

**A
BILL**

to constitute Petroleum Social Welfare Development Committee for utilization of Royalty and Production Bonus against Oil and Gas production.

WHEREAS it is expedient to frame law for the utilization of the Royalty, Production Bonuses and other such social welfare funds in the area from where Oil and Gas is produced so that the intended real beneficiaries are not deprived of the benefits.

It is hereby enacted as follows:-

1. **Short title and Commencement.**-(1) This Act may be called "The Royalty and Production Bonus Act, 2015".

(2) It shall extend to the whole of Pakistan

(3) It shall come into force at once.

2. **Definitions.**-In this Act, unless there is anything repugnant in the subject or context,-

- (a) "Approved Scheme" means project approved by the Petroleum Social Development Committee;
- (b) "Committee" means the Petroleum Social Development Committee to be constituted under section 3 of this Act;
- (c) "Company" means the E & P Company producing Oil or Gas, or both as the case may be;
- (d) "Contract Area" means Development & Production Lease Area (D & PL);
- (e) "Chairman" means the Chairman of the Committee;
- (f) "D & PL Area" means the area leased by the Government of Pakistan to the E & P Company from where Oil and Gas is produced;
- (g) "E & P Company" means the Exploration and Production Company producing oil and gas in Pakistan under license from the Government;
- (h) "prescribed" means prescribed by regulations;
- (i) "Production Bonus" means the amount as mentioned in the Petroleum and Exploration Policy, 2012;
- (j) "Royalty" means the share of district as prescribed in Petroleum and Exploration Policy, 2012;
- (k) "Secretary" means the official head of the committee; and
- (l) "Regulations" means the regulations made for the purpose of this Act under section 16.

3. **Constitution and Composition of the Committee.**-(1) The Federal Government shall by notification in the official Gazette, cause to be constituted the Committee for the purpose of utilization of the Royalty (District share) and Production Bonus consisting of the following members, namely:

(a) **Royalty.**-

- (i) **Chairman.**- Member National Assembly (MNA) of the District. In case there are two or more MNAs from the district then the MNA from the constituency which has larger proportion of the D & PL area.
- (ii) **Vice Chairman.**- District Nazim of the district.
- (iii) **Member.**- MNA/MNAs of the district other than the Chairman.

(iv) Members.- All the Members of the Provincial Assemblies (MPAs), of the District.

(v) Member.- All the Tehsil Nazims of the District.

(vi) Secretary of the Committee.- Having responsibilities as prescribed by the Act and Regulations.

(b) Production Bonus.-

(j) Chairman.- Member National Assembly (MNA) of the district. In case there are two or more MNAs from the District then the MNA from the constituency which has larger proportion of the D & PL area.

(ii) Vice Chairman.- Senior Representative of the E & P Company. In case two or more Companies are operating in the area then the post shall be revolved among the two on yearly basis.

(iii) Members.- Two representatives of the Company including the Vice Chairman. In case two or more companies are operating in the district then two representatives from each company including the Vice Chairman.

(iv) Member.- MNA/MNAs from the district other than the Chairman elected from the constituency where D & PL area is located.

(v) Member.- District Nazim of the District.

(vi) Members.- MPAs of the district elected from the constituencies where D & PL areas are located.

(vii) Members.- Tehsil Nazims of the Tehsil / Taluka where the D & PL area is located.

(viii) Secretary of the Committee.- Having responsibilities prescribed by the Act and Regulations.

Provided that any member if de-notified by the Election Commission of Pakistan shall cease to be the member of the Committee from the date of notification unless reinstated by the competent court.

Provided further that E & P Company may change any of its nominees through a notification with information to the Federal Government prior to at least six days before any meeting is called.

4. **The Petroleum Social Development Committee (PSDC).-** The committee constituted under section 3 shall be a body corporate by the name of the Petroleum Social Development Committee (PSDC), having perpetual succession and a common seal and its permanent secretariat, with power to acquire and hold property both movable and immovable, and to contract, and shall by the said name sue and be sued. The Committee shall be responsible for the development of the district infrastructure and other social welfare projects from the Royalty and Production Bonus as prescribed under this Act.

5. **PSDC Secretariat.-** PSDC shall have its permanent secretariat headed by its Secretary as official head at a place nearest to the D&PL area or in the tehsil/taluka where the maximum of D&PL area is located.

(2) Fifty percent of the office bearers of the Secretariat shall be from the provincial pool and the rest shall be employed locally. The annual expense of the local employees shall be not more than 0.5% of the total amount of royalty per annum.

(3) The Rules of business shall be approved by the committee with prior approval of the Federal Government as prescribed by the Act.

