

GOVERNMENT OF PAKISTAN
MINISTRY OF PETOLEUM AND NATURAL RESOURCES
MONITORING AND EVALUATION UNIT

BACKGROUND

This report has been produced to provide an update on the first Monitoring and Evaluation Report dated 10th April 2015.

RECOVERABLE RESERVES OF OIL AND GAS

As oil and gas production is a continuous process extracting hydrocarbons from producing fields. Position of balance recoverable reserves as on June 2014 was provided in 1st report while the latest position ending June 2015 is being compiled and shall be reflected in next report. It is expected that few new discoveries have been able compensate depletion of producing assets and therefore the numbers are expected to be in line with previous year.

OIL AND GAS PRODUCTION

Company wise oil and gas production during 2014-15 was as under:

Company	MMCFD	BBL/Day
BHP	177	836
Eni Pakistan	434	361
Hycarbex	4	-
MPCL	617	2,100
OGDCL	1,168	42,194
OMV	281	72
OPL	7	553
POL	12	1,702
POGC	10	-
PPL	638	6,444
PEL	19	-
MOL	265	20,013
UEPL	335	17,804
Dewan	15	107
OMV Maurice	34	2,307
	4,016	94,493

REFINING CAPACITY

There are eight (08) oil refineries, operating in the country. Refining capacity vis-à-vis actual utilization is as under:

Monitoring and Evaluation Unit
Pakistan Petroleum Sector Report of 1st October, 2015

Refinery	Capacity Million (Tonnes per Year)	Capacity Utilization 2014-15 (Tonnes per Year)
Pak-Arab Refinery Limited (PARCO)	4.50	4.35
National Refinery Limited (NRL)	2.71	1.80
Pakistan Refinery Limited (PRL)	2.10	1.50
Attock Refinery Limited (ARL)	1.92	1.86
Byco Oil Pakistan Limited (Byco-1)	1.74	1.39
Byco Petroleum Pakistan Limited (Byco-2) (Commissioned, but not producing)	5.45	-
ENAR Petrotech Refining Facility (I&II)	0.33	0.26
Total:	18.79	11.16

SECTORAL GAS CONSUMPTION AND ALLOCATION

There has been no change in Government's Policy on Sectoral priority for supply of gas, which is as under:

Category of Consumer	Priority
Domestic and Commercial	1
Power	2
Industrial / Fertilizer / Captive Power	3
Cement including its Captive Power	4
CNG	5

Sectoral gas consumption is as under:

Sectors	2013-14	2014-15
Power	901	967
Domestic	729	741
Commercial	104	96
Transport (CNG)	240	184
Cement	2	2
Fertilizer	600	606
General Industry	393	325
Captive Power	311	318
	3,280	3,238

MEASURES TO ENHANCE OIL AND GAS PRODUCTION

Implementation of Petroleum Policy 2012: The Government announced Petroleum Policy, 2012 in August 2012 with better incentives but not limited to price to encourage investment in oil and gas sector. On July 2013, amendment was also made

to bring clarity for additional gas production incentive for production from existing fields and price incentives from new exploratory efforts in existing Licences/D&P Leases. Petroleum Concession Agreements (PCAs) and Exploration Licences (ELs) over 45 blocks have already been signed as of 12.03.2015 and companies have already started exploration activities in these blocks.

Conversion to Petroleum Policy 2012 – Execution of supplemental agreements:

So far ninety-four (94) applications for conversion of old Petroleum Concessions Agreements (PCAs) to new Petroleum Policy 2012 have been processed by executing/signing seventy (70) supplemental agreements with respective exploration and production companies. These Agreements will legally effectuate the new price regimes for old concessions as provided in Policy, 2012.

GAS IMPORT PROJECTS

Gwadar-Nawabshah LNG Terminal and Pipeline Project:

- Gwadar LNG Terminal and Pipeline Project consists of following components;
 - Installation of offshore / FSRU based LNG Terminal and associated Utilities & Off-Sites at Gwadar Port.
 - Construction of 42 inch diameter 700 Km (Approx.) Pipeline System from Gwadar to Nawabshah.
- The objective of the Project is to re-gasify the LNG at Gwadar Port and transport **500MMcfd** Re-gasified Liquefied Natural Gas (RLNG) from Gwadar to the Delivery Point with SSGC/SNGPL networks at Nawabshah.
- China Petroleum Pipeline Bureau (CPP) from China and ISGS from Pakistan are the nominated entities to execute the project alongwith financing under the G to G agreement.
- Governments of Pakistan and China signed Framework Agreement on 20th April 2015.
- ISGS is currently engaged with nominated contractor company w.r.t. the Project. CPP will submit its Techno-Commercial proposal on 30th September 2015.
- Project is targeted to be completed by December 2017.

