



Treaty Series No. 14 (1955)

Exchange of Notes

between the Government of the United Kingdom
of Great Britain and Northern Ireland and
the Government of Egypt

governing Reserves of Petroleum Products in accordance
with certain provisions of the Agreement of the
19th of October, 1954 regarding the Suez Canal Base

Cairo, October 19, 1954

*Presented by the Secretary of State for Foreign Affairs to Parliament
by Command of Her Majesty
February 1955*

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EXCHANGE OF NOTES BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF EGYPT GOVERNING RESERVES OF PETROLEUM PRODUCTS IN ACCORDANCE WITH CERTAIN PROVISIONS OF THE AGREEMENT REGARDING THE SUEZ CANAL BASE SIGNED ON THE 19th OF OCTOBER, 1954

Cairo, October 19, 1954

No. 1

Her Majesty's Ambassador at Cairo to the Egyptian Minister for Foreign Affairs

British Embassy,

Your Excellency,

Cairo, October 19, 1954.

I have the honour to refer to Article 3, and paragraph 4 of Part C of Annex II of the Agreement signed on the 19th of October, 1954, between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Egypt,⁽¹⁾ as well as to the Note signed this day in which your Excellency informs me that the Government of the Republic of Egypt have nominated the Shell Company of Egypt to operate and maintain the pipeline system running from Suez to Cairo under a management contract, valid for seven years, of which the terms have been agreed and initialled in outline; and that this management contract will be elaborated and concluded without delay.⁽²⁾

In this connexion, with particular reference to the provisions of paragraph 4 of Part C of Annex II, for the purposes of providing all the necessary facilities for the storage and turnover of petroleum products to the contractor who maintains and operates the installations numbered as Serials 30-34 inclusive in Appendix A to Annex II of the Agreement as well as the storage capacity leased to him by the Government of the Republic of Egypt numbered as Serial 35 in that Appendix, I have the honour to propose that the terms and conditions governing these facilities should be those set forth in the Annex to this Note.

Accordingly, I have the honour to suggest that this Note, together with your Excellency's reply accepting the above-mentioned proposals, shall constitute an agreement between our two Governments on the terms of those proposals.

I avail, &c.

RALPH SKRINE STEVENSON.

⁽¹⁾ "Egypt No. 2 (1954)," Cmd. 9298.

ANNEX

Arrangements Governing the Constitution, Reconstitution, Storage and Turnover of Reserves of Petroleum Products in accordance with Paragraph 4 of Part C of Annex II to the Agreement signed on the 19th of October, 1954, between the Government of the United Kingdom and the Government of the Republic of Egypt

I

1.—(a) The Government of the Republic of Egypt shall lease to the Shell Company of Egypt in its capacity as contractor to the Government of the United Kingdom, hereinafter referred to as "the contractor," from the date on which the oil pipeline system is handed over by the Government of the United Kingdom to the Government of the Republic of Egypt for the period of the Agreement between the two Governments signed on the 19th of October, 1954, 52,600 metric product tons tankage capacity in the oil installations at Agrud for the storage and turnover of the reserves of the Government of the United Kingdom. These reserves may consist of not more than 22,500 metric tons MT gasoline and 13,500 metric tons aviation spirit. Of the capacity so leased, 22,000 metric product tons capacity may be reserved for aviation spirit.

(b) The capacity so leased may be reduced at the discretion of the Government of the United Kingdom.

(c) The contractor shall pay to the Government of the Republic of Egypt for the lease of the above-mentioned tankage capacity a rent of one Piastre for the period of the Agreement.

2.—(a) The Aviation pipeline between Suez and Agrud known as the Suez/Agrud "A" line shall be used exclusively for the constitution, reconstitution and turnover of the reserves of the Government of the United Kingdom of aviation spirit. No charge shall be made by the Government of the Republic of Egypt for the use of this line.

(b) Nevertheless, in the case of the "W" line between Suez and Agrud known as the Suez/Agrud "W" line being out of operation, the Suez/Agrud "A" line may be used for the movement of MT gasoline and of kerosine. Similarly, should the Suez/Agrud "A" line be out of operation, the Suez/Agrud "W" line may be used for the movement of aviation spirit.

(c) If and when the Suez/Agrud "A" line is used for moving MT gasoline or kerosine, the Government of the Republic of Egypt shall pay to the contractor a throughput charge of twelve Piastres per metric product ton of the quantities so moved.

(d) If and when the Suez/Agrud "W" line is used for moving aviation spirit, the contractor shall pay to the Government of the Republic of Egypt a throughput charge of twelve Piastres per metric product ton of the quantities so moved.

(e) No charge will be made by the Government of the Republic of Egypt to the Government of the United Kingdom or to the contractor for the use of the Suez/Agrud lines for the constitution or reconstitution of the MT gasoline reserves.

