINISTRY OF ENERGY



The Kingdom of Saudi Arabia

The Ministry of Energy

**The Implementing Regulations of the Law on the Distribution of Dry Gas and
Liquefied Petroleum Gas Distribution Law for Residential and Commercial Purposes**

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

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and Commercial Purposes**



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Chapter One: Definitions

Article (1): Definitions:

1. The terms and expressions defined in the Law on the Distribution of Dry Gas and Liquefied Petroleum Gas for Residential and Commercial Purposes – wherever mentioned herein – shall have the meanings mentioned in the Law.
2. The following terms and expressions – wherever mentioned herein– shall have the meanings assigned thereto, unless the context requires otherwise:

Law:	Law on the Distribution of Dry Gas and Liquefied Petroleum Gas for Residential and Commercial Purposes.
Committee:	The Committee for Adjudication of Violations referred to in Article (17) of the Law.
Implementing Regulations:	Implementing Regulations of the Law.
Commercial Consumer:	Any Person whose commercial establishment is supplied with Dry Gas, LPG, LPG cylinders, or substitute natural gas for commercial purposes. Any governmental or industrial establishment whose consumption does not exceed seventy thousand (70,000) liters per day or its equivalent shall be considered a Commercial Consumer.
Wholesale Distribution of Liquefied Petroleum Gas (LPG):	Including wholesale distribution of LPG to the Consumer through tankers or distribution of LPG cylinders to a retailer.
Managed Licensee:	A Licensee who failed to manage the licensed activity, or against whom a decision is issued by the Committee to cease the concerned activity, or who violates any of the provisions of the Law, this

	Implementing Regulations, Bylaws, or any of license's terms, or it is established that the Managed Licensee had attempted to commit a violation, and the Ministry's intervention is required to manage the Licensed Activity.
Temporary Manager:	One or more persons appointed by the Ministry to implement the necessary arrangements for managing the Licensee's activity.
Major Incidents:	The operational and security incidents, and occupational health and safety incidents.
Day	The official working days in the State.

Chapter Two: Data and Information

Article (2): Providing the Ministry with Data and Information:

1. If the Licensee has data or information that the Ministry deems necessary for the application of the Law, the Licensee shall submit such required data or information in accordance with the mechanism and within the period specified by the Ministry in its request.
2. If the Licensee is unable to provide the data or information within the period specified by the Ministry or is unable to comply with the mechanism specified by the Ministry, the Licensee shall provide a justification for their failure of compliance, and shall provide alternative data or information available to them within (10) ten working days. In this case, the Ministry shall have the right to take one of the following actions:
 - A. Accepting the alternative data or information, and the Ministry may oblige the licensee to provide the required information or data on a later date.
 - B. Rejecting the justifications provided for the failure of compliance, and obliging the Licensee to submit the required data and information within the specified period or any other additional period specified by the Ministry. The failure of the Licensee

to provide the data or information shall be considered a violation of the provisions herein.

3. The Licensee shall ensure the accuracy and validity of the data or information provided to the Ministry.
4. The Licensee shall immediately inform the Ministry of any incident or major change in their business or organizational structure.

Chapter Three: Licenses Provisions

Article (3): Classification of Gas Activities and Licenses:

1. No person may practice any activities that are subject to the provisions of the Law without obtaining the required License in accordance with the following table:

Paragraph	Gas Activity	License Type
A.	Establishing, developing, operating or maintaining a Dry Gas Distribution Network or an independent gas distribution network, connecting it to the residential and commercial facilities, and providing the Consumer with Dry Gas, LPG or substitute natural gas.	A License for establishing, developing, operating or maintaining a Dry Gas Distribution Network or an independent gas distribution network, connecting it to the residential and commercial facilities, and providing the Consumer with Dry Gas, LPG or substitute natural gas.
B.	Transporting the LPG from its sources to the LPG facilities or an independent gas distribution network.	A License to transport the LPG from its sources to the LPG facilities or an independent gas distribution network.

C.	Establishing, developing, operating or maintaining LPG filling and storage facilities.	A License for establishing, developing, operating or maintaining LPG filling and storage facilities.
D.	Wholesale distribution of LPG.	<ol style="list-style-type: none"> 1. A License for wholesale distribution of LPG to the Consumer. 2. A license to distribute the LPG cylinders to a retail licensee.
E.	Retail sale of LPG cylinders in places designated for this purpose.	<ol style="list-style-type: none"> 1. A License for LPG cylinders retail sell to the Consumer in stores. 2. A License to sell the LPG cylinders through cages. 3. A License to sell the LPG cylinders through vending machines.

2. A person may engage in more than one of the activities that are subject to the Law referred to in Paragraph (1) of this Article, provided that the following is to:
- A. Obtaining an independent license for each activity.
 - B. Each activity shall be independent as determined by the Bylaws.
 - C. Submitting a proof of their ability and financial solvency to carry out more than one activity.
 - D. Having administrative and technical expertise, financial systems, risk management policies, technical resources and related systems, and adequate operational procedures and systems, to fulfill their commercial and legal obligations.

