

**File NO. PD13/18/2018-PPPCell**  
**Government of India**  
**Ministry of Shipping**  
**(Ports Wing)**

1, Parliament Street  
Transport Bhawan  
Dated: 7<sup>th</sup> March, 2019

**CLARIFICATION CIRCULAR (LAND MANAGEMENT) No.1 OF 2019**

**Subject: Guidelines for Establishing a Floating Storage Re-gasification Unit (FSRU) at Major Ports.**

The demand for Liquefied Natural Gas (LNG) in the country has been increasing and it is the stated policy of the Government of India to double the share of LNG in the energy mix of the economy in the near future. LNG imports are substantial since domestic supply of LNG is not being able to meet the demand, for which supporting infrastructure requires to be developed. Floating Storage Regasification Units (FSRU) within port limits offer a low cost, fast track and flexible option even compared with traditional onshore terminals.

2. Some entities have shown interest to set up FSRU units in port limits. However, presently there are no specific guidelines on how FSRU units will be permitted to be set up and operate and therefore Indian Ports Association (IPA) was tasked to examine the issue and give its report. IPA submitted its report in September 2018.

3. After examining the report it has now been decided to bring uniformity in setting up and operation of Floating Storage Regasification Units (FSRU) for LNG cargo in different Ports, and that fundamentally it entails giving license of water area and is covered under Para 12.1 of Policy Guidelines For Land Management 2014(PGLM). The PGLM will be applicable for all matters concerning the license for FRSU.

4. Accordingly, the following Guidelines for Establishing Floating Storage Regasification Units (FSRU) at Major Ports may be followed:

**4.1 Licence of Water area**

(i) FSRUs can be set up by any entity within the Port limits. The entire investment of the gasification units as well as storage units including the pipelines shall be made by the entity setting up the FSRU unit.

(ii) In case of project initiated by the Port, they will prepare Pre-Feasibility Report to ascertain project capacity, cost of project, land/waterfront requirement etc. Also, any

entity desirous of setting up FSRU shall submit Pre-Feasibility Report. Such Pre-feasibility Report shall be examined by port, either in house or by engaging consultant, to ascertain project capacity, cost of project, land/waterfront requirement etc. and its financials. If found feasible in either case, then the Port shall proceed further for setting up the Project.

(iii) Port shall, thereafter, carry out transparent competitive bidding process as per Para 11.2(d) and 13 of PGLM. The project model will be Land License Model and the project entity shall be owner of the project assets and entitled to take away the same wherever feasible free of cost on expiry of lease period.

(iv) Water Area, Land area and any other facility/ permission such as ROW for pipelines shall be provided by the Port at applicable charges. License fee for Water Area at rate equal to 50% of License fee of abutting land (with escalation) is to be paid by the operator to Port for the water area occupied FSRU unit and shall be the reserve price for the bids to be invited.

(v) FSRU projects are to be taken up on license basis up to 30 years under the provisions of PGLM and the Board of Trustees shall be the competent authority for approval of the project as per MPT Act. For license above 30 years approval of the Ministry of Shipping through the Empowered Committee will be required as per Para 11.2(c) of PGLM.

#### **4.2 Guidelines for bidding process**

(i) Port may adopt "Single Stage e-Tendering" system of bidding. The rationale is that number of bidders will be limited and better financial quote will be made by bidder as competitors will not be known while bidding under this system.

(ii) The Bid documents will also include Draft License Agreement.

(iii) As stated, bidder shall pay water area charges to the port. The water area charges as per land policy shall be the minimum payable by the operator and shall be "Reserve Price" of the bid. Bidders will be invited to quote premium (%) over Reserve Price and bidder quoting highest premium shall be selected for award of the project. The total license rental for the license period (Total License Rental) will be payable on upfront basis.

(iv) The bidder will be required to furnish Solvency Certificate not older than 3 months issued by any Nationalized/ Scheduled Bank for an amount equal to Total License Rental payable by the bidder.

