



The Utilities Regulation and Competition Authority Consultation on Liquefied Natural Gas Transfer Operations Regulations

Consultation Document

NGS 01/2025

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Table of Content

1	Introduction.....	3
1.1	Objectives of this Public Consultation	3
1.2	How to Respond to this Consultation.....	4
1.3	Structure of the remainder of this document	5
2	Legal Framework	6
2.1	URCA’s statutory consideration	6
3	Summary Overview of draft Liquefied Natural Gas Transfer Operations Regulations.....	8
4	Conclusion and Next Steps.....	9
5	Annex – Documents Under Consultation.....	10

1 Introduction

The Utilities Regulation and Competition Authority (URCA) is the independent regulatory for the Natural Gas Sector (NGS) in The Bahamas. URCA is responsible for the licensing NGS activities in The Bahamas in addition to issuing regulations and guidelines that aim to promote the development and functioning of a safe and reliable natural gas system in The Bahamas. URCA regulates the NGS through the Natural Gas Act, 2024 (NGA) which sets out, inter alia, URCA's powers and obligations in relation to the NGS.

The NGS is a relatively new regulated sector within The Bahamas, with the enabling NGA having come into force on 1 June 2024. In this regard, considering the introduction of this new sector into URCA's regulatory remit, URCA deemed 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. This compendium of regulatory measures was consulted on, finalised and issued by URCA and came into force on 30 September 2024. Included in these regulatory measures were the Liquefied Natural Gas Ship-to-Ship Handling Operations Regulations (NGS 15/2024) which governed Ship-to-Ship transfers of Natural Gas.

In developing the compendium of regulatory measures issued on 30 September 2024, URCA in its consultation on those measures (NGS 1/2024) indicated that the framework developed represented the initial measures taken to regulate the NGS and URCA further confirmed that it would update and modify these measures from time to time to take account of best practices and comments received from interested parties. In this regard, URCA has considered the operation of the Ship-to-Ship Handling Operations Regulations and has identified areas for improvement aimed to streamlining the processing of transfer operations and clarifying the scope of the regulation with aim to improving regulatory certainty.

URCA now issues this Consultation document on the proposed issuance of its Transfer Operations Regulations which are intended to replace its Ship-to-Ship Transfer Regulations.

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 Liquefied Natural Gas Transfer Operations Regulation. This regulatory measure has 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.

Moreover, URCA considers the proposed regulatory measure to be of public significance with the potential to affect licensees, members of the general public and other stakeholders. Therefore, in accordance with section 9(2) of the NGS, URCA issues this consultation document to afford persons with sufficient interest or who are likely to be affected by the outcome of the implementation of this regulatory measure the ability to comment in order for URCA to allow URCA to give due consideration to the comments of persons having sufficient interest prior to introducing the proposed regulatory measure.

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 **28 April 2025** 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, give due consideration to any response 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:

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| 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 measure; |
| Section 4: | Describes URCA's "next steps" in the consultation process; and |
| Annex: | Contains the proposed Liquefied Natural gas Transfer Operations Regulations. 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

The NGA designates URCA as the sector NGS regulator and charges URCA with the general administration of the NGA. As a statutory body, URCA must exercise this regulatory function within the remit of and consistent with the functions, powers, obligations and duties set out in the NGA. This section accordingly sets out the legal basis on which URCA is proposing to issue the regulatory measures under consultation.

The NGA in section 5 sets out that the main goal of the NGS is the creation of a regime for the supply of the safe, least cost, reliable and environmentally friendlier gas throughout The Bahamas.

The proposed Liquefied Natural Gas Transfer Operations Regulation is a regulatory measure in the proposed to be in the form of a binding issued regulation that governs Natural Gas Transfer Operations and includes a system of registration and proposes that fees be paid to URCA for certain NGS activities. In this regard, the NGA empowers URCA with inter alia 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). Additionally, to the extent that the proposed regulatory measure proposes a system of registration, section 8(3)(d) NGA empowers URAC to issue regulatory and other measures, including without limitation, the publication and maintain of registers or lists. Finally, is further empowered under section 8(1)(a) to collect a fee for any natural gas sector activity that URCA deems necessary.