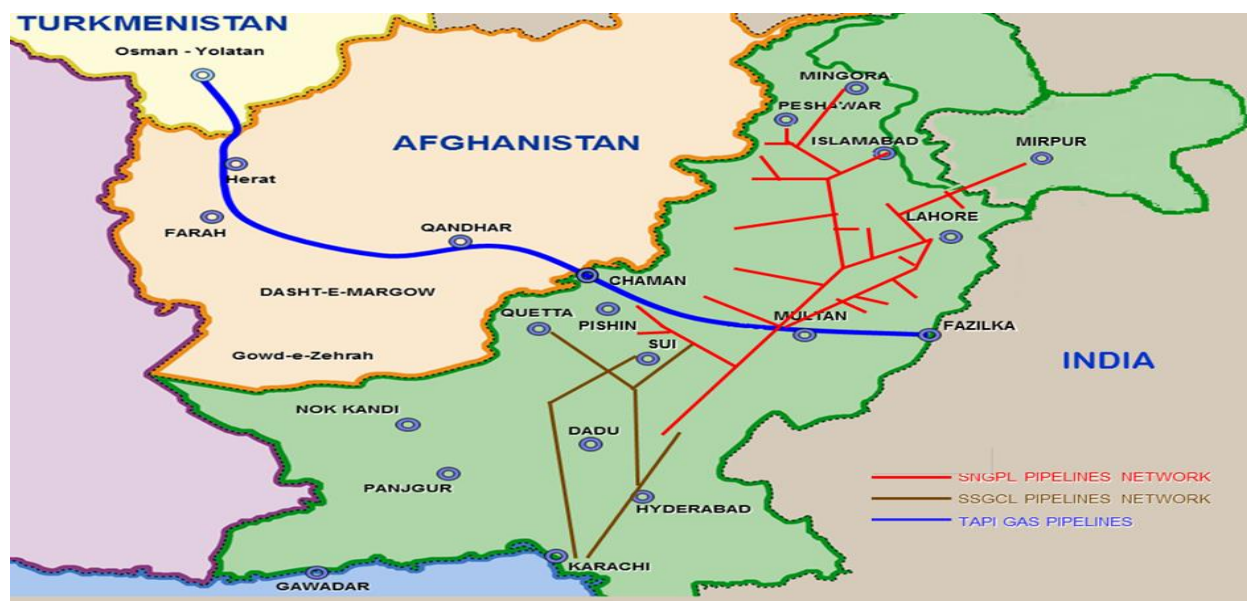
Turkmenistan-Afghanistan-Iran-India Pipeline Project:

Source Reserves	Galkynysh Field
Gas Supplier	Turkmenistan
Total length of the Pipeline	1820 km
Gas Volume	3.2 Bcfd (1.3 Bcfd Pakistan share)
Optimum Pipeline Configuration	56” Diameter Pipeline
Estimated Capital Cost of Project	US\$ 7.6 billion Penspen, UK, 2008

Status of Agreements

IGA signed by Head of States	11th December 2010
GPFA signed by petroleum ministers	11th December 2010
Heads of Agreement signed on	19th September 2010
Signing of GSPA	23rd May 2012
Transaction Advisory Services Agreement	19th November 2013

Pipeline Route



Project Implementation Status

- Pursuant to appointment of TASA, Transaction Advisor submitted the Technical studies including updated the Pre-feasibility study required for the preparation of Information Memorandum/Bidding Documents
- Operations Agreement signed between all four TAPI countries on 9th July 2014.
- TAPI Pipeline Company Limited (TPCL) incorporated in Isle of Man on 11th November 2014.

- First Board Meeting has been held in Ashgabat, Turkmenistan on 19th November 2014. Pakistan is currently Chairman of Board of Directors of the Company.
- During TAPI Steering Committee meeting (August 2015), TAPI Parties unanimously endorsed State Concern “Turkmengaz” as the Consortium Leader of TAPI Pipeline Company Limited
- Shareholders Agreement, Pipeline System Rules and Gas Transportation Agreement are under negotiations between TAPI Parties. Finalization is targeted by last quarter of year 2015.
- Parties have agreed to a transit fee figure.
- Ground-Breaking of the Project is scheduled for December 2015.

North-South Gas Pipeline Project

- The existing gas infrastructure was not designed to transport large quantities of gas from Southern to Northern regions of the country as it lacks capacity to handle additional volume of gas supplies.
- This project is critical for supply of RLNG to the proposed Gas Fired Power Plants in Northern part of Pakistan.
- The Pipeline will not only enable us to efficiently transport imported RLNG but also give transport capabilities for the Iran-Pakistan & TAPI Gas Pipeline Projects which are expected to come online in the next 3-5 years.

