

MEMORANDUM OF UNDERSTANDING

Between

The Government of India

And

The Government of Nepal

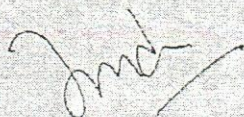
For

The Construction of Petroleum Products Pipeline from Raxaul,
India to Amlekhgunj, Nepal and Re-engineering of Amlekhgunj
Depot and Allied Facilities

The Government of the Republic of India (hereinafter referred to as "GoI") and the Government of Nepal (hereinafter referred to as "GoN"), hereinafter jointly referred to as the "Parties";

Bearing in mind the close and friendly relations between the two countries and their peoples;

Recalling the Parties' previous deliberation and decision reached in an understanding for a possible collaboration in construction of petroleum products Pipeline from Raxaul, India to Amlekhgunj, Nepal, and re-engineering of Amlekhgunj depot and allied facilities (hereinafter referred to as "Project");



Recalling that during the visit of His Excellency Shri Narendra Modi, the Prime Minister of India, to Nepal in August 2014, the Nepalese side requested and the Indian side agreed to construct the Raxaul - Amlekhgunj petroleum product pipeline;

Noting that the Ministry of Commerce and Supplies (MoCS) of GoN is responsible to deal all matters related to the commerce and supplies on behalf of GoN and the Ministry of Petroleum and Natural Gas (MoPNG) of GoI is responsible to deal all matters related to petroleum and natural gas on behalf of GoI;

Have reached to this Memorandum of Understanding (MoU):

1. Project Execution

1.1 The Parties have agreed to entrust their respective Government owned Corporations, Nepal Oil Corporation (NOC) and Indian Oil Corporation (IOC) to carry out the project. NOC & IOC worked out to calculate the cost of the project and estimated about IRs 275 crores, of which IRs 200 crores (72.73%) will be provided as a grant by IOC and remaining IRs.75 crores (27.27%) will be borne by NOC. The facilities envisaged for INR 200 crore are detailed in para 2.3.1 and para 2.4.2 (i) and the facilities envisaged for INR 75 crore are detailed in para 2.4.2 (ii) of the Joint Study Report of IOC and NOC dated 22.11.2014 which has been submitted by IOC and NOC to their respective Ministries. The project cost variation (if any) will be borne by IOC & NOC according to the aforesaid scope of work.

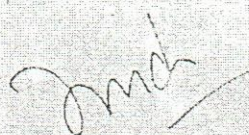
1.2. The GoI has agreed to handover the Project facilities in Nepal to GoN immediately after completion. However, IOC will supply Petroleum Products (MS, HSD, SKO and ATF) to NOC according to the supply contract which will be entered between NOC & IOC.

1.3. The initial supply contract period would be for 5 years extendable for two terms of another 5 years each. There is no compulsion to renew the contract after this 15 year period. In case of termination of supply contract before 15 years, any party will be allowed to use the pipeline for the remaining balance period until the completion of 15 years, on payment of due tariff to IOC. The tariff would be determined according to the provision of third party access agreed by both NOC & IOC.

1.4. Both Parties agreed to allow the access of third party to use the pipelines. The procedural manual for third party access and operation & maintenance of the pipeline will be prepared jointly by NOC & IOC.

2. Project Monitoring Committee

2.1 A joint project monitoring committee will be formed to oversee implementation of the project. The committee shall comprise of members from MoCS, NOC, MoPNG, IOC and from any other agencies as considered appropriate. The committee shall meet normally every six months or within such periodicity as required.



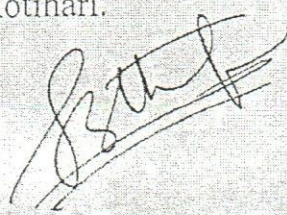
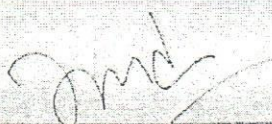
3. Timelines

3.1 The Parties agree to construct and complete the project including commissioning in 30 months commencing from the date of receipt of all statutory approvals and availability of encroachment free pipeline corridor for laying of pipeline.

