

MEMORANDUM OF UNDERSTANDING

between

Government of the Republic of India

and

The Government of Nepal

for Co-operation in

the Field of Petroleum Infrastructure

The Government of the Republic of India (GoI) and the Government of Nepal (GoN) (hereinafter individually referred to as the "Party" and collectively as "The Parties");

Taking into consideration the close neighbourly relations between the two countries;

Recalling the importance of their mutually beneficial cooperation in various fields in order to meet increasing energy challenges.

Determined to further strengthen and expand their cooperation.

Convinced that cooperation in the field of petroleum infrastructure will be to their mutual advantage.

Noting that the Ministry of Industry, Commerce and Supplies (MoICS) of GoN is responsible to deal all matters related to the Industry, Commerce and Supplies on behalf of GoN and the Ministry of Petroleum and Natural Gas (MoP&NG) of GoI is responsible to deal all matters related to Petroleum and Natural Gas on behalf of GoI,

Have reached the following understanding:

1. Scope of Cooperation

1.1 The Parties shall:

- a) cooperate in the field of petroleum products supply on the basis of reciprocity, mutual benefit and in strict respect for the principles of sovereignty and territorial integrity of both Parties.

- b) mutually extend their co-operation, inter alia, in the development of petroleum infrastructure for strengthening energy security and maintaining supplies of petroleum products to Nepal.
 - c) undertake all activities in accordance with their national laws and their obligations under international treaties in the relevant fields.
 - d) enter into such programmes, and working plans, with a view to implementing any activity under this MoU.
- 1.2 Cooperation between the Parties under this MoU may be conducted in the form of:
- a) Joint projects;
 - b) Other forms of cooperation as may be mutually agreed upon.
- 1.3 The Parties may arrive at understandings with a view to implementing various activities under this MoU, as they may mutually deem appropriate.

2. Project Identification

- 2.1 The Parties recall that they had constituted a Joint Working Group (JWG) having members from MoICS, GoN and MoP&NG, GoI to identify the projects to be executed and advised the respective government owned/authorized organizations in Oil & Gas sector, i.e. Nepal Oil Corporation (NOC) for GoN and Indian Oil Corporation Limited (IOC) for GoI, for conceptualizing and implementation of the projects necessary for the scope of cooperation defined above.
- 2.2 The Parties recall that the JWG decided to form a Joint Study Group (JSG) to deliberate on feasibility of the identified projects.
- 2.3 The Parties further recall that the JSG had submitted a technical report, on the projects identified for the development of petroleum infrastructure, to JWG in January 2021 & March 2021. The Parties have agreed that the technical specification of the projects shall be *mutatis mutandis*, as recommended by the JSG.
- 2.4 JWG had deliberated and identified the following infrastructure projects for maintaining supplies of petroleum products to Nepal (hereinafter referred to as "Project(s)"):
- a) **Petroleum Product Pipeline from NOC Amlekhgunj Terminal, Nepal to Lothar, Chitwan, Nepal**

- b) Petroleum Product Pipeline from IOC Siliguri Terminal, India to Charali, Jhapa, Nepal
- c) Construction of Greenfield Terminal, as envisaged in JSG report, at Chitwan.
- d) Construction of Greenfield Terminal, as envisaged in JSG report, at Jhapa.

2.5 The Parties note that the Projects fall entirely in the territory of Nepal except for the Siliguri-Jhapa pipeline which is a transnational pipeline with 35 km in Indian territory.

3. Project Execution

- 3.1 The Parties have agreed that the GoN shall duly appoint and entrust the responsibility of performing duties under this MoU to its government owned Company- NOC and the GoI shall duly appoint and entrust the responsibility of performing duties under this MoU to its government assigned Company/ Agency i.e. IOC.
- 3.2 The terms of supply of petroleum products via the pipeline infrastructure constructed in furtherance of this MoU shall be similar to the existing mechanism and shall be separately worked out.
- 3.3 The Project will be executed as a unified Project as mentioned at para 2.4 above. NOC will nominate and appoint IOC as the sole agency for executing the Projects as per international standards.
- 3.4 The initial petroleum supply contract period would be for 15 years extendable for two terms of another 5 years each.

4. Project Financing

- 4.1 Construction of Amlekhgunj-Chitwan Petroleum Pipeline and Siliguri-Jhapa Petroleum Pipeline shall be funded by GoI and/or its owned/ authorized organizations in Oil and Gas sector i.e. IOC.
- 4.2 Construction of Greenfield terminal at Jhapa shall be funded by GoI and/or its owned/ authorized organizations in Oil and Gas sector i.e. IOC.
- 4.3 Construction of Greenfield terminal at Chitwan shall be funded by NOC.
- 4.4 GoN shall be responsible for providing adequate, appropriate and ready for construction land for the Projects at no cost to GoI.

- 4.5 The NOC and IOC shall within six calendar months of the signatures of this MoU, negotiate and conclude a full framework agreement outlining, *inter alia*, the detailed technical and financial modalities, and expected time of delivery of the Projects. All contractual arrangements including those governing extensions of time and variations shall be agreed between the NOC and IOC.
- 4.6 The GoI shall hand over the Projects within the territory of Nepal to the GoN upon the successful construction, testing, and commissioning of such infrastructure.
- 4.7 IOC will supply Petroleum Products (MS, HSD, SKO and ATF) to NOC according to the General supply Agreement 2022-27 entered between NOC & IOC.

5. Project Monitoring Committee

- 5.1 A Joint Project Monitoring Committee (JPMC) will be formed to oversee implementation of the Projects. The JPMC shall comprise of members from MoICS, MoFA, MoF and NoC from Nepal side and MoP&NG, MEA, Embassy of India, Kathmandu, GoI assigned Company/ Agency i.e., IOC and from any other agencies as considered appropriate. The JPMC shall meet normally every six months or within such periodicity as required.

