



The Utilities Regulation and Competition Authority regulatory framework documents for the Natural Gas Sector in The Bahamas

Consultation Document

NGS 01/2024

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1 Introduction

The Natural Gas Act, 2024 (NGA) came into the force on 1 June 2024. The NGA introduces a statutory framework for the introduction of natural gas into the energy mix of The Bahamas. Moreover, the NGA established the Utilities Regulation and Competition Authority (URCA) as the independent regulator of the natural gas sector (NGS) in The Bahamas.

As the independent regulator of the newly established NGS, URCA is responsible for developing the regulatory framework that would facilitate URCA's transparent and non-discriminatory regulation of the NGS in accordance with the provisions of the NGA. In particular, under section 8 of the NGA, URCA is mandated to licence all natural gas sector activities in The Bahamas. Additionally, URCA is charged with issuing regulations and guidelines that aim to promote the development and functioning of a safe and reliable natural gas system in The Bahamas.

Considering the introduction of this new sector into URCA's regulatory remit, URCA deems it necessary to develop an initial compendium of regulatory measures inclusive of licenses, regulations and codes that would compose an initial framework for the regulation of the NGS.

In this regard, URCA in this consultation document annexes the following proposed licenses, regulations and codes (collectively, "regulatory measures") to be issued by URCA in the NGS:

- 1) **Licenses:** The following licenses have the aim to authorize the holder to develop the corresponding activity under the terms and conditions established therein.
 - a) Gas Importer License;
 - b) Gas Transporter License;
 - c) Gas Shipper License;
 - d) Terminal Operator License; and
 - e) Gas Retailer License.

- 2) **Regulations:** The following regulations implement and enforce the Natural Gas Act, 2024 by detailing the requirements to ensure a safe and efficient natural gas system. Under the Natural Gas Act, 2014 regulations issued by URCA under this Act shall have the force of law.
 - a) Natural Gas Supply Regulations;
 - b) Liquefied Natural Gas Facilities Application for Authorization;
 - c) Natural Gas Metering Regulations;
 - d) Liquefied Natural Gas Road Transport Regulations;

- e) Natural Gas Pipeline Safety Regulations;
 - f) Liquefied Natural Gas Facilities Safety Regulations;
 - g) Liquefied Natural Gas Waterfront Facilities Safety Regulations; and
 - h) Liquefied Natural Gas Ship-to-Ship Handling Operations Regulations.
- 3) **Codes:** The following codes, which are binding, define the practice guidelines to ensure the safe, environmental, efficient and reliable operation of LNG and are based on standard practices in LNG operations.
- a) Natural Gas Network Code;
 - b) Natural Gas Supply Code;
 - c) Liquefied Natural Gas Import Code; and
 - d) Natural Gas Retail Code of Conduct.

Given that the preceding regulatory measures will be the initial measures taken to regulate the NGS, URCA will update and modify these measures from time to time to take account of best practices and comments received from interested parties.

URCA now issues this Consultation document on the proposed regulatory measures inclusive of draft licenses, regulation and codes.

1.1 Objectives of this Public Consultation

URCA is seeking views from members of the public, licensees and interested parties in relation to the proposed regulatory measures. The regulatory measures have been developed in accordance with the high-level sector policy objectives and the provisions of the NGA. URCA sets out the following objectives for conducting consultation with the public, licensees and other stakeholder:

- (a) to obtain input, information and feedback from persons whose rights or interests may be materially affected or prejudiced by the proposed regulatory and other measure;
- (b) to ensure regulatory transparency and objectivity;
- (c) to protect consumer interests;
- (d) to ensure adequate and accurate information is shared between the public, licensees, stakeholders and URCA;
- (e) to strengthen public, licensee and stakeholder understanding, participation and confidence in the regulatory process;

- (f) to ensure that the public, licensees and stakeholders are given the opportunity to express their views;
- (g) to ensure that URCA has investigated the necessary aspects of an issue so that the public, licensees and stakeholders are adequately informed of the issues surrounding a particular matter; and
- (h) to acquire substantive information and knowledge from the public, licensees, stakeholders and industry professionals on any issue in order for URCA to make informed decisions.

1.2 How to Respond to this Consultation

URCA invites comments and submissions on this consultation document from members of the public, licensees, and other interested persons. The consultation period is 30 calendar days. Responses to this consultation should be submitted to URCA on or before **31st August 2024** by email to info@urcabahamas.bs

Persons may obtain copies of this document by downloading it from the URCA website at www.urbahamas.bs.

URCA's preferred format for written responses is as follows:

- Respondent's name;
- Name of organization (or state whether the Respondent is responding in their personal capacity);
- Contact information of the respondent including telephone, email and street address;
- Response to Question 1;
- Response to Question 2, etc.; and
- Any other matters that you believe URCA should consider under the instant consultation.