- (4) The Committee may frame service regulations for the local employees of the Committee under this Act.
6. **Schedule of the meetings.**- (1) The Committee shall meet at least once in six months at such time and place as may be decided by the Chairman and with prior approval of the agenda by the Chairman.
- (2) In case the meeting is not called by the Chairman within the prescribed period then the Secretary shall call the meeting within fifteen days after laps of six months.
- (3) The meeting called by the Secretary may be chaired by the Vice Chairman in case the Chairman is not available.
7. **Quorum.**- (1) A quorum shall constitute fifty percent of its members including the Chairman and the secretary.
- (2) In case the Chairman is unable to attend the meeting, he/she would inform the Vice-Chairman through the office of secretary to chair the meeting.
- (3) Notwithstanding the above, if both Chairman and Vice chairman are not present the meeting shall be illegal and having no effect.
8. **Division formula of the funds.**- (1) The DG PC shall calculate the share in percentage related to Production Bonus of each district and its respective tehsils/taluka and the information shall be provided to the Federal and Provincial Government, and the District Coordination Officer of the respective districts.
- (2) In case if the D&PL Area is located in two or more districts, the amount of Production Bonus shall be distributed among the districts in ratio of D&PL Area located between them. Similarly if the D&PL Area is located between two or more Tehsils/Taluka, the amount shall be divided among them in ratio of D&PL Area.
- (3) The share of Royalty of each district shall be calculated by the DG PC and the due share of each district shall be transferred to the district account by the Provincial Government within seven days from its receipt from the Federal Government. The amount of Royalty shall be distributed among the tehsils/talukas of the district on the following basis:
- (a) 40% of the amount of Royalty shall be divided among the tehsils/talukas of the district on the basis of D&PL Area in each tehsil/taluka.
- (b) 40% of the amount of Royalty shall be divided among the tehsil/taluka of the district on the basis of Population recorded in the last census in each tehsil/taluka.
- (c) 20% of the amount of Royalty shall be divided among the tehsils/talukas of the District on the basis of the area of each Tehsil/Taluka.
9. **PSDC Account of the District.**- (1) The Committee through its Secretary will open a joint account in any schedule bank operated by the Secretary and the Chairman for the purpose of Production Bonus and Royalty. Any profit accumulated against the deposits shall be part of the same.
- (2) In case if two or more E&P Companies are operating in a district then accounts shall be opened for the respective production bonuses from each company.
- (3) In case there are two or more D&PL Areas in the district then the PSDC account would be maintained against each contract area for the purpose of Production Bonus.
10. **Utilization.**- (1) The optimum utilization of Production Bonus funds shall be undertaken in and around the respective D&PL areas but shall not be utilized outside the limits of area of activities of the E&P Company on social welfare projects.
- (2) The funds from Royalty shall be utilized on priority basis for the infrastructure development in the district in accordance to the provisions of sub-section (3) of section 8 of the Act but if the Committee feels it necessary, then it is competent to undertake other social welfare projects from the Royalty funds.

11. Identification of Projects.- (1) The nazim of each union council after surveying in his/her area, shall submit the required schemes for the area to the tehsil/taluka nazim along with priority list. The Nazim of Tehsil/Taluka would submit the list of schemes received from all the respective union council nazimeen with his/her own priority list to the Secretary of the Committee.

(2) The representative of E&P Company (Vice Chairman) may also identify social welfare schemes for the community out of Production Bonus funds and submit the list to the Secretary of the Committee.

(3) The concerned MPAs, MNAs including the Chairman and the District Nazim may also identify the projects and submit it to the Secretary of the Committee.

(4) In case the Local Government Bodies are not at place then the Assistant Commissioners of the concerned Tehsils/Talukas will consult the community and Heads of the departments of the district to identify the schemes and will submit them to the Secretary of the Committee with priority list.

12. Approval of the Schemes/Projects.- (1) The Secretary of the Committee will place the list of schemes submitted to him/her and the Committee after thorough deliberations will approve the projects with majority of vote and in accordance to the provisions of this Act.

(2) Notwithstanding the provisions of sub-section 1 of Section 11, if any dispute arises among the members in regard to approval of projects then the Chairman will approve schemes/projects in accordance to the provisions of this Act.

(3) The Chairman at any stage can stop an approved scheme/project and send it back to the Committee for reconsideration before the start of work against any accepted tender.

13. Implementation of the approved schemes/projects.- (1) The Secretary after consulting and getting approval from the Chairman may hire consultants approved by the Engineering Council of Pakistan for any project based on merit for any project.

(2) The Secretary of the Committee shall complete all the codal formalities before offering tenders in accordance to the provincial and other relevant laws.

(3) The Secretary after consulting the Chairman will offer tenders through open bidding in accordance to the relevant provincial and other laws.

(4) The Chairman will be the competent authority to approve or cancel a bid and recall the bids.

(5) The Secretary will monitor the schemes, prescribed through Regulations.

(6) (a) If at any stage of the project during its implementation it is communicated by the locals to the Secretary and in his opinion the project is not implemented as per standards as alleged, the Secretary shall immediately stop the work on the project after getting approval from the Chairman.

(b) The Chairman on his own during any inspection after getting any complaint from any person or agency can stop the work and order for inquiry to the Secretary who shall proceed in accordance to the provisions of this Act, other relevant laws or as may be prescribed through Regulations.

