

WITHOUT PREJUDICE

January 19, 2016

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Chairman

Transparency International-Pakistan

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Re: **PSO LNG Deal with Qatar Gas is not a G to G Deal ENOC LNG Offer of G to G deal between Ministry of Petroleum Pakistan and UAE Government of less than 13% of Brent, with 60 days of deferred payment**

Dear Sir,

This is with reference to your letter No. TL16/0801/13A dated 7th January 2016 and in continuation to our letter dated 17-12-2015 which was in response to your earlier letter dated 08-12-2015 on subject. It is extremely disappointing that Transparency International Pakistan (TIP) has been continuing to make baseless insinuations and distorts facts for reasons known best to it.

At the very outset the contents of subject letter are vehemently denied being incorrect with a request to provide PSO a copy of complaint, along with the name of the Complainant and supporting documents, for our perusal. This is fair in line given your contention that Transparency International always emphasizes on openness, clarity and transparency of all matters.

Most of the points raised in the above referred letter have been clarified in PSO's earlier response to TIP vide letter dated 17-12-2015. However, in order to keep the record straight, PSO would further clarify as follows:

TIP's statement that the deal with Qatar Gas had been signed is fallacious given that ECC has given approval last week after extended negotiations that saw Qatar Gas reducing its price further. The strategy has paid dividends and PSO did not award the higher price offer of 13.83% in Tender No 14.

With respect to the concerns raised regarding first six LNG cargoes, it is clarified that in view of the issues in the berthing of Q-Flex vessels (vessels to be used by Qatargas for supply of LNG to Pakistan) at Port Qasim and given that the FSRU if it were to remain idle would nevertheless be entitled to receive daily capacity charge, PSO, in order to facilitate commissioning and utilization of the terminal

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facilities, had arranged for the import of 6 LNG cargoes from Qatar using FSRU as LNG carrier under a Master FOB Sale and Purchase Agreement pursuant to MPNR's directives.

ECC in its decision dated 2nd July 2013, authorized MPNR to engage in negotiations with Qatargas Operating Company Limited (Qatargas) on G to G basis for importing LNG on delivered Ex-ship basis. GOP and State of Qatar have signed the Agreement for Cooperation in Energy Sector" (G to G Agreement). Qatargas Operating Company Limited (Qatargas) has been designated by the State of Qatar to implement the long term supply of LNG from Qatar to Pakistan. The Ministry in turn nominated Pakistan State Oil Company Limited (PSOCL) as the LNG buyer keeping in view the company's international credibility and expertise in the energy supply chain.

In its recent meeting held on 13th January, 2016 the ECC reviewed and gave its approval on the G to G LNG deal with Qatar by allowing PSO to sign LNG Sale Purchase Agreement (LSPA) with Qatargas. The ECC conclusion was well covered by the media.

We would like to state categorically that all tenders of PSO including LNG Tenders are advertised in major newspapers in addition to uploading the same on PSO and PPRA websites and the evaluation reports are uploaded on PSO's website.

PSO has strictly followed the provisions of public procurement laws for the award of 5 year contract for the import of LNG. In this regard, please note that PSO published the advertisement in different newspapers namely Daily Dawn, Daily Jung, Daily Business Recorder, Daily Nawa-i-Waqt dated 09.11.15 in addition to uploading the same on the websites of PSO and PPRA.

During response time, a pre-bid meeting was also scheduled on 17th November, 2015 which was attended by major LNG suppliers wherein some of the potential bidders even came from outside Pakistan. Responses to queries raised by bidders in the meeting as well as received through email were also uploaded on PSO's website in order to maintain transparency and to benefit all potential bidders.

PSO received excellent response from serious suppliers from all over the world and the process was appreciated by the bidders being fair, responsive and transparent. Altogether, 10 bids were received for the term tenders opened on 10th December 2015 and contrary to your contention, all bidders in the 5 year Tender were reputable industry players, namely, Shell, BP, Petro China, Gas Natural, Trafigura, Gunvor and ENI.

The competitiveness of the offers in Tender No. 13 is apparent from the prices received which were uploaded on the PSO's website as well.

It is to be noted that the volumes offered in Tender 13/14 were additional to the volumes under negotiation with Qatargas.

The allegations that PSO influenced or violated PPRA rules in the award of contract of LNG by awarding the tender to a single party are also strongly rejected. TIP should carefully note that PSO has been procuring LNG in accordance with relevant rules and allegation of misprocurement is baseless hence vehemently denied.

It is also highly pertinent to note that to date PSO has imported 18 LNG cargoes and not a single bidder raised any objection with respect to the tender process and no grievance or complaint has been received in this regard.



TIP's claim that Emirates National Oil Company (ENOC) has offered any G to G LNG deal to PSO is refuted as no letter/concrete offer in this regard has been received by PSO. The contents of para 4 are aimed at causing confusion and to create doubt on a transparent deal by implying that GOP has ignored a better offer from ENOC. There is no such offer on the table. TIP is strongly requested to provide evidence of such a written offer from ENOC urgently prior to signing of deal with Qatargas. Moreover, it is categorically stated that no such recommendation was made by the MOP's consultants.

We also refer to the news article titled "LNG Deal: TIP invites CJP's attention" published in "Business Recorder" on 17th January, 2016, it has been noted with great concern that TIP is now making efforts to ensure that Pakistan continues to suffer energy shortage and our industry starve due to non-availability of power.; Pakistan State Oil (PSO) categorically refutes the allegation that the LNG deal is in any way illegal or not in compliance with the laws/rules of the land. Please note that regarding Qatargas LNG deal, all PPRA requirements relating to Government to Government (G to G) agreements have been met in full.

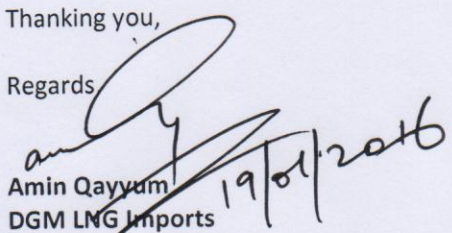
As stated by Honorable Minister for Petroleum & Natural Resources in the recent Petroleum Institute of Pakistan (PIP) seminar, "LNG is the most cost effective solution for Pakistan's energy problems and had Pakistan committed to LNG a few years ago it would not be facing a gas crisis today." LNG shall be a major game changer for the energy outlook of Pakistan and this agreement with Qatargas, the world's main LNG supplier with a market share of over 30%, shall secure Pakistan's energy security.

PSO and MPNR have been working diligently to create a portfolio of imported gas supplies to meet the energy needs of the country and it calls upon organizations such as Transparency International to not sabotage the country's energy future for their own vested interests and to present actual facts rather than misleading the public by making allegations.

Vide copy of this letter to TI Germany it is further requested them to ensure that TI Pakistan be advised not to write letters that serve no purpose and are based on false information and insinuate wrong doing when nothing wrong exists. However, we will appreciate suggestions that improve our processes.

Thanking you,

Regards


Amin Qayyum
DGM LNG Imports

cc:

1. Secretary to Prime Minister, Islamabad
2. Chairman NAB, Islamabad
3. Chairman Prime Minister's Inspection Commission, Islamabad
4. Minister of Petroleum & NR, Islamabad
5. Registrar Supreme Court of Pakistan, Islamabad
6. Managing Director PPRA, Islamabad
7. Managing Director PSO
8. General Manager CP, PSO