



8th December, 2015

TL15/0812/15A

Mr. Sheikh Imran-ul-Haque,
MD/ CEO,
Pakistan State Oil,
Karachi.

Sub: PSO LGN Deal is not a G to G Deal
Efforts to Award Unsolicited LNG Procurement Contract to a Commercial Group of Qatar
PSO Tender for LNG Supply 5 Years on Percentage of Brent.

Dear Sir,

Transparency International Pakistan has received a complaint that PSO in order to circumvent the PPRA Rules is to award 15 years LNG Import Contract to Qatar Gas at 14% of Brent, which has been negotiated by you in Qatar. PSO has tendered for 5 years LNG Import, which is going to open on 10th of December 2015.

The Complainant has made the following allegations that;

1. PSO has been negotiating since last one year with Qatar Gas for 15 years LNG Supply Contract.
2. As interim measure PSO tendered for spot purchase on 3 consignments in May 2015 and awarded to single party M/s Gunvor against PPRA Rules.
3. Gunvor supplied 143,000 cubic meters of LNG each for August, September and October 2015, at 12.27 percent of average Brent rates for August, 11.8996 percent for September and 11.9163 percent for October.
4. Mr. Shahid Khaqan Abbasi, Minister of Petroleum, announced in October 2015 that PSO will sign 15 years deal with Qatar Gas at 14% of Brent.
5. Getting away with violation of PPRA Rules by illegally awarding single tender, PSO in October 2015 instructed M/s Gunvor to quote 15% instead of 12%, as it will again be single tender, and all other bidders will be disqualified. PSO awarded three LNG contracts to M/s Gunvor at 15% of Brent.
6. This manipulation was done to justify the proposed PSO deal for 15 years with Qatar Gas at 14% of Brent.
7. Now again in November 2015, PSO invited 5 years tender for 60 LNG consignments for Tender/Imp/LNG/2015-13 & 14.
8. There will be no serious participation in this tender, except M/s Gunvor, who will quote over 14.5% Brent, so that PSO deal of 15 year with Qatar will look better to the Nation.

This is to inform PSO that single tender is not allowed under PPRA. As clarified in PPRA Code 2015. Question No 12 of FAQs, PSO should have awarded similar tender previously on competitive basis in the current fiscal year. In June 2015, PSO awarded single tender at 12% of Brent to M/s Gunvor which was illegal.



Second surprising thing is that in both Tenders of May 2015 and October 2015, only one party was qualified by PSO, i.e. M/s Gunvor. This confirms collusion of PSO with M/s Gunvor, as stated in PPRA Rule No 10 and 32;

10. Specifications.- Specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage.

32. Discriminatory and difficult conditions.- Save as otherwise provided, no procuring agency shall introduce any condition, which discriminates between bidders or that is considered to be met with difficulty. In ascertaining the discriminatory or difficult nature of any condition reference shall be made to the ordinary practices of that trade, manufacturing, construction business or service to which that particular procurement is related.

Prima facie it appears that PSO is manipulating LNG contracts with M/s Gunvor and Qatar Gas, and committing violations of PPRA Rules. All single contracts awarded to M/s Gunvor are therefore mis-procurement under Rule No 50. Tenders to be opened on 10th December, 2015 may be cancelled, and re-invited for short periods of 2 years, by amending tender conditions, to allow wider participation, such as elimination of bid guarantee.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,

Sohail Muzaffar
Chairman

Copies forwarded for the information with request to take action under their mandate to:

1. Secretary to Prime Minister, Islamabad.
1. Chairman, NAB, Islamabad.
2. Chairman, Prime Minister's Inspection Commission, Islamabad.
3. Registrar, Supreme Court of Pakistan, Islamabad.
4. Managing Director, PPRA, Islamabad.
5. DG, NAB, Karachi.