When submitting responses, URCA urges respondents to;

1. indicate clearly the questions addressed for each of the responses provided
2. reference the specific document, section, and item number being commented on, and
3. provide supporting explanations in submissions.

URCA will review the responses received and publish a Statement of Results on the consultation along with the final regulatory documents.

URCA reserves the right to make all responses available to the public by posting responses on its

website at www.urcabahamas.bs. Responses marked 'confidential' should provide reasons to simplify the evaluation by URCA of the request for confidentiality. URCA may, in its sole discretion, choose whether to publish any confidential document or submission.

Any response to this public consultation that does not comply with the aforementioned rules may not be considered by URCA.

1.3 Structure of the remainder of this document

The remainder of this consultation document is structured as follows:

- Section 2: Outlines the legal basis and framework under which URCA is conducting this consultation and proposing to introduce the regulatory measures;
- Section 3: Provides a high-level overview of the proposed regulatory measures;
- Section 4: Describes URCA's "next steps" in the consultation process; and
- Annex: Contains seventeen (17) licenses, regulations and codes. For ease of reference, the annexed documents are uploaded as separate documents on URCA's website and shall be deemed to be by publication included in the annex of this document.

2 Legal Framework

This section sets out the legal basis on which URCA is proposing to issue the regulatory measures under consultation. The regulatory measures under consultation can be grouped under three discrete headings, namely, licensing, regulations and codes. The regulatory authority for URCA issue the measures as proposed is discussed under these headings.

2.1 Licensing

URCA is empowered to manage licensing within the natural gas sector as outlined in section 8(3)(g) of the Natural Gas Act (NGA). This includes issuing, suspending, and revoking licenses. According to Section 17 of the NGA, no individual or entity may import, ship, or retail natural gas, nor build and operate LNG terminals and natural gas pipelines, or engage in any other activity deemed by URCA as requiring a license, without obtaining a license issued by URCA.

2.2 Regulations

URCA has the authority to issue regulations, directions, decisions, statements, instructions, and notifications under Section 8(3)(c) of the NGA. Section 123 of the NGA further authorizes URCA to prescribe regulations necessary for achieving the objectives of the NGA. These regulations have the force of law as stipulated in Section 8(4).

2.3 Codes

URCA is also authorized to issue binding rules and guidelines such as codes under Section 8(3)(e) of the NGA. These codes establish practice guidelines to ensure the safe, environmentally responsible, efficient, and reliable operation of LNG facilities, based on standardized practices. The relevant codes include:

2.4 URCA's statutory consideration

URCA has a statutory obligation in accordance with section 6 of the NGA mandates that when introducing regulatory or other measures, that they must be proportionate to their purpose and introduced in manner that is transparent, fair and non-discriminatory.

Further, regulatory and other measures must make best use of economic and other resources available to URCA and be calculated to promote any natural gas sector policy objectives as contained in the NGA. Moreover, when implanting all regulatory and other measures that introduce or amend a significant government policy or regulatory measure shall specify the gas sector policy objective that is advanced by the policy measure and demonstrate compliance with section 6(2) (a-c) NGA.

In evaluating the proposed regulatory measures contained in the Consultation Document, against the statutory requirements, URCA considers that the proposed action to be taken is made with a view to implementing the main goal and governing principles and policy objectives of the

NGS. Specifically, the regulatory measures introduce a needed regulatory framework in the NGS which compliments interest of and affords opportunities from all stakeholders, honours contractual commitments and encourages investment in accordance with section 5(2)(k) NGA. Additionally, the framework documents contain several safety regimes that are necessary to encourage the protection of the natural environment of The Bahamas and safety of its citizens in accordance with section 5(2)(h) and (c).

URCA considers that the cumulative effect of the cited provisions provides URCA with the legal basis of which to issue the regulatory measures under consultation.

3 Summary Overview of draft licenses, regulations and codes

To guide the stakeholders' review of the draft regulatory documents, URCA sets out below a brief overview of the draft licenses, regulations and codes in line with the functions assigned to URCA under the Natural Gas Act, 2024.

3.1 Licenses

3.1.1 Gas Importer License

The Gas Importer License is the proposed regulatory document to authorize the holder to import LNG into The Bahamas. The primary purpose of this license is to ensure that the importation of LNG is conducted in a manner that aligns with national energy policies, safety standards, and environmental regulations.

The main contents the Gas Importer License are:

- Information about the licensee, such as the company's name and address, the duration of the license, and the permitted volume of LNG that can be imported.
- The general conditions related to the import process, including approved entry points, compliance with safety and technical standards, environmental protection measures, and adherence to international agreements.
- Reporting and documentation requirements, such as regular submissions of import data, safety records, and compliance audits.
- The agreements entered into by the Gas Importer which require URCA's approval.

