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# USAID ENERGY POLICY PROGRAM

## MONTHLY REPORT AUGUST 2014

LEGAL ADVISORY SUPPORT FOR LNG  
PROCUREMENT

**September 2014**

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## MONTHLY REPORT - AUGUST 2014

### LEGAL ADVISORY SUPPORT FOR LNG PROCUREMENT

Submission Date: September 1, 2014

Contract No: AID-EPP-I-00-03-00004

Order No: AID-391-TO-12-00002

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# Memorandum

Watson, Farley & Williams LLP

<b>To:</b>	<b>Akbar Yusuf, AEAI EPP</b>	<b>Date:</b>	<b>1 September 2014</b>
<b>From:</b>	<b>Heike Trischmann, WFW</b>	<b>Our Ref:</b>	<b>52545399v1</b>
<b>cc:</b>	<b>Andrew Baird, WFW</b>		

## Monthly Report - August 2014

Watson, Farley & Williams LLP (“WFW”) has been engaged by Advanced Engineering Associates International, Inc. (“AEAI”) under Subcontract No. EPP-C1-SC-008 (dated 26 July 2014), Delivery Order No. EPP-C1-DO-001 (25 July 2014) and Task Order-1 (effective 30 July 2014) to advise various stakeholders in, and the Government of (together the “Client”), the Islamic Republic of Pakistan (“Pakistan”) on, negotiate on their behalf and help them finalise, as applicable, predominantly the following:

- (1) all outstanding conditions subsequent under the LNG Services Agreement (the “LSA”) dated 30 April 2014 between Engro Elengy Terminal (Private) Limited (“EETPL”) and Sui Southern Gas Company Limited (“SSGC”), with particular focus on the direct agreements and options agreements required under clauses 4.1(e) and 4.1(f) of the LSA;
- (2) LNG supply agreement(s) for LNG importation into Pakistan under the LSA and the necessary tender documentation to satisfy regulatory requirements in Pakistan.

To enable WFW to fully perform these tasks, WFW subcontracted Vellani & Vellani Advocates and Legal Consultants (“V&V”) in Karachi, Pakistan, to resolve questions involving Pakistan law and the Pakistan regulatory regime.

WFW’s and V&V’s work on this assignment started on 30 July. Since then and during the month of August, we have been dealing with the following:

### 1. Conditions subsequent under the LSA

- (a) We participated in a kick off meeting in Islamabad on 11 and 12 August, where we presented an action plan that had been agreed by all the relevant stakeholders during the previous week regarding how to fulfil all the outstanding conditions subsequent before the long-stop date of 28 August 2014 as set out in clause 4.4 of the LSA.
- (b) We organised and conducted a total of 6 calls with the relevant counterparties, including Excelerate and their UK and US lawyers, EETPL and their Pakistan internal and external lawyers, SSGC and their external Pakistan lawyers and AEAI, as well as 3 additional internal calls with SSGC and their Pakistan lawyers Liaquat Merchant Associates (“LMA”) and a large number of calls amongst our team within WFW, to discuss and negotiate, where applicable, the:
  - (i) FSRU charter direct agreement;
  - (ii) generic direct agreement;

- (iii) FSRU option agreement;
  - (iv) fixed assets option agreement;
  - (v) amendment agreement to extend the long-stop date.
- (c) We prepared first redrafts of the generic direct agreement and both option agreements since the first drafts were prepared in February 2014 and reviewed Excelerate's first redraft of the FSRU charter direct agreement since December 2014. Since then, we have prepared 2 further redrafts of each of the agreements set out under (b)(i) to (iv) above. Please see latest drafts of each document attached.
- (d) We prepared a memorandum for SSGC and Mr Rahat Siddiqui, as SSGC's main negotiator of the direct and option agreements, that is designed to guide SSGC through the provisions of these agreements (which are very legal and procedural in nature) to enable him to more easily follow the discussions and negotiations of them.
- (e) We also prepared a first draft of the amendment agreement referred to under (b)(v) above and 3 redrafts and commented on EETPL's redrafts. Please see latest draft attached.
- (f) Together with V&V we reviewed the permits and NOCs sent to us by EETPL to ascertain whether they fulfil the requirements of the condition subsequent under clause 4.1(g) of the LSA. This is still work in progress.
- (g) We also reviewed the non-committed mandate letters of EETPL's proposed lenders to ascertain whether they fulfil the requirements of the condition subsequent under clause 4.1(h) of the LSA. This is still work in progress.
- (h) We supported FACTs Global Energy ("FGE") in their task to advise SSGC on the appropriateness or otherwise of the FSRU purchase option price.
- (i) We wrote a large number of Emails in support of the above.

## **2. LNG supply agreements and tender procedures**

Our work in respect of this task to date involved:

- (a) During the kick off meeting in Islamabad referred to under 1(a) above, we participated in discussions on the LNG supply strategy Pakistan should adopt, with a particular focus on the requirements of the Pakistan public procurement rules and regulations ("PPR") that such strategy must comply with.
- (b) We prepared an attendance note on the kick off meeting for AEAI. Please see copy attached.
- (c) For discussion purposes, we subsequently prepared a detailed note to FGE, Pakistan State Oil ("PSO"), as LNG buyer, and their Pakistan lawyers Orr, Dignam & Co ("ODC") on issues arising under the LNG supply strategy and the PPR. Please see copy of the Email attached.
- (d) We also prepared a memorandum for FGE on the interface of the LSA and any LNG supply agreement that a Pakistan Client entity may enter into, for FGE's better understanding of specific requirements that are borne out of the LSA. Please see copy attached.
- (e) We conducted 3 calls and commented on a note that ODC is preparing in close collaboration with LMA and V&V in respect of LNG master sales purchase agreements

and any specific attention we may have to give them and any tender process to fulfil the PPR requirements.

- (f) We had various calls with FGE to move these matters forward / update each other on progress.
- (g) We wrote a large number of Emails in support of the above.