4. Division of Responsibilities

4.1 The MoPNG is responsible for:

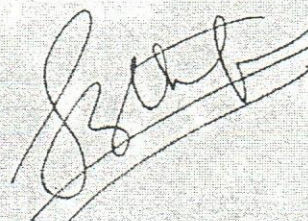
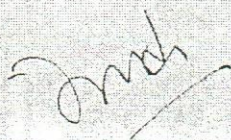
- a) Construction of about 41 Km Raxaul- Amlekhgunj Petroleum Product pipeline of international standard of capacity 2 million metric tons per annum.
- b) Construction of Raxaul Pump Station.
- c) Re-engineering of Amlekhgunj Depot comprising enhancement of receiving facilities, storage capacity enhancement, loading facilities enhancement, development of international standard laboratory for full specification and batch formation test, improved firefighting system etc as described in detailed construction agreement to be worked out.
- d) In future, Raxaul Pumping Station & Depot will be relocated in Motihari on the cost of IOC. After re-siting, Raxaul Depot will be closed and Motihari Pumping Station and Depot will be connected to proposed Raxaul-Amlekhgunj Pipeline at the cost of IOC. ATF will be pumped through this pipeline only after establishing connectivity with Motihari.



- e) Indian personnel deployed by GoI or its designated agencies including IOC for working on the project in Nepal shall at all times respect the laws of Nepal.

4.2 GoN is responsible for:

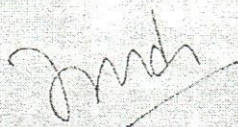
- a) Land (if any) and all other regulatory and statutory approvals for construction of pipeline and allied facilities including land for Amlekhgunj Depot within Nepalese territory at no cost to GoI/IOC.
- b) Under the law GoN provides security of pipeline, personnel and construction equipment during execution and subsequent operation & maintenance in the Nepalese territory.
- c) Encroachment free, clear pipeline corridor and land for other facilities in Nepal at no cost to GoI/IOC.
- d) One window clearance.
- e) GoN ensures to exempt taxes, duties including VAT, royalty of any kind on any activity/ work carried out or any material, machinery or equipment purchased locally, or imported from India in connection with the project. Nonetheless, VAT, shall be imposed according to prevailing laws and regulations of GoN on all materials and equipments locally purchased for the use in the pipeline construction works. The VAT bills are to be submitted to the VAT Office of GoN for reimbursement and VAT Office will reimburse the paid VAT within the prescribed time.



- f) The provision of income tax on any Indian nationals employed in connection with the project will be as per the provision of the Agreement for the Avoidance of Double Taxation (DTAA) concluded between GoN and GoI.
- g) Vehicles, construction material and machinery of IOC related to the project shall be allowed to move freely i.e. without payment of duties and taxes.
- h) Indian personnel deployed by GoI or its designated agencies including IOC working on the project in Nepal shall at all times respect the laws of Nepal. However, no suit or proceedings shall be instituted against any such person for anything done or purported to be done in good faith for the successful implementation of the project.

5. Final Provisions

- 5.1 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.
- 5.2 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 project to GoN.
- 5.3 The MOU may be amended or modified by mutual consent of the Parties through mutual consultation.



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

Signed at Kathmandu on this Twenty Fourth day of August 2015 in the two originals in English language.

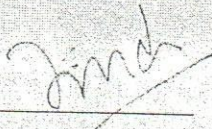
For and on behalf of:

Government of India

For and on behalf of:

Government of Nepal

Signature: _____



(Dharmendra Pradhan)
Minister of State
(Independent Charge)
for Petroleum & Natural Gas

Signature: _____



(Sunil Bahadur Thapa)
Minister for Commerce
& Supplies