3.1.2 Gas Transporter License

The Gas Transport License is the proposed regulatory document to authorize the holder to engage in the transportation of LNG by pipeline. The purpose of this license is to ensure that LNG transport activities are conducted safely, efficiently, and in compliance with national and international standards and regulations.

The main contents of the LNG Transport License are:

- The company name and address and the scope of permitted activities,
- Provisions related to the planning, development, construction, operation and maintenance of the natural gas transmission network
- General safety and environmental protection requirements and specific provisions in relation to gas escapes and supply disruption
- Reporting obligations, including documentation of transported volumes, incident

reports, and compliance with regulatory updates.

3.1.3 Gas Shipper License

The Gas Shipper License is the proposed regulatory document to authorize the holder to act as a shipper of LNG, facilitating its transportation from producers to consumers. More specifically, the shipper is in charge of making the necessary arrangements the gas transporter for gas to be introduced into, conveyed through, or taken out of a pipeline system operated by that gas transporter

The primary purpose of this license is to ensure that LNG shipping activities adhere to stringent safety, environmental, and operational standards, thereby safeguarding public health, environmental integrity, and energy supply chains.

The main contents of Gas Shipper License are:

- Identification details, such as company name and address, as well as the scope of authorized shipping activities.
- General conditions and obligations, including compliance with safety protocols, environmental regulations, and international maritime standards.
- Requirements for risk management strategies, regular reporting on shipping activities, emergency response plans, and proof of adequate insurance coverage.

3.1.4 Terminal Operator License

The Terminal Operator License is the proposed regulatory document to authorize the holder to operate an LNG terminal, where imported natural gas arrives by ship in liquid form and is stored and regasified for the use of end customers. The primary purpose of this license is to ensure that terminal operations are constructed and operated in compliance with all relevant safety, environmental, and technical standards.

The main contents of a Terminal Operator License are:

- Detailed information about the licensee, such as the company name and address, as well as the specific location and capacity of the terminal.
- General operational requirements and standards that must be adhered to, including safety and emergency response protocols, environmental protection measures, maintenance and inspection schedules, and technical specifications for equipment and infrastructure.
- General conditions for regular reporting and documentation, such as safety audits, incident reports, and compliance with regulatory updates.

3.1.5 Gas Retailer License

The Gas Retailer License is the proposed regulatory document to authorize the holder to sell LNG to end-users. The primary purpose of this license is to ensure that the retail distribution of LNG is conducted in a manner that meets safety standards, protects the environment, and complies with relevant legal and regulatory frameworks.

The main contents of a Gas Retailer License are:

- The identification details of the licensee, such as the company name and address, and the scope of authorized retail activities.
- General safety protocols that must be followed, including proper handling, storage, and dispensing procedures.
- General environmental protection measures, such as emissions control and spill prevention, and the technical standards required for the equipment used in the retail process.
- General regular reporting on sales volumes, safety incidents, and compliance with regulatory updates.

3.2 Regulations

3.2.1 Liquefied Natural Gas Ship-to-Ship Handling Operations Regulation

The objective of these Regulations is to ensure the safe Ship-to-Ship (STS) transfer of LNG in bulk and the STS transfer of LNG to be used as fuel (bunkering) in the Bahamian waters.

The draft Liquefied Natural Gas Ship-to-Ship Handling Operations Regulation is based on the Bahamas Ship-to-Ship Transfer Regulations, 2015 and the US Code of Federal Regulations. Furthermore, it incorporates by reference the requirement of the Ship-to-Ship transfer guide for Petroleum, Chemicals and Liquefied Gases, the ISO 20519:2021 Ships and marine technology — Specification for bunkering of liquefied natural gas fueled ships and the IGC Code.

3.2.2 Liquefied Natural Gas Facilities Application for Authorization

The objective of these Regulations are to establish the filing requirements that an applicant must follow to obtain authorization for the siting, construction, and operation of an LNG facility.

This draft regulation is based on US Code of Federal Regulations (CFR 157 and 153) and has been adapted to the Bahamas as needed.

3.2.3 Liquefied Natural Gas Waterfront Facilities Safety Regulation

The objective of these Regulations is to ensure the safe operation of waterfront facilities that transfer LNG to or from vessels.

The draft Liquefied Natural Gas Waterfront Facilities Safety Regulations is based on the safety standards for the design, construction, testing, operation, and maintenance of LNG terminals under the United States Coast Guard (33 CFR 127) and has been adapted to the particularities of The Bahamas as appropriate.

3.2.4 Liquefied Natural Gas Facilities Safety Regulation

The objective of these Regulations is to ensure the safe operation of LNG import terminals.