Article (4): Conditions for Granting the License

1. Licenses for practicing the activities (A), (B), (C) and (D) referred to in Paragraph (1) of Article (3) of this Implementing Regulations shall be issued by inviting eligible persons

to submit their proposals in accordance with the procedures specified by the Bylaws, request for proposals' documents shall include at least the following:

- A. Dates related to the tender.
 - B. The geographical scope for providing the service.
 - C. The regulatory and technical requirements and conditions.
 - D. Duration of the license.
 - E. Financial consideration.
 - F. The approved wages for the licensed activity.
2. Licenses for practicing the activity (E) of Paragraph (1) of Article (3) of this Implementing Regulations shall be granted after fulfilling the requirements and conditions for granting the License contained in the Bylaw of the activity of retailing LPG cylinders in the places designated for this purpose.

Article (5): License Renewal

Licensee who desires to renew their License, they shall apply for license renewal according to the period and requirements specified in the Bylaws depending on each activity.

Article (6): Amendment or Cancellation of License:

The Ministry may -upon a request from the licensee - cancel or amend a License, and such amendment or cancelation request shall be considered by the Ministry if it does not prejudice any of the activities subject to the Law.

Article (7): Applicable Provisions to Licenses:

1. Appropriate terms and conditions -which fulfill the requirements of the Law, the Implementing Regulations, and the Bylaws- shall be included in each License issued. Such terms and conditions shall include, but not limited to, the following topics:
 - A. The validity and enforcement period of the License.
 - B. The geographical scope of the gas activity for which the Licensee has been granted a License.
 - C. Requirements for issuing bills, handling complaints, and emergency services.

- D. The level of separation between gas activities and other activities carried out by the licensee; and the requirements of that separation for accounting and legal purposes.
 - E. Data or information required by the Ministry from the Licensee.
 - F. Specifications and requirements for the Dry Gas Distribution Network.
 - G. Provisions and conditions for amending, renewing or assigning a License.
2. The Ministry may grant licenses for the same Licensed Activity to other persons, at the same time and at the same geographical area.
 3. If a Licensee desires to waive, grant, lease, exchange their License or part of the licensed activities, transfer the ownership of primary assets in any manner, merge with a third party, transfer the ownership of the majority of their shares or assets to a third party, or if a third party acquires the majority of their shares or assets, they shall submit an application to the Ministry for prior approval, in accordance with the conditions set by the Ministry. The Ministry shall decide on the said application within a period not exceeding ninety (90) days as of the date of a notification of application completion to be sent from the Ministry to the Licensee. The decision shall be issued in one of the following forms:
 - A. Approval of the proposed action.
 - B. Rejection of application; the rejection decision shall be justified.

Article (8): Security, Safety, Health and the Environment:

The Licensee, while practicing the gas activities that subject to the Law, shall comply with the following:

1. Security, safety, health and environment requirements and instructions issued by the relevant authorities.
2. Prepare an emergency plan in accordance with the instructions issued by the Ministry of Interior.
3. Provide a compliance study of activities (A, B, and D) provided for in paragraph (1) of Article (3) of this Implementing Regulations with the security and safety standards issued by the relevant authorities, every two years, and upon request.

4. Provide a quantitative study of the risks associated with activities (A, B) provided for in Paragraph (1) of Article (3) of this Implementing Regulations that their facilities may create on public and the surrounding area, including prevention and control measures, every (5) five years, and upon request.
5. Provide the necessary means for emergency shutdown of operations and isolation in the event of potential dangers from the network, such as, but not limited to, leakage, fires, and encroachment on facilities.
6. Train all employees on safety, firefighting, rescue, first aid and evacuation activities, in accordance with the instructions issued by the relevant authorities.
7. Ensure that all systems, security, safety and fire protection equipment are complying with the specifications and standards approved by the relevant authorities.
8. Notify the Ministry immediately upon the occurrence of an incident, in accordance with the communication mechanism approved by the Ministry, including security, operational, natural, occupational health, and leakage incidents, regardless of the impact, according to the procedures followed and approved by the Ministry, provided that such notification takes place within thirty (30) minutes of the occurrence of the incident, and includes at least the following information:
 - A. Place, date and time of the incident.
 - B. A general description of the incident, including damages.
 - C. Appointing a liaison officer at the incident site.
9. Prepare reports and investigate the major incidents and other incidents.
10. Obtain insurance against claims, losses and harms for all their facilities that subject to the Law that arise from practicing the licensed gas activities, in accordance with the requirements of the relevant authorities.
11. Inform the High Commission for Industrial Security of any incident, danger or threat to the security and safety of the facilities, in accordance with the mechanisms approved by the Commission to pass the reports regarding Activity (C) provided for in Paragraph (1) of Article (3).

