TAZAMA PIPELINE OPEN ACCESS GUIDELINES FOR TRANSPORTATION OF LOW SULPHUR GASOIL

1. INTRODUCTION

1.1 TAZAMA Pipelines Limited shall offer pipeline transportation services to Oil Marketing Companies (OMCs) seeking to utilise the TAZAMA petroleum products Pipeline to transport Low Sulphur Gasoil (LSGO) from the port of Dar es Salaam to Ndola in Zambia. The right of access to the Pipeline shall be given to the OMCs in a transparent, fair and equitable manner.

1.2 The Low Sulphur Gasoil transported through the Pipeline shall be made available to all OMCs wishing to distribute the product to the local market. Distribution of the product to the OMCs shall be done through the TAZAMA Petroleum Products Limited (TPPL) Ndola Fuel Terminal (NFT) and Mpika Fuel Depot (MFD).

1.3 Where necessary, the product shall be trans-shipped to other Government Fuel Depots as Strategic Reserves and/or for easy access by OMCs.

1.4 The TAZAMA Pipeline Open Access Guidelines shall therefore provide procedures and criteria to be used by TAZAMA in providing equitable access to the petroleum pipeline for OMCs that wish to transport low Sulphur gasoil from Dar es Salaam to Ndola.

1.5 The guidelines are developed as per provisions of the Energy Regulation (General) Regulations Statutory Instrument No 41 of 2023.

2. OBJECTIVES

2.1 The objectives of the TAZAMA Pipeline Open Access Guidelines shall therefore be as follows:

a) To provide rights of access to OMCs wishing to utilise the pipeline for the transportation of LSG from Dar es Salaam into Zambia. In a transparent fair and equitable manner.
b) To form a basis for inclusion of the OMCs' Vessel on the Dispatching Schedule in a transparent, equitable, fair and reasonable manner
c) To facilitate the planning and documentation of product to be conveyed by the pipeline.
d) To ensure that product transported through the pipeline is available to the local market in a consistent and sustainable manner.

3. DEMAND FORECASTING

3.1 There will be need to determine demand for a particular month before starting to procure the diesel. To do that the following will be required:

a. OMCs that will pick up product from the Ndola Fuel Terminal shall declare their required quantities using a demand declaration form 90 days prior to the first day of delivery date range. The Quantity demanded shall be validated using the Energy Regulation Board (ERB) market share statistics.

b. OMCs shall enter into "pick or pay" contracts with TAZAMA Pipelines relative to the orders made.

c. OMCs shall provide a loading schedule to TAZAMA for the collection of the fuel allocated to them fourteen (14) days prior to the Expected Time of Arrival of the vessel at the Port of Dar es Salaam.

d. TAZAMA shall confirm the loading schedule and issue daily shipping orders in line with the approved loading schedule five (5) days prior to the Expected Time of Arrival of the vessel at the Port of Dar es Salaam.

4. SELECTION OF REGISTERED OIL MARKETING COMPANIES

4.1 Registration of Oil Marketing Companies (OMCs)

4.1.1 OMCs shall be pre-qualified in order to take part in the bidding process for supplying LSG through the pipeline. Interested OMCs shall apply to be pre-qualified after a public advert. Thereafter application documents shall be evaluated and a report with a list of pre-qualified OMCs prepared to that effect.

4.1.2 The Evaluation Committee that will shortlist applications shall consist of Nine (9) Members of which three (3) shall be Officers from the Ministry responsible for Energy, appointed by the Permanent Secretary of Energy in writing. TAZAMA Pipelines Limited shall provide the Secretariat services to the Evaluation Committee.

4.1.3 Once approved, the list shall constitute registered OMCs who shall be eligible bidders to transport LSGO through the pipeline for the year. These registered OMCs shall be selected through a quarterly competitive bidding.

4.1.4 The approved list of pre-qualified OMCs (registered OMCs) shall be valid for a period of one (1) year from the date of being pre-qualified. However, each registered OMC shall be required to be revalidated every six months

4.1.5 The following shall be the criteria for pre-qualification of OMCs (the company, or at least one of the companies in case of a joint venture):

- Application submitted to TAZAMA Pipelines Managing Director;
- Proof that the company is duly registered and licensed by the Energy Regulation Board (ERB) to import, export and distribute petroleum products;
- Citizen owned company. The company may partner with other local or international companies;
- Proof of Funds evidence by a letter from the Bank or financial institution, accompanied with six (6) months bank statement;
- Certified Audited Accounts for the past 3 years for the company. In case of a joint venture, Certified Audited Accounts can be drawn from any one of the partners;
- Company Profile containing among other information staff competences;
- Warrant that there is no existing actual or threatened litigation that will affect its ability to comply with the performance of the contract to supply;
- Applicant must not be insolvent or be subject of any winding up process;
- Tax clearance and National Pension Scheme certificate;
- Evidence of experience in international trading of petroleum products and/or in local marketing business of petroleum products;
- Companies under Joint Venture should submit a registered Joint Venture Agreement; and

- Background and security checks on the applicants shall be conducted.