(v) Bidder will be required to provide Bid Security equal to Rs. 2 crore.

(vi) Since FSRU project typically costs around Rs.500 crore(excluding vessel cost), bidder shall provide Performance Security in the form of Bank Guarantee of 10% of the Project cost subject to a maximum of Rs.50 crore to ensure timely commissioning of the project which shall be forfeited if project is not completed in 2 years or any extended period, not exceeding 6 months, as approved by the Port. The port may also prescribe stage wise completion of the project and fix penalty for non-adherence to the schedule. Performance Security shall be refunded after successful commissioning of the project.

(vii) Bidder shall also provide a Bank Guarantee equal to 10% of Total Upfront premium throughout the license period towards meeting security and other operational requirements, prescribed in the Bid Document.

(viii) No MGT will be prescribed until 5 years after COD. MGT equal to 30% of Project capacity will be prescribed thereafter. On default for a continuous period of 3 years, license agreement may be liable to termination. However, licensee may be given an option to continue by paying wharfage for the shortfall in achievement of MGT.

#### **4.3 General conditions for the Project**

(i) The project entity shall obtain all applicable permits, licenses/ clearances etc. required for construction and operation of the project from time to time giving priority to safety. However, port shall provide assistance to the entity for the purpose of obtaining statutory clearances including tie-in connectivity for evacuating regasified LNG into the National Natural Gas Grid. The final responsibility of obtaining the permission shall lie with the entity.

(ii) The scope of project operation shall be discharge of LNG, its regasification, storage for the required period and supply/transportation through pipeline / smaller vessels/ Bunkering Vessels/ trucks to the importer. The operator shall be permitted to handle own LNG as well i.e. it can buy LNG, handle the same at the project and sell at market determined price.

(iii) Normal port charges like Port Dues, pilotage, wharfage and berth hire, where applicable, as being done in case of SPMs/SBMs will be paid to the Port as per prevalent SOR. If LNG is transported through barges, vessel related charges pertaining to barges shall be payable to Port.

(iv) In view of hazardous nature of the cargo, the entity would obtain adequate third party/ Public Liability Insurance as per law/ good industry practice.

(v) The projects shall comply with "The Petroleum and Natural Gas Regulatory Board (Technical Standards and Specifications including Safety Standards for Liquefied Natural Gas Facilities) Regulations, 2018". Performance Standards and any additional safety

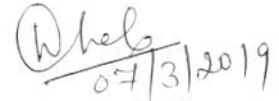
standards, wherever required, will be prescribed with penalty provisions for shortfall in achievement.

(vi) Regulations are to be notified for minimum distance to be maintained from LNG operating ship to turning circle channel and basin and the safety aspects with regard to the existing jetty/berth to be considered for LNG operation.

(vii) On expiry of lease period, the Licensee shall remove at its own cost all Project Assets within 90 (ninety) days from expiry of the Lease Period from the Project Site/Port's Assets except for those which Port may be interested in taking over at a mutually agreed price and hand over peaceful possession of the Project Site and Port's Assets free of Encumbrance at its own cost in the same condition as was at the time of handing over to them by the Port.

(viii) Projects taken up as per this policy will not require separate Central Government Approval as per Section 42(3) of MPT Act 1963.

5. This issues with the approval of Hon'ble Minister of Shipping.

  
07/3/2019

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To,

- i. Chairmen/CMD, All Major Port Trust
- ii. MD, IPA

Copy to:

- i. The Director, Tariff Authority for Major Port, Mazgaon, Mumbai.
- ii. The Chairman, IWAI, Noida, U.P.

Copy also to:

- i. Hon'ble Minister (S,RT&H)/Hon'ble MOS(S,Finance)/Hon'ble MOS(S,RT&H, C&F)
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- iii. PS to Addl. Secretary
- iv. PPS/PS/PA to JS(P)/ JS(S)/JS(SM)/Sr. Advisor (E)
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- vi. NIC-for uploading on the website of Ministry of Shipping.