The draft Liquefied Natural Gas Facilities Safety Regulation are based on the safety standards for the design, construction, testing, operation, and maintenance of LNG terminals under the Pipeline and Hazardous Materials Safety Administration (PHMSA) of the United States (49 CFR 193) and has been adapted to the particularities of The Bahamas as appropriate.

3.2.5 Natural Gas Pipeline Safety Regulation

The objective of these Regulations are to ensure the safe transport of LNG by pipeline.

The draft Natural Gas Pipeline Safety Regulation is based on the safety standards for the design, construction, testing, operation, and maintenance of pipeline facilities used for the transportation of natural gas and other gases under the Pipeline and Hazardous Materials Safety Administration (PHMSA) of the United States (49 CFR 192) and has been adapted to the particularities of The Bahamas as appropriate.

3.2.6 Liquefied Natural Gas Road Transport Regulation

The objective of these regulations are to ensure the safe conveyance of LNG by road, either in tank cars or cargo tanks.

The draft LNG Natural Gas Road Transport Regulation is based on the Bahamas Liquefied Petroleum Gas Regulation and the US Code of Federal Regulations. Furthermore, it incorporates by reference the requirement of the ISO/TC 220 on cryogenic vessels and the Federal Motor Carrier Safety Regulations of the United States (49 CFR 390 through 397) and Hazardous Materials Regulations of the United States (49 CFR 178.277, 49 CFR 173.318 and 173.319).

3.2.7 Natural Gas Supply Regulation

The Natural Gas Supply Regulation includes provisions on the following:

- a) the obligations for connecting, re-connecting and disconnecting gas installations, gas fittings and gas appliances;
- b) safety conditions and a supervision regime for gas supply; and
- c) the requirements for gas service workers to be licensed as such, their responsibilities

3.2.8 Natural Gas Metering Regulation

These regulations set out obligations on natural gas shippers, transporters and retailers in relation to natural gas meters. They also describe specifications of meter Installations and associated equipment and regulate the production, storage, collection, transmission and verification of Meter Data from all Meter Installations; and

3.3 Codes

3.3.1 Liquefied Natural Gas Import Code

The Liquefied Natural Gas Import Code sets forth minimum standards of performance in accordance with which a natural gas importer is required to carry out its Authorised business.

In particular, it requires natural gas importers to maintain a Baseline Gas Supply Agreement (by which it purchase natural gas) which must be approved by URCA and sets the conditions for the natural gas importer to negotiate and agree contracts with gas users.

3.3.2 Natural Gas Network Code

The Natural Gas Network Code governs the arrangements between the gas transporter and the relevant gas shippers who ship gas by means of the designated gas transporter's gas pipeline.

Among others, it includes provisions on capacity rights to transport gas, the operating schedule, imbalances, gas entry and exit requirements, maintenance of the network, system stress procedures, communications and IT and payments.

3.3.3 Natural Gas Supply Code

The Natural Gas Supply Code complements the Natural Gas regulation. Among others, these regulations specify the procedures related to:

- a) application, connection, turn-on and disconnection of gas supply;
- b) alterations o gas installations;
- c) gas incidents;
- d) interruption and restoration of gas supply
- e) operating procedures, inspections and gas quality and safety

3.3.4 Natural Gas Retail Code of Conduct

The Natural Gas Retail Code of Conduct sets forth the minimum standards of performance in accordance with which a gas retailer is required to conduct its gas retail business.

It includes the standards and principles gas retailers must adhere to, minimum conditions for the

contracts retailers sign with end customers, and the complaints and dispute resolution processes.

4 Conclusion and Next Steps

In this document, URCA has presented its proposed licenses, regulations and codes for introduction to the NGS. This consultation also raises the following consultation questions which are outlined below:

Question 1: *Do you have any comments on the overall proposed regulatory structure for natural gas in the Bahamas?*

Question 2: *Do you think the obligations and rights of the licensees are sufficient and proportionate?*

Question 3: *Are there any aspects in relation to safety that you think are missing or could be enhanced?*

Question 4: *Do you think the regulations and codes ensure sufficient customer protection?*

Question 5: *Are there any situations you are currently facing, or are expected to be facing, that the proposed documents are not addressing or generate a conflict?*

Question 6: *Would you like to propose an alternative wording for any section of the licenses, regulations and codes?*

Question 7: *Please outline any specific comment that you have in relation to an individual licence, regulation or code document.*

URCA invites interested persons to comment on the documents under consultation.

URCA will conduct a public education campaign in relation to the documents under consultation, inclusive of a seminar to be conducted virtually on **8 August 2024**. Details in relation to this seminar will be available on URCA's website.

Upon consideration of written responses, URCA will publish a Statement of Results along with the final documents under consultation. URCA looks forward to constructive engagement with the public on its proposal.

5 Annex – Documents Under Consultation

The documents under consultation, annexed and incorporated by reference are available on URCA's website (www.urcabahamas.bs).