(f) Should any quantity of MT gasoline be withdrawn by the contractor from the reserves of the Government of the United Kingdom at Agrud for any other purpose than turnover into the Egyptian civilian market, the contractor shall pay to the Government of the Republic of Egypt a throughput charge of twelve Piastres per metric ton on the quantities so withdrawn.

(g) Should any of the MT gasoline from the reserves of the Government of the United Kingdom at Agrud be pumped back to Suez for export, the

contractor shall pay to the Government of the Republic of Egypt a throughput charge of twenty-four Piastres per metric ton of the product so moved.

(h) If extra personnel or labour over and above the level of personnel and labour agreed as necessary for the operation and maintenance of the pipeline system between the Government of the Republic of Egypt and the Shell Company of Egypt, and solely connected with the reserves of the Government of the United Kingdom, are employed by the Government of the Republic of Egypt at the request of the Government of the United Kingdom, the extra cost involved will be paid by the Government of the United Kingdom through the contractor. Further, the Government of the United Kingdom will, through the contractor, reimburse the Government of the Republic of Egypt the amount of any compensation and indemnities which may be payable under Egyptian laws in respect of the period for which such extra personnel or labour are so employed.

3.—(a) The maintenance expenses in respect of the Suez/Agrud "A" line shall be borne by the Government of the United Kingdom through the contractor. The maintenance expenses of the Suez/Agrud "W" line shall be borne by the Government of the Republic of Egypt.

(b) The expenses of operating the Suez/Agrud "A" and "W" lines, taken as a single unit, shall be shared by the Government of the United Kingdom and the Government of the Republic of Egypt in proportion to the tonnage of products received into the Agrud Installation through the Suez/Agrud "A" and "W" lines respectively.

(c) For the purpose of calculating the maintenance expenses of the Agrud Installation (the tanks and inter-connecting pipelines and ancillary plant situated at Agrud, from the tee-off of the Suez-Agrud 12-inch lines where they enter the installation up to the "Cairo pumphouse") it shall be considered as a single unit. The expenses of the cleaning, repairs and maintenance of this unit and of the materials necessary thereto shall be borne by the Government of the Republic of Egypt and the Government of the United Kingdom in the proportion of 30 per cent. by the former and 70 per cent. by the latter. If a change in the allocation of tankage capacity occurs as a result of the exercise by the Government of the United Kingdom of the discretionary power reserved in sub-paragraph (b) of paragraph 1 and sub-paragraph (d) of paragraph 5 of this Annex, the proportion of expenses to be borne by the two Governments respectively shall be revised to conform with the amount of tankage capacity in use by each of them.

(d) The two Governments will share in a proportion to be agreed, and to be based on a realistic estimate, the costs of such common services, including transport, management and other overheads, as are provided by the contractor jointly for the purposes of the two Governments and are not otherwise provided for in this Annex.

4.—(a) The Government of the Republic of Egypt shall not be responsible for the cost of any losses of MT gasoline or aviation spirit between Suez and Agrud which may occur in the process of the constitution or reconstitution of the reserves referred to in paragraph 1 of this Annex, nor for losses of aviation spirit while stored in the Agrud Installation.

(b) The cost of losses of MT gasoline while stored in the Agrud Installation shall be borne by the Government of the Republic of Egypt and the Government of the United Kingdom in proportion to a monthly arithmetical average of the daily opening stocks held on behalf of each Government calculated according to the contractor's records.

(c) The Government of the Republic of Egypt shall not be responsible for losses due to any deterioration that may occur in the reserves of the Government of the United Kingdom provided that the Government of the

Republic of Egypt shall have provided all necessary facilities for the reserves held in the installations to be turned over within a period of three months.

5.—(a) The cost of cleaning and inspection of certain tanks at Agrud already in hand or contracted for by the Government of the United Kingdom at the time of handing over the pipeline system and of any consequential repairs of aviation spirit tanks shall be borne by that Government.

(b) If, after the pipeline system has been handed over, the two Governments agree to an extension of the work of cleaning and inspection already in hand or contracted for to further tanks at Agrud, the whole cost excluding that of the work mentioned in sub-paragraph (a) of this paragraph, shall be borne by the two Governments in the same proportion as that specified in paragraph 3 (c) of this Annex.

(c) If, after the pipeline system has been handed over, the two Governments agree to repairs being carried out to tanks at Agrud other than the repairs of aviation spirit tanks mentioned in sub-paragraph (a) of this paragraph, the whole cost, including that of the work mentioned in sub-paragraph (a) of this paragraph, shall be borne by the two Governments in the same proportion as that specified in paragraph 3 (c) of this Annex.

(d) If the Government of the United Kingdom do not agree to the additional cleaning and inspection of tanks for which provision is made in sub-paragraph (b) of this paragraph, or to the repair thereof being carried out, the level of reserves to be held at Agrud by the Government of the United Kingdom and the amount of the tankage capacity of the Agrud Installation leased to the contractor as stated in paragraph 1 of this Annex, shall be reduced by the amount of the capacity of the tank or tanks concerned.