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.

2.1 URCA's statutory consideration

URCA has a statutory obligation in accordance with section 6 of the NGA which 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 implementing 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 regulatory measure contains 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).

3 Summary Overview of draft Liquefied Natural Gas Transfer Operations Regulations

To guide the stakeholders' review of the draft regulatory documents, URCA sets out below a brief overview of the draft regulation.

The Liquefied Natural Gas Transfer Operations Regulations proposes to repeal and replace the Natural Gas Ship-to-Ship Handling Operations Regulation (NGS 15/2024). As with the proposed repealed regulation, the draft Liquefied Natural Gas Transfer Operations Regulation draws from international regulations and codes, in particular the US Code of Federal Regulations. Furthermore, it incorporates by reference the various international standards inclusive 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.

The objective of these Regulations is to ensure the safe Transfer Operations, which unlike previous operations made provision for only ship-to-ship transfers, of LNG in bulk (lightering) and the transfer of LNG to be used as fuel (bunkering) in the Bahamian waters. In this regard, the new regulations introduce greater clarity by distinguishing between two key types of LNG transfer operations: lightering, which refers to the transfer of natural gas in bulk, and bunkering, which involves the transfer of natural gas for fuel purposes. This differentiation allows for more specific guidelines and requirements tailored to each operation, improving operational transparency and regulatory certainty. In addition, the regulations include more comprehensive safety protocols for both lightering and bunkering activities, ensuring that these critical operations are conducted with robust safety measures in place. To further streamline the framework, certain protocols that were previously referenced but were not applicable to natural gas operations have been removed, making the regulations more relevant and focused.

The draft regulations also provide clear provisions regarding the fees associated with various LNG transfer activities. For added transparency, the fees are now explicitly outlined, and a mechanism for annual amendments to these fees is included, as set out in URCA's fee schedule. This will ensure that the fee structure remains adaptable to changes in operational costs and remains fair and competitive. Additionally, the draft regulations introduce new forms and processes for the registration of LNG transfer operations service providers. This aims to standardize and streamline the registration process, ensuring that operators meet the necessary qualifications and regulatory standards. The new registration requirements will help improve oversight and accountability, contributing to the overall consistency and safety of the LNG transfer industry.

These proposed changes are designed to create a safer, clearer, and more efficient regulatory environment for LNG transfer operations. URCA invites stakeholders to review the draft regulations and provide feedback to ensure that the final version addresses the needs of the industry while contributing to the safety and sustainability of LNG operations.

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 agree with the proposal to repeal and replace the existing ship-to-ship transfer regulations? If not, what specific concerns or issues do you have with this approach?*

Question 2: *The draft regulations distinguish between lightering (bulk transfer) and bunkering (fuel transfer). Do you find this distinction clear and useful for regulatory purposes? Are there any additional details or clarifications that should be included in relation to these types of operations?*

Question 3: *The regulations introduce more comprehensive safety protocols for both lightering and bunkering activities. Do you believe these safety measures adequately and proportionally address the potential risks associated with LNG transfer operations? Are there any additional or proposed amendments to the safety protocols you would recommend?*

Question 4: *The draft regulations provide clear provisions regarding the fees for LNG transfer activities and include a mechanism for annual amendments. Do you find this approach to fee transparency adequate? Do you have any suggestions for improving the fee structure or the review process?*

Question 5: *The draft regulations introduce new forms and processes for the registration of LNG transfer operations service providers. Do you think these registration requirements are clear and appropriate? Are there any additional steps or information you would recommend to enhance the registration process?*

Question 6: *Are there any other aspects of the proposed draft regulations that you believe should be further clarified or modified? Please provide any additional comments or suggestions that could improve the overall regulatory framework for LNG transfer operations. Would you like to propose an alternative wording for any section of the proposed regulation?*

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

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.urbahamas.bs).