

Islamic Republic of Afghanistan

Ministry of Mines

Directorate of Policy

Compressed Natural Gas Policy

Hamal 1391

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1. PREAMBLE

Compressed Natural Gas (CNG) is the most efficient, economical, ecological and extremely versatile energy source for reducing pollution, maintaining a clean and healthy environment. CNG can be preferred as an alternative to traditional petroleum products for providing multi dimensional benefits. Use of CNG considerably reduces Greenhouse Gases (GHG) emission bringing in significant visible improvement in climate change due to global warming. Use of CNG will also effectively reduce petroleum products import obligations of the government.

Afghanistan has substantial discovered natural gas reserves and has potential for discovering yet more resources through planned exploration initiatives. In view of this, Government of Afghanistan has visualized the use of CNG produced from domestic natural gas as an alternative fuel.

CNG obtained from domestic sources, shall benefit the Nation's balance of payments from the lower consumption of imported fuel. Employment of Afghan citizens will increase with the construction and operation of a CNG system, and the economic multiplier effect for both employment and the national income may be substantial.

The Role of the State in CNG sector is to facilitate and regulate investment in the sector that will support smooth growth of CNG utilization through private sector involvement. Through the relevant ministries such as Ministry of Mines, Commerce and Finance, the State shall promote good governance and transparency for the supply of Natural Gas to CNG production and use of CNG through effective conversion of CNG Vehicles. It will also ensure that activities related to CNG business operations, revenue generations, social and environmental protections are, managed in a safe and environment friendly manner. After successful launching of the pilot program, the Government itself will not remain the operator of the CNG sector. However, the Ministry of Mines will continue to have the sole responsibility for the policy governing of the CNG sector.

The government is in the process of establishing a Directorate in MoM that will develop a regulatory framework in line with the policy vision and regulate the CNG sector thereafter.

2. OBJECTIVE:

The purpose of this policy is to protect the environment from emissions of traditional automotive fuel, reduce significantly the import of petroleum obligation and make significant savings of foreign exchange drainage through development of CNG Sector and to attract private investment for the sector.

3. LEGAL AND REGULATORY FRAME WORK:

The legal basis for efficient use of Petroleum Resources has been in the Afghanistan Constitution. CNG policy will facilitate achieving this constitutional provision. As the Government of Afghanistan is committed to the creation of a stable and conducive business climate, in context of the legal and regulatory framework for the CNG sector, this involves an open , transparent and competitive bidding procedure for setting up CNG fuelling stations and CNG conversion workshops. Government will clearly define rules and regulations that would set out simple and transparent procedures for allocation of business rights in CNG sector.

4. COMMITMENT TO TRANSPARENT OPERATIONS:

The Policy advocates providing the rights for CNG sector investment and encourages private sector investment that may include Afghan or international companies, joint ventures, public-private partnerships, sole proprietorships or any other legal structure allowed under Afghan Laws. The Government of Afghanistan is committed to providing information on available revenue and other benefits obtained from CNG business.

5. CODE AND STANDARD OF (CNG)PLANTS AND EQUIPMENT:

The policy ensures that the technical codes and standards are formulated and has been approved by Afghan National Standards Authority (ANSA). The designs, construction, operation, maintenance and modification of CNG infrastructure assets shall provide high levels of safety and reliability and a low level of risk to society. License shall be provided only to those who possess the requisite qualifications, skills and experience for the safe and proper installation, commissioning, testing, repair, removal, replacement and maintenance of CNG conversion kits and filling stations. All equipment and machinery

must meet the codes and standards formulated by CNG Directorate and approved by (ANSA).

6. PROTECTION OF INVESTMENTS :

The Government is responsible for facilitating full and fair business rights to CNG investors. Afghan and foreign investor shall be permitted to freely transfer out of Afghanistan without unreasonable delay profits associated with foreign investment, principal and other payments of foreign loans, in whatever foreign currency the foreign investor chooses at the prevailing exchange rate for that currency.

7. FINANCIAL ASPECTS:

The Government shall formulate and implement a competitive CNG Sector fiscal regime, which will offer sufficient incentives that will ensure fair and reasonable return to private investors. The government shall institute a well-designed fiscal regime that encourages investment, optimizes Economic linkages, exemplifies transparency.

During the introduction period of CNG to Afghanistan, the Government of Afghanistan will work with financial institutions to offer loans for consumers to convert vehicles for CNG use. During this period, the Government of Afghanistan will also waive customs duties for the imports of CNG equipment to facilitate investment in the CNG industry.

8. ENVIRONMENTAL STEWARDSHIP:

This policy support the use of standard equipments, refueling station and conversion kits and supports the development of an integrated approach to environmental planning relevant to CNG sector development. The application of this approach and these principles to decision-making relating to and the conduct and supervision of CNG operations requires compliance with the environmental protection law of Afghanistan and international best practices in the sustainable use of the natural resources. The National Environmental Protection Agency (NEPA) of Afghanistan is central to the formulation and implementation of relevant principles and guidelines and in this regard, the (NEPA) and the MoM will formulate customized environmental protection guidelines for CNG sector development jointly.

9. HEALTH AND SAFETY:

The MoM Regulating authority will be primarily responsible for all aspects of safety concerning CNG value chain comprising of CNG fueling stations and conversion facilities. The MoM in coordination with (ANSA) will develop and maintain the standards for CNG conversion kits and CNG fuelling stations that meet the safety and standards' requirements of the Government of Afghanistan and international best practice. The standards for the conversion kits, fueling station design, construction, installation, testing, and operation must meet the (ANSA) requirement.

The CNG Sector Operators shall obey all the provisions of labor law, health and safety regulations and policy issued by MOLSAMD and MoM. The MoM will maintain qualified staff of CNG safety inspectors who will conduct regular CNG fuelling stations and conversion workshops visits as well as spot checks.

Investors in all CNG sector operations and related activities will be required to insure any and all assets and risks including its manpower with national and/or international insurance companies.

10. NATURAL GAS SUPPLY AND INFRASTRUCTURE:

Development of CNG in Afghanistan is dependent on the sustained production and supply of natural gas. It is also depended on expansion of natural gas transmission and distribution network. MoM is planning for further expanding gas exploration and exploitation activities in Afghanistan.

Afghan Gas Enterprise (AGE) is responsible for supplying natural gas to CNG stations in required volumes to meet the markets demand.

11. DISPUTE RESOLUTION:

Disputes arising under or in connection with operation of CNG business shall be resolved in the manner provided by Afghan laws, regulations and procedures. However, nothing in these legal acts shall prevent or limit the informal resolution of disputes between the Ministry of Mines and other Party or Parties by discussion, negotiation, or other informal

means. Where dispute resolution is not possible, a court of law will be addressed as a matter of last resort.

12. HUMAN RESOURCE DEVELOPMENT

The Government in collaboration with CNG companies shall provide resources for upgrading of human capital, the use of the most efficient technology available and the development of local technology within the public sector. Promote capacity development, training and the development of local technology within the private sector. Specialized training courses must be designed and implemented, in conversion workshops, inspection centers, sale services centers and CNG stations for Inspectors operators and all technical persons who work directly with CNG.

13. EFFECTIVENESS OF THE POLICY:

This policy would be effective upon its approval by the Cabinet and publication and will be the guiding principles on which the Afghan CNG sector will operate. It will be the basis of relevant regulatory acts and other policies that may be subsequently developed; The policy shall be updated as the market matures to meet the requirements of the people of Afghanistan and the CNG market.