6. The cost of stores required for the maintenance and repair of the Suez/Agrud "A" line shall be borne by the Government of the United Kingdom, and the cost of stores required for the maintenance and the repair of the Suez/Agrud "W" line shall be borne by the Government of the Republic of Egypt.

7.—(a) MT gasoline to be held in the storage capacity referred to in paragraph 1 of this Annex shall not be below the minimum specification shown in the Appendix attached to this Annex. The specification may be changed by agreement between the Government of the United Kingdom and the Government of the Republic of Egypt.

(b) If refineries in Egypt produce aviation spirit, the Government of the United Kingdom will make available to the Government of the Republic of Egypt the former's Air Ministry specification of aviation spirit.

8.—(a) Except in the circumstances stated in sub-paragraph (c) of this paragraph turnover of the products held in the storage capacity referred to in paragraph 1 of this Annex shall be effected into the local market and the turnover of the MT gasoline shall be effected through the Agrud/Cairo pipeline.

(b) Quantities turned over shall be replenished from the production of Egyptian refineries if available in accordance with specifications referred to in paragraph 7 of this Annex.

(c) If and so long as the turnover period of the reserves of the Government of the United Kingdom held in the Agrud Installation necessitates movement of products in excess of Egyptian market requirements of the products, those excess products may be exported.

(d) If the products of Egyptian refineries are not available to the specifications referred to in paragraph 7 of this Annex, the Government of the United Kingdom may constitute or reconstitute their reserves from sources outside Egypt.

II

Turnover of the petroleum products, consisting of not more than 8,500 metric tons of diesel fuel and 26,000 metric tons of aviation turbine fuel, held in the storage at Fanara (numbered as serials 30-34 inclusive of Appendix A of Annex II to the Agreement signed on the 19th of October, 1954, between the Government of the United Kingdom and the Government of the Republic of Egypt) shall be effected into the local market. In the case of diesel fuel, the turnover shall not exceed 400 metric tons per month. Aviation turbine fuel may be sold in Egypt as kerosine and the rate of turnover shall not exceed 2,200 metric tons per month. The terms and conditions upon which such products shall be sold for turnover shall be the subject of an agreement to be reached separately.

APPENDIX TO ANNEX
MOTOR BENZINE SPECIFICATION

This Specification shall apply to Product as Pumped into the Pipeline System

Colour	...	...	Orange.
Odour	...	...	Marketable.
Octane Number (CFR Motor Method)	...	I.P. 44	Min. 70.
T.E.L.	...	I.P. 116	1.8 mls/I.G.
<i>Distillation—</i>		A.S.T.M.	
Initial Boiling Point	...	...	45° C. (Max.).
Rec. to 100° C.—			
March–October	...	...	34% Vol. (Min.).
November–February	...	...	37% Vol. (Min.).
Recovery to 140°	...	...	70% Vol. (Min.).
Final Boiling Point	...	...	200° C. (Max.).
Reid Vapour Pressure @ 100° F.	...	I.P. 69	Max. 9 lbs./sq. in.
Total Sulphur % Wt.	...	I.P. 107	Max. 0.25.
Corrosion Copper Strip	...	I.P. 64A	Not more than slight discoloration.
Gum Content mg/100 mls.	...	I.P. 38	Max. 5.
Induction Period mins.	...	I.P. 40	Min. 240.
Doctor test	...	F. SB 520.3.2	Not worse than slightly positive.

No. 2

The Egyptian Minister for Foreign Affairs to Her Majesty's Ambassador at Cairo

*Ministry of Foreign Affairs,
Cairo, October 19, 1954.*

Your Excellency,

I have the honour to refer to your Excellency's Note of to-day's date with reference to Article 3, and paragraph 4 of Part C of Annex II to the Agreement signed on the 19th of October, 1954, between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Egypt, as well as to the Note signed this day in which I informed your Excellency that the Government of the

Republic of Egypt have nominated the Shell Company of Egypt to operate and maintain the pipeline system running from Suez to Cairo under a management contract valid for seven years, of which the terms have been agreed and initialled in outline and which will be elaborated and concluded without delay.

In this connexion, with particular reference to the provisions of paragraph 4 to Part C of Annex II, that, for the purposes of providing all necessary facilities for the storage and turnover of petroleum products to the contractor who maintains and operates the installations numbered as Serials 30-34 inclusive in Appendix A to Annex II of the Agreement as well as to the storage capacity leased to him by the Government of the Republic of Egypt numbered as Serial 35 in that Appendix, you proposed that the terms and conditions governing these facilities should be those set forth in the Annex to this Note.⁽²⁾ and suggested that your Excellency's Note together with my reply accepting the above-mentioned proposals shall constitute an agreement between our two Governments on the terms of those proposals.

I have the honour to inform your Excellency that my Government accept the above-mentioned proposals and agree that the Exchange of these Notes shall constitute an agreement between our two Governments on the terms of those proposals.

I avail, &c.
M. FAWZI.

(²) Annex as in No. 1.

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