(7) In case the report confirmed the allegations, the Secretary shall immediately cancel the tender/agreement and the remaining part of the scheme will be offered to any other contractor. The loss due to below standards work carried out by the contractor shall be born by the previous contractor and further the case shall be referred by the Secretary within seven days from the receipt of enquiry report to Federal Government for onward submission

to any investigation agency and registration of criminal cases in accordance to the relevant laws.

- 14. Responsibilities of the Security.**- (1) The Secretary to the Committee shall be responsible to keep all books of accounts, project details, recording of minutes of the meetings, assist the committee in accordance to the provisions of this Act, offer tenders, interact with the E&P Companies, the Government and shall ensure that provincial departments are mobilized for timely taking over of the completed projects.
- (2) The Secretary shall ensure the diligent collection of Production Bonus and other Social Welfare funds from the E&P Companies and the Royalty share of district from the Provincial Government.
- (3) The Secretary shall be responsible to monitor the schemes in accordance to the regulations so that the utilization of funds could be examined in open the transparent manner.
- (4) The Secretary shall once in every six months; effect the publication of a notice online and in the most widely-read newspaper in the district, announcing a public hearing to solicit any comments or reservations of the locals (real beneficiaries) and inhabitants of the district in regard to the schemes and a report shall be placed before the committee for discussion and decisions.
- (5) The Secretary shall be responsible to place such information related to schemes on official website.
- (6) The Secretary shall send a comprehensive report of completed schemes, their benefits to the locals, operational condition of the schemes and any other issue hampering the continuity of the schemes to the Federal and Provincial Governments, Ombudsmen and the Human Rights Cell of Supreme Court of Pakistan.
- 15. Responsibilities of the DG PC:** (1) The DG PC shall prepare a comprehensive account of the amounts due to each district from various E&P Companies operating therein under every head and the amount due to the district from the Royalty. This information shall be placed on its official website and communicated to the Secretary of the concerned Committee.
- (2) In case of any dispute arises in the committee related to the provisions of this Act, the Secretary shall refer the case to the Federal Government for a decision which shall be final.
- 16. Duties of E&P Company.**- The company shall provide an annual audit certificate from its statutory external auditor confirming the amount deposited with the Federal, Provincial and District Government Treasury, as the case may be with respect to its production obligation to the DG PC and respective Secretary PSDP.
- 17. Regulations.**- The Committee may with the previous sanction of the (Federal Government) make Regulations generally to carry out the purpose of this Act, and, without prejudice to the generality of this power, such Regulations may provide for:-
- (a) The management of the property of the Committee and the maintenance and audit of its accounts;
- (b) The summoning and holding of meetings of the Committee, the times and places where such meetings are to be held the conduct of business to be undertaken.
- (c) Any matter for which under this Act provision may be made by Regulations.
- 18. Commission of inquiry.**- (1) Whenever it is made to appear to the Federal Government that the Committee is not complying with any provisions of this Act, the Federal Government

may refer the particulars of the complaint to a commission of enquiry consisting of three persons, two of whom shall be appointed by the Federal Government including the chairman and the other being at least a retired or serving judge of High Court, and one member to be nominated by the Provincial Government not less than 21 grade.

(2) Such commission shall proceed to inquire in a summary manner and to report to the Federal Government as to the truth of the matter charges in the complaint and in case of any charge of default or of improper action being found by the commission to have been established, the commission shall recommend the remedies, if any, which are in its opinion necessary.

(3) The Federal Government shall forward the report of the commission of inquiry to the Committee for implementation and remedial actions. The Committee shall submit to the Federal Government a detailed plan of remedial measures to be adopted by the Committee which shall be considered as approved if no further orders are passed by the Federal Government. All remedial actions shall be taken by the Committee within a stipulated period of three months and the Committee shall submit to the Federal Government a report of actions taken thereon. If the Committee fails to comply with the remedial measures forwarded to it by the Federal Government, the Federal Government may by itself amend the regulations of the Committee or make such provisions or issue orders or take such other steps as may deem necessary to give effect to the recommendations of the commission including suspension of any member or disbanding completely the respective Committee. In case the committee is dissolved the Federal Government in consultation with Provincial Government shall constitute a Committee headed by Commissioner of the concerned Division for such time as necessary.

(4) The Commission of inquiry shall have power to administer oath, to enforce the attendance of witnesses and the production of documents and shall have other necessary powers for the purpose of any inquiry conducted by it as are exercised by a civil court under the Code of Civil Procedure, 1908 (Act V of 1908)

STATEMENT OF OBJECTS AND REASONS

An extraordinary situation and circumstance exist which demand special measures and uniform policy to give the due rights to the local people of the area from where oil and gas is produced as required under Article 9 and 14 of the Constitution of Pakistan, and the sense of deprivation among them is removed. The matter was also taken up by the supreme court of Pakistan in CP 46 of 2013 and gave its judgment dated 28-10-2013. The Council of Common Interests also approved the share of the district from where oil and gas is produced.

Sd/-

Mr. Nasir Khan Khattak,
Member, National Assembly.