4.2 The Tender Process

4.2.1 Quantities to be transported through the TAZAMA pipeline shall be split into vessels based on capacity of the TPL infrastructures and the demand declarations by the OMCs, normally in lots as shall be determined by the Ministry of Energy and TAZAMA.

4.2.2 Respective Bidding Documents shall be prepared and registered OMCs invited to bid seventy five (75) days before the Expected Time of Arrival of the Ship. Among other things, the Bidding Documents shall specify acceptable quality of petroleum products as per approved specifications contained in the National Standards for Low Sulphur Gasoil.

4.2.3 Open tender shall be conducted under National Open Competitive Bidding process whereby all stakeholders are invited to witness the tender closing/opening and evaluation process;

4.2.4 Tenders shall be evaluated and approved by a Tender Committee. The Tender Committee shall consist of Seven (7) members of which three (3) shall be officers from the Ministry responsible for Energy appointed by the Permanent Secretary of Energy in writing and (1) representative from the Zambia Chamber of Commerce and Industry. Tender shall be awarded to the best evaluated bidder for each tender of the quarter who shall be announced publicly immediately after approval forty-five (45) days before the Expected Time of Arrival of the Ship

4.2.5 The evaluation criteria will be based on the following:

1. CIF value of the cargo – Lowest value wins

2. Date of Delivery – Closest arrival date to the advertised date wins

4.2.6 The OMC awarded the tender shall submit a Performance Bond within ten (10) days from the date of the Notice of Award. The performance Bond shall be 10% of the CIF Value of the product to be supplied. Thereafter, signing of Supply and Transportation contract between TAZAMA and the selected OMC shall be done upon verification of the Performance Bond. The performance bond shall be in form of a Bank guarantee or Insurance Bond from a reputable Insurance company.

4.2.7 In the event that the preferred OMC fails to submit a performance bond within the stipulated time frame, the second-best evaluated bidder will be awarded the contract provided that the difference in CIF value of the product does not exceed ten percent (10%). If the second best evaluated does not meet the conditions or accept the award the third best evaluated bidder will be considered for the award provided that the difference in CIF value of the product does not exceed ten percent (10%) of the best evaluated bid.

4.2.8 After the third bidder fails the selection shall be subjected to a special committee comprising officers from Ministry of Finance, Ministry of Energy and Energy Regulation Board. The committee shall be appointed by the Permanent Secretary of the Ministry of Energy. The decision of the special committee shall be final and binding.

4.2.9 The value of the Performance Bond shall be 10% of the CIF value of the cargo. The successful bidder shall be required to make all arrangements for the supply of the LSGO to be transported through the pipeline as shall be stipulated in the supply contract. If the successful Bidder fails to deliver within the contract period the performance bond shall be forfeited to the Ministry of

Energy's Strategic Reserve fund. Further the OMC shall be banned from participating in the tender for a period of two (2) years and be charged a penalty of US$35/MT/Day for each day that the country does not have an alternative cargo from the expected date of delivery.

5. MANAGEMENT OF OPERATIONS FOR THE SUPPLY OF LSG THROUGH THE PIPELINES

After signing of the contract, execution of the contract shall proceed as follows:

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5.1 Product Receipts at the Dar Tank Farm

5.1.1 The supplying OMC shall nominate a delivery vessel at least thirty (30) days prior to the first day of delivery date range.

5.1.2 Tanzania Ports Authority (TPA) in consultation with TAZAMA Pipelines Limited (TPL) shall vet to approve or reject the nominated vessel based on intertanko's *standard tanker chartering questionnaire 88 (Q88)* and other requirements as would be necessary within 24 hours of receipt of the nominated vessel.

5.1.3 After vessel approval, the supplying OMC shall submit shipping documents from load port to TAZAMA Pipelines ten (10) days before the first day of the delivery date range: -

- Invoice
- Certificate of origin
- Certificate of Quantity & Quality issued by independent inspector at the load port

- Bill of Lading
- Cargo Manifest.

5.1.4 TPL shall issue Discharge Instructions to the supplying OMC indicating the receiving Tanks at the TAZAMA Dar es Salaam Tank-farm five (5) days before the first day of the delivery date range.

5.1.5 The supplying OMC or their shipping agent shall lodge vessel's manifest online to Tanzania Revenue Authority (TRA) and TPA seventy-two (72) hours before vessel tendering Notice of Readiness.

5.1.6 Sampling of the cargo onboard shall be done by TPL, Independent Inspector and Surveyor of the supplying OMC prior to discharge.

