

Pakistan looks to secure diverse gas supplies

Pakistan is focusing on building up its LNG and pipeline capacity to reduce its gas shortfall. However, political, financial and infrastructure challenges continue to stymie progress. **Verity Ratcliffe** reports from Dubai.

THE rapid development of Pakistan's first LNG terminal has given the country express entry into the international gas market, but development of further supply infrastructure looks set to move at a slower pace.

Pakistan's transition to LNG importer has been swift. Its first facility, an FSRU at Port Qasim provided by Exceleerate Energy, was completed within a year of its approval by the government, with another two terminals receiving the go-ahead at the same time.

But analysts do not expect further terminals or pipeline infrastructure to be built anytime soon. "We don't expect a second terminal to come online in the near term," Mollie Curran, an analyst at IHS, told *Interfax*.

Pakistan may instead decide to expand the capacity of its existing terminal. "It would be a little premature to make an investment in an onshore terminal until they really figure out what's happening on the regional gas supply side," Curran said.

Installing one of Exceleerate's larger ships at the same site would give Pakistan more capacity to import LNG on a spot basis. "We think spot cargoes are going to be pretty affordable for at least the next 5-10 years", Curran added.

Sui Southern Gas Co. has already been forced to cancel the tender for the contract to build the second terminal, but has said it will reopen the bidding soon.

"As with the first LNG terminal, there have been many hurdles, but the first tendering process is a perfect illustration that, when there is political will and interest in a project in Pakistan, it can be managed transparently and extremely quickly within one year," Huma Yusuf, senior consultant at Control Risks, told *Interfax*. "I do think that what we're seeing here is a bureaucratic delay more than a lack of capacity or political will."



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Iranian prospects

In terms of infrastructure for piped gas, the anticipated lifting of sanctions on Iran has raised hopes the long-awaited Iran-Pakistan pipeline will come to fruition. The pipeline could provide up to 21.2 million cubic metres of gas per day once it is fully operational in 2020.

However, Pakistan will still need to balance its relationship with Iran against its

relationships with the United States and the Gulf countries. The pipeline's route through the unstable Balochistan region means there are domestic security concerns too – which will make the project difficult to finance.

"There is a high likelihood that security issues will remain in Balochistan from separatist insurgents [as well as other militias]," said Yusuf. "In that tense operating environment it would be a challenge to make this project succeed."

Security is also a concern for the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, particularly around the Afghan stretch. "There is general consensus among the four countries involved and the international community that this is a good idea, but I think pragmatically there is an acknowledgement that the security situation would make this a very difficult project to pull off," said Yusuf.

But while the Iran pipeline may be a difficult project for the international community to accept, TAPI has significant global political backing. The China-Pakistan pipeline, which has just started construction, benefits from even greater political will and domestic support. "Much of the political momentum will focus on the projects that fall under the China-Pakistan Economic Corridor," said Yusuf.

Early LNG success

Gas imports remain an important part of Pakistan's energy mix even though domestic production has grown significantly over the past decade. Pakistan received its first LNG imports earlier this year. Seven spot cargoes from Qatar have now been delivered to the Port Qasim terminal.

Islamabad is expected to sign a 15-year LNG supply deal with Qatar this month. It is also talking to Malaysia and Iran in a bid to secure long-term LNG contracts.

Pakistan looks to have secured a competitive price for Qatari gas, at around \$7/MMBtu. "Pakistan received quite a good deal on the LNG as it is paying a lower price than India, which is around \$10.50/MMBtu," Justin Dargin, energy and Middle East scholar at Oxford University, told *Interfax*. This is because Qatar wanted to sign supply deals ahead of several other LNG exporters and low energy prices boosted Pakistan's bargaining power, Dargin added. ■

Contact the editor at: verity.ratcliffe@interfax.co.uk



Iranian workers weld a joint on the Iran-Pakistan pipeline. It could provide 21.2 MMcm/d by 2020. (PA)