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ARE REGIONAL GAS PIPELINES POSSIBLE?

Marshuk Ali Shah

Country Director, Pakistan Resident Mission

Asian Development Bank

INTRODUCTION

- Impressive progress made in the last half decade in making the dream of transporting energy resources, specifically gas in the Asian region, without hindrances of political borders, a step closer to reality.
- Some negative opinions prevailing against regional gas pipelines across Asia: “large political differences” will not let transnational pipelines succeed.
- Regional Scenario: India will be the main importer of gas with Bangladesh and Myanmar as potential exporters. Pakistan’s territory could be used to transmit gas from energy surplus Central Asian States. By 2012, Pakistan could also be an importer of gas.

PIPELINE PROPOSALS IN THE MAKING - Turkmenistan–Afghanistan–Pakistan pipeline (TAP)

- Can transport 2.5 billion cubic feet of natural gas up to India
- The Governments of Turkmenistan, Afghanistan, and Pakistan have formed a Steering Committee comprising the Petroleum Ministers of the 3 Countries
- Countries have invited the Asian Development Bank to act as the lead development partner for the project
- ADB has supported a feasibility study through a grant of \$ 1 million
- ADB will provide \$0.7 million for study to evaluate underground gas storage in Pakistan, to be completed by September 2004. Utilization of this potential will help counter unforeseen disruptions and shortages.

7TH STEERING COMMITTEE MEETING (TAP)

- Steering Committee for TAP held its Seventh Meeting in Islamabad on 8-9 December 2003, discussed:
- Finalization of Feasibility Study by July 2004 taking account of demand projections for Pakistan and Afghanistan
- Certification of adequacy of Daulatabad gas reserves by independent auditor by June 2004
- Pakistan and Turkmenistan asked for security study on situation in Afghanistan

SOME PROJECT RISKS (TAP)

- **The Gas Supply and Market Risks:** An independent auditor needs to certify the gas reserves of the Daulatabad gas field. The Project will also need confirmed markets for the gas to confirm financial viability of the pipeline. While there is a market in Afghanistan and we anticipate a reasonable demand from Pakistan, the figures need to be firmed up. Should India at some point agree to participate in the Project, this would substantially increase the size of the potential market.
- **Legal and Regulatory Framework:** The Host Country Agreements between the partners have to be comprehensive. They will need to clearly define the basic legal and regulatory framework within which the consortium will operate. ADB has already prepared a draft which is under finalization at the present time.
- **Consortium Formation and Financing:** The structure and participation in the pipeline consortium and its subsidiary companies should be agreed by the participating companies. Financing of the pipeline has to be arranged in principle and the financing required for the development of the Daulatabad field secured.
- **Gas Sales and Purchase Agreements.** These must be finalized. ADB has prepared drafts, which are being reviewed by the governments.
- **Security Issues:** The concerned governments will have to ensure the smooth running of the pipeline and its protection from unlawful elements.

OTHER PROPOSALS

- **Qatar – Pakistan Gas Pipeline:** After nearly three years, Pakistan plans to push ahead with the \$2.7 billion Gulf-South Asia gas project, which will deliver Qatar gas through a 1,600-km pipeline to Pakistan. The Project is currently under negotiation between the Government of Pakistan and Crescent Petroleum of UAE. The Project could supply 1.6 billion cubic feet to Pakistan.
- **Sakhalin pipeline:** Initial supplies to Hokkaido, Japan, are expected by 2008 with an extension of the pipeline to Tokyo in the same year. The pipeline can transport natural gas in large quantities to Japan for an extended period of time, as the combined reserves of the three gas fields are estimated at 17 trillion cubic feet (equivalent to 485 billion cubic meters).
- **Iran – Pakistan – India Gas Pipeline:** The Government of Iran wants the \$3 billion pipeline to be completed in two phases. Under Phase-I the gas pipeline would be completed from Iran to Pakistan and then under Phase II from Pakistan to India in case of willingness of India. The issue is currently under negotiation between the Governments of Iran and Pakistan.

THE FUTURE OF REGIONAL GAS PIPELINES – POLITICAL GROUNDS FOR OPTIMISM

- Greater stability returning to South Asia: The recent SAARC Summit held in Islamabad, the thaw in India – Pakistan relations accompanied by various confidence building measures like the resumption of communication links
- Greater stability in Afghanistan

REGIONAL GAS PIPELINES – FUTURE DEMAND AND SUPPLY

- Natural gas fastest growing primary energy source. The natural gas share of total energy consumption is globally expected to increase from 23% in 2001 to 28% by 2005.
- Under a moderate GDP growth rate scenario of 3.8%, Pakistan's estimated shortfall by 2010 is 0.2 billion cubic feet per day (bcfd)., going up to 1.4 bcfd by 2015 and 2.7 bcfd by 2020.

CONCLUSION

- The above efforts have been accompanied by technological innovations that have made possible the delivery of gas across countries possible in the first place at reasonable cost.
- There have been changes in regulatory regimes enabling freer participation by the private sector as the public sector unbundles activities it carried out previously.
- The question is: whether there would be a resolution of political issues first or whether economic development will come first. I believe, the winner will be economic growth and development.