Chapter Four: Tariff

Article (9): Tariff Review:

1. The Ministry, under the powers entrusted by the Law, shall periodically review the gas tariff collected by the Licensee from the Consumers of gas services.
2. The Ministry may decide to review the tariff, it may send a notice to the Licensees and others who deemed as appropriate by the Ministry. Such notice shall include a request for data and information necessary to review the tariff. The Ministry may share its proposed recommendations with Licensees effected by this tariff.
3. The Ministry shall specify a period of time for Licensees -who have been notified- to send their views on its recommendations.
4. The Ministry shall study the Licensees' views and opinions, and submit its recommendation to the Minister to approve the tariff.
5. The Ministry may publish principles, considerations, practices and procedures related to the calculation of the tariff.
6. Upon approval of the tariff, the Ministry shall notify the effected Licensees of the amended or new tariff, and the notification shall include the following:
 - A. The steps that shall be taken to implement the tariff, including publishing a full copy of the tariff of services on its official website, and the method of informing the Consumers of any approved changes in the tariff of its services.
 - B. The effective date of the tariff.
7. The Ministry shall monitor compliance on the approved tariff, and it may require the Licensee to provide the necessary information and data to verify compliance with the tariff. A Licensee shall provide a justification in case of not complying with the approved tariff, the Ministry may also take the following action:
 - A. Making amendments to the tariff collected by the Licensee, in order to compensate the effected Consumers or Licensees for any increase collected by the Licensee as a result of non-compliance with the approved tariff.
 - B. Obliging the Licensee to compensate the effected consumers or Licensees for the differences they have incurred as a result of non-compliance with the approved tariff.

Chapter Five: Rules and Procedures for Managing Activity Subject to the Law

Article (10): Management of Activity Subject to the Law

1. The Ministry may take the necessary measures to temporarily manage the gas activity in any of the following cases:
 - A. If a Licensee fails to carry out any of the licensed activities, according to the period specified in the Ministry's decision.
 - B. If the Committee decision was to suspend the activity, partially or completely, for a period not exceeding (one year).
 - C. In urgent and necessary cases, as stated in Article (18) of the Law.
2. The Ministry issues a decision assigning the Temporary Manager, and agrees with him on the necessary administrative and technical arrangements; Temporary Manager may be an employee of the Managed Licensee.

Article (11): Notification of the Activity Management Decision to the Managed Licensee

1. The Ministry shall notify the Managed Licensee of the Minister's decision regarding taking over the management. The notification shall indicate the date on which the arrangements to be applied pursuant to the decision, as well as the information and assistance that the Managed Licensee shall provide to the Temporary Manager, and Managed Licensee shall enable the Temporary Manager to assume the management work.
2. The Ministry shall announce the Minister's decision regarding taking over the management on its official website or on any other means, as provided for in the decision.
3. It shall be prohibited for any Managed Licensee notified of the Minister's decision regarding taking over the management to take any action related to the licensed activity, without obtaining a prior approval from the Ministry.

Article (12): Duties and Powers of the Temporary Manager

1. The Temporary Manager shall comply and update the administrative and technical arrangements, and perform their duties according to the following:
 - A. Possessing the assets of the Managed Licensee; and if the managed Licensee is a legal entity, they shall appoint an official from within their employees to assume the management duties.
 - B. Operating the assets of the Managed Licensee in a way that ensures the safety and security of gas supply activity, and achieving any other objectives specified in the activity management decision.
 - C. Implementing the gas activities for the benefit of and at the expense of the Managed Licensee, and the Managed Licensee shall bear the expenses and risks.
 - D. The Managed Licensee shall bear the financial impact resulting from managing the activity, after deducting the costs and expenses of the arrangements implemented in accordance with the activity management decision.

Article (13): Referral of Violations to the Committee in Urgent and Necessary Cases

The Ministry shall send a copy of the decision of assuming the management to the Committee within (10) ten working days from the date of its issuance, along with an explanatory memorandum that shall include the following:

1. Details of the relevant violation and the reasons for taking the decision.
2. The expected impacts on the Managed Licensee, gas activity and Consumers as a result of exercising the powers based on Paragraph (1/D) of Article (18) of the Law, or as a result of their non-implementation of the same.
3. Details of other options available to the Ministry and justifications for not taking such options.
4. The expected period for the continuity of management takeover, according to the period stipulated in the Law.
5. Any other information the Ministry deems appropriate.

Article (14): Expiration of Activity Management Period

Following the Minister's decision to manage the activity, the Ministry shall monitor whether or not the circumstances that led to the issuance of the decision still exist, and this decision shall remain valid as of its enforcement date until the occurrence of any of the following:

- A. Expiry of the period specified in the decision by ending the arrangements.
- B. Issuance of a ruling of the competent administrative court to cancel the decision to take over the management.

Article (15): Continuity of the Service

The Ministry shall take the necessary arrangements to ensure the following:

1. Continuity of the service to Consumers if the Licensee is unable to perform any of the activities that subject to the Law; the Ministry may take any necessary corrective measures to enable the Licensee to execute the licensed gas activity the manner specified in the License.
2. Supplying Consumers with gas if a shortage of supplies occurs or is expected to occur, including determining the minimum stock of gas quantities and packed cylinders that each Licensee shall meet.

Chapter Six: Final Provisions

Article (16): Final Provisions

1. The Ministry may send notifications through electronic means or by any other means.
2. The provisions herein shall enter into force as of the date of its publication on the Ministry's website.