Project Highlights

- Design Flow 1.2 BCFD
- Length 1,100 Km
- Diameter of pipeline 42”/1067 mm
- Compressor Stations 5 Nos.
- Estimated Capital Cost US \$ 2.2 – 2.6 Billion approx.
(Based on Sui’s Analysis)

Project implementation Status

ECC approval

The ECC in its meeting held on 10th January 2015 has approved the North-South Gas Pipeline Project under Government-to-Government arrangement.

Nomination of EPC Contractor under Government to Government Arrangement

Minister of Energy of the Russian Federation has nominated Russian State Corporation "Rostec" through its 100% subsidiary company "RT-Global Resources" (RT-GR) to negotiate with ISGS on the implementation of the Project in Pakistan.

Approval of Draft Inter-Governmental Agreement

Draft Inter-Governmental Agreement has been approved by both the governments and is expected to be signed by November 2015. Thereafter, the commercial negotiations with the RT-GR under G to G arrangements for implementation of NSGP Project will start and expected to take 3-4 months for finalization.

Preparation of basic Technical studies

Project is being developed on BOT basis. RT-GR has indicated that their concerned department is already working in preparation of basic technical related studies for the Project which will form basis of Detailed Engineering Design.

Selection of Pipeline Route Corridor

Selection of Pipeline route corridor is one of the major activities deliberated by the parties. In this regards, an initial site visit held from July 3rd - 11th July 2015 to substantiate the route corridor of North-South Gas Pipeline Project.

RLNG ALLOCATION

PSO is engaged in negotiations with Qatargas for supply of LNG which will be supplied to SNGPL/SSGC for onward sale to IPPs or other customers. Ministry of Petroleum and Natural resources has recently allocated 600 MMCFD RLNG to three (3) upcoming IPPs to be located at Bhikki, Haveli Bahadurshah and Balloki. Messrs. SNGPL has also initialed a Gas Supply Agreement with one of the said IPPs for

supply of RLNG on firm commitment take or pay basis. Simultaneously, SNGPL, SSGC and PSO have also initiated a Tripartite Agreement to formalize the transaction and associated risk allocations. The said agreements are being presented for approval of the Board of Directors on the respective companies.

IMPORT AND SUPPLY OF LNG/RLNG TO FERTILIZER PLANTS ON SNGPL NETWORK

The ECC of the Cabinet vide case No. ECC-37/05/2015 dated 14.03.2015 has allowed fertilizer sector to import their own LNG from international market on their own sources. The fertilizer plants shall hold the title to the purchased LNG for the transaction to be bankable. No GIDC will be levied on imported LNG to be utilized by fertilizer plants. In addition, GST will be charged @ 5% on fertilizer produced by using imported LNG. Pursuant to the said arrangement, one of the fertilizer plant on SNGPL system is has imported two LNG cargoes on 26th March 2015 and 11th May 2015 through Pakistan State Oil.

REVISION IN GAS SALE PRICES

Gas Sale Prices have been revised w.e.f. 1st September 2015.

Sector	Previous	Revised
	Rs/MMBTU	
Domestic		
Up to 100 m3	106	110
Up to 300 m3	212	220
Above 300 m3	531	600
Cement	743	750
General Industry	488	600
Captive Power	573	600
CNG	657	700
Commercial	637	700

Monitoring and Evaluation Unit
Pakistan Petroleum Sector Report of 1st October, 2015

Fertilizer – Fuel	488	600
Power	488	600
Fertilizer - Feed (Old)	123	200
Fertilizer - Feed (New)	68	72

GAS INFRASTRUCTURE DEVELOPMENT CESS

GIDC Act (Act No. IV of 2015) passed by Parliament received assent of the President of Pakistan on 21.05.2015 and has been notified in the Gazette by Senate Secretariat on 22.05.2015 for information of general public. This Act extends to the whole of Pakistan and it shall come into force at once.

Under the Second Schedule of the said Act following maximum rate of Cess have been levied:

S. No.	Sector	Maximum Rate of Cess (Rs./ MMBTU)
(1)	(2)	(3)
1.	Fertilizer Feed (New)	300.00
2.	Fertilizer Feed (Old)	300.00
3.	Fertilizer Fuel	150.00
4.	Captive Power	200.00
5.	Industry	100.00
6.	KESC / GENCO	100.00
7.	IPPs	100.00
8.	CNG Region-I	236.56
9.	CNG Region-II	200.00

PROMULGATION OF GAS THEFT ORDINANCE

Approval of Gas Theft Control and Recovery Ordinance 2014 from Parliament is being pursued.