6. Timelines

- 6.1 The Parties shall endeavor to construct and complete the Projects including commissioning, as per following timelines commencing from the date of receipt of all statutory approvals and availability of encroachment free pipeline corridor & appropriate land with required land filling, retention & boundary walls, etc. from GoN for construction of Greenfield Terminals at Chitwan and Jhapa:
- a) Construction of Amlekhgunj-Chitwan Pipeline- 54 Months
 - b) Construction of Greenfield Terminal at Chitwan –54 Months
 - c) Construction of Siliguri-Jhapa Pipeline- 54 Months
 - d) Construction of Greenfield Terminal at Jhapa- 54 Months

7. Division of Responsibilities

- 7.1 The GoI shall be responsible for:

- a) The allocation and expenditure of such funds as are agreed upon by the Parties in future agreements in this regard.
- b) Undertaking the construction, testing, and commissioning of the Projects through its Authorized Agency in accordance with the technical specifications proposed by the JSG and contractual agreements made in furtherance of this MoU.
- c) Ensuring that Indian personnel deployed by Gol or its Authorized Agency for working on the Projects in Nepal shall at all times respect the laws of Nepal.

7.2 The GoN shall be responsible for:

- a) The allocation and expenditure of such funds agreed upon by the Parties in future agreements in this regard.
- b) Providing adequate, appropriate, encroachment-free, clear pipeline corridors, and ready for construction land for other facilities including approach roads in Nepal and providing all regulatory and statutory approvals for construction of pipelines and allied facilities for the Projects within the territory of Nepal at no cost to Gol.
- c) Providing security for the pipelines, personnel, and construction equipment during execution and subsequent operation & maintenance of the Projects within the territory of Nepal.
- d) Providing one window clearance for the Projects.
- e) Exempting taxes, duties including VAT, royalty of any kind (which is prevailing currently or which shall be levied in future), on any activity/ work carried out or any material, machinery or equipment, vehicle, purchased locally or imported from India in connection with the Project by the Authorized Agency. GoN shall also not levy any taxes or duties of any kind on such material, machinery or equipment, or vehicle when it is exported to India on completion of the Project. However, if such material, machinery or equipment, or vehicle is not exported to India and sold by the Authorized Agency in Nepal, then all taxes or duties as applicable shall be paid by the selling party.
- f) Ensuring that the VAT bills submitted to the VAT Office of GoN for reimbursement shall be reimbursed within the prescribed time.

- g) Ensuring that the provision of income tax on any Indian nationals employed in connection with the Projects will be as per the provision of the Agreement for the Avoidance of Double Taxation (DTAA) concluded between GoN and Gol.
- h) Ensuring that vehicles, plant, construction material and machinery of Gol and of the Authorized Agency related to the Projects shall be allowed to move freely, i.e., without payment of royalty, duties / levies, and taxes of any kind. In case of new levies/taxes of any kind imposed by the GoN or local bodies like Ward, Municipality, Sub-Metropolitan or Metropolitan authorities/District Coordination Committee/ Provincial Government or any other agency, it shall be responsibility of GoN to arrange exemption from levies/ taxes and duties and till such exemption is granted, these levies/taxes, duties, etc. shall be borne by GoN.
- i) Ensuring that no suit or proceeding shall be instituted against any Indian personnel deployed with respect to the Projects by Gol for anything done or purported to be done in good faith for the successful implementation of the Projects.
- j) The GoN shall facilitate in identification of borrow area/quarries for soil, sand, boulders, stone aggregates, timber, etc, and issue necessary lease permits free of cost. However, these obligations shall remain subject to ecological and environmental considerations and needs. The payment of compensation, if any, and settlements of claims and disputes arising due to above shall be responsibility of the GoN without any financial liability to the Gol.
- k) The GoN shall permit the duty-free import of household goods, including motor vehicles, for Indian nationals engaged by the Gol /its Authorized Agency for the Projects as per the laws of Nepal. However, with regard to the import of vehicles for personal use, the GoN shall permit duty-free import on the condition that such a vehicle would be exported from Nepal within a period of three months after relinquishment of charge by the beneficiary concerned as per the laws of Nepal. If such a vehicle is disposed off in Nepal, taxes, and duties in accordance with the law of Nepal shall be levied on it.

- l) The GoN shall extend support to ensure expedited custom and immigration clearances for the movement of goods and people necessary for the completion of the project.

8. Operation and maintenance

- 8.1 NOC and IOC shall operate and maintain the pipelines constructed, in their respective territories through their own resources. The security of the pipelines in Nepal will be administered by the GoN. Similarly, the security of the pipelines in India will be administered by the GoI.
- 8.2 The operation, maintenance and security of the Projects and associated facilities created in the territory of Nepal shall be undertaken by GoN.

9. Final Provisions

- 9.1 Any difference regarding the interpretation and implementation or application of any provision of this MoU will be resolved through mutual consultation or negotiations between the Parties.
- 9.2 The MoU will enter into force from the date of its signing and will remain in force until the completion and handing over of the Projects to the GoN.
- 9.3 The MoU may be amended or modified by mutual written consent of the Parties.

IN WITNESS WHEREOF, the undersigned being duly authorized thereto by their respective Governments, has signed this MoU.

Signed at New Delhi on this thirty-first day of May 2023 in the two originals in English language.

For and on behalf of:

Government of India

Signature: 
(Hardeep S Puri)

**Minister of Petroleum and Natural Gas;
Housing & Urban Affairs**

For and on behalf of:

Government of Nepal

Signature: 
(Ramesh Rijal)

**Minister of Industry, Commerce &
Supplies**