5.1.7 Product with non-conforming quality shall be rejected and not be discharged. The respective vessel shall carry it back to its original loading port.

5.1.8 This shall constitute failure by the OMC to deliver and shall result in the OMC being surcharged 20% of the CIF value of the cargo. Further the OMC shall be required to provide a replacement cargo within 2 weeks. During the waiting period a late delivery penalty of $0.50 per Metric Ton per day shall be incurred by the OMC.

5.1.9 If the OMC fails to provide a replacement cargo as required, they shall be suspended from participation in the Tender process for a period of two (2) years, and be charged a penalty of US$35/MT/Day for each day that the country does not have an alternative cargo from the expected date of delivery.

5.1.10 The TPL contracted Independent Inspector shall certify the quantity and quality of the product received and issue respective survey reports (Outturn Reports) for each vessel/tender.

5.1.11 TPL shall issue to the supplying OMC Product Receipt Note (PRN) indicating quantity of product received in Metric Tones and Cubic meters at 20°C, the density and the temperature at the time of receiving.

5.2 Storage, Transportation and Sale of the LSG

5.2.1 Subject to the terms and conditions of the contract, all LSG to be transported via the TAZAMA Pipeline shall be discharged and stored in one or more Storage Tanks at the TAZAMA Tank Farm in Dar es Salaam.

5.2.2 TAZAMA shall direct and carry out the handling of the Product at the Storage Tanks in accordance with the TAZAMA Operating Procedures which shall among other things, include a daily inventory stock take in conjunction with the Supplying OMC's surveyor.

5.2.3 During the Term of the contract, the Supplying OMC shall undertake to pay a Monthly fee (the "Storage, handling, bonding and Pumping Fee"), equal to

(a) $54/MT as pumping fee for product that has been delivered to Mpika/Ndola in each month

(b) $8/m3 as storage fee for product still in the tanks at the Dar es Salaam Tank farm at the end of the month and

(c) $5/m3 as storage fee for product delivered but still in the tanks at Ndola/Mpika Terminal/depot at the end of each month.

(d) Bonding charge – to be specified in the contract.

(e) $5/MT as handling charges

(f) The final quantity of product delivered shall be subjected to deduction of 1% allowable pipeline consumption, 0.3% allowable transportation loss and 0.3% allowable storage loss at NFT.

5.2.4 At the end of the Term of the contract, TPL shall issue an invoice to the supplying OMC for amounts due for the service rendered. The invoicing shall be based on the final reconciliation report agreed by both parties.

5.2.5 Product pumped through the pipeline shall be distributed to the OMCs through the bonded warehouse of the TAZAMA Petroleum Products Limited (TPPL) run Government Fuel Depots (Ndola Fuel Terminal and Mpika Fuel Depot) on behalf of the Supplying OMC.

5.2.6 TAZAMA shall sell the product on behalf of the supplying OMC at the ERB regulated wholesale price in Zambian Kwacha. The ownership of the products shall be with the OMC (Importer/Supplier). The products shall be sold to all qualifying OMCs in line with order made and the pick or pay contracts. Credit Sales and Prepayments shall be subject to approval by the supplying OMC. An escrow account that will automatically remit sales proceeds in Zambian kwacha to the supplying OMC shall be opened by TAZAMA. The supplying OMC shall have escrow account viewing rights. The invoices issued to OMCs that will uplift the product will bear the escrow account details.

5.2.7 The pricing of the petroleum products to be determined by ERB will take into consideration the CIF cost of the cargo and incidental costs including but not restricted to the exchange rate, port charges, storage, handling, pumping fees and allowable losses.

6. SPECIAL CIRCUMSTANCES AND DEVIATIONS

In special cases of emergencies, unforeseen circumstances such as delayed award processes, prolonged appeals and any other factors that cause idle usage to the pipeline, the Minister of Energy may guide TAZAMA in writing on a suitable action to remedy such circumstances in the interest of security of supply of petroleum products. This may be in the form of emergency nomination of an applicant or firm which meets the aforementioned criteria and is offering rates equal to or below the ERB regulated wholesale price.

The nominated importer shall provide a performance guarantee of 30% of the CIF Dar es Salaam Value of the cargo to be imported.

7. REVIEW OF GUIDELINES

7.1 The guidelines shall subject to review bi-annually and as and when required.

7.2 Review of the guidelines may be initiated by the Ministry of Energy in writing on its own accord or upon request from stakeholders.

7.3 TAZAMA Pipelines Management shall within seven (7) days of receipt of the request, avail the request to a Committee that will consist of at least three (3) officers from the Ministry of Energy.

7.4 Any revisions adopted by the Committee shall be submitted to the Energy Regulation

Board as per provision of Statutory Instrument No. 41 of 2023.