

Government of Pakistan
Ministry of Petroleum and Natural Resources
(Monitoring and Evaluation Unit)

Islamabad, the 10th November 2015

Subject: **Monitoring and Evaluation Report – July to September 2015**

The first two monitoring and evaluation report covering the period up to 30th June 2015 have already been uploaded on website of Ministry of Petroleum and Natural Resources. This report, being the third one, has been produced to provide an update on the progress made up to 30th September 2015.

Oil and Gas Production

Company wise oil and gas production during first quarter of 2015-16 vis-à-vis 2014-15 is as under:

Company	2014-15		Q1 2015-16	
	Gas (MMCFD)	Oil (BBL/Day)	Gas (MMCFD)	Oil (BBL/Day)
BHP	177	836	129	615
Eni Pakistan	434	361	422	364
Hycarbex	4	-	-	-
MPCL	617	2,100	655	2,270
OGDCL	1,168	42,194	1,153	41,200
OMV	281	72	289	131
OPL	7	553	14	1,111
POL	12	1,702	12	1,557
POGC	10	-	8	-
PPL	638	6,444	681	6,195
PEL	19	-	20	-
MOL	265	20,013	266	17,414
UEPL	335	17,804	479	13,551
Dewan	15	107	13	88
OMV Maurice	34	2,307	21	1,309
	4,016	94,493	4,162	85,806

Sector wise gas consumption

Comparison of sector wise gas consumption during Q1 2015-16 vis-à-vis 2014-15 is as under:

Sectors	2014-15	Q1 2015-16
Power	967	1,159
Domestic	741	592
Commercial	96	92
Transport (CNG)	184	152
Cement	2	2
Fertilizer	606	647

General Industry	325	337
Captive Power	318	321
	3,238	3,302

Petroleum Products Consumption

Sector wise consumption of Petroleum Products during Q1 2015-16 viz 2014-15 is as under:

Fuel Consumption 2014-15

(000 M. Tons)

Product	Domestic	Industry	Agriculture	Transport	Power	Others	Total
Aviation	-	-	-	414	-	158	572
Petrol	-	58	-	4,666	-	9	4,732
HOBC	-	1	-	20	-	1	22
E-10	-	-	-	-	-	-	-
Kerosene	89	53	-	0	-	32	175
HSD	-	447	-	6,271	538	154	7,411
LDO	-	3	37	-	-	3	43
Furnace Oil	-	739	-	1	8,457	6	9,202
Total	89	1,300	37	11,371	8,995	364	22,157

Fuel Consumption Q1 2015-16

(000 M. Tons)

Product	Domestic	Industry	Agriculture	Transport	Power	Others	Total
Aviation	-	-	-	100	-	34	133
Petrol	-	14	-	1,225	-	2	1,241
HOBC	-	0	-	8	-	-	9
E-10	-	-	-	-	-	-	-
Kerosene	18	11	-	-	-	2	31
HSD	-	112	-	1,320	124	20	1,575
LDO	-	3	4	-	-	1	7
Furnace Oil	-	263	-	-	1,947	0	2,210
Total	18	403	4	2,653	2,071	59	5,207

Status of Gas Import Projects

Iran-Pakistan Gas Pipeline Project

Background

- Consequent to the IP GSPA, the parties successfully completed the Conditions Precedents (CPs), IP GSPA got effective on 13th June, 2010.
- For project implementation, ISGS selected, through international competitive bidding, ILF-Germany in joint venture with NESPAK for Engineering, Procurement and Project Management (E&PM) services.
- The E&PM Consultant has completed Stage I activities which include detailed route survey, bankable feasibility study, Front End Engineering and Design, Social and Environment Impact Assessment, etc. The Stage II activities have also started

whereby the post FEED engineering, requisite approvals from different regulatory authorities/competent fora, preparation of bidding documents, installation of concrete markers on the route, etc. have been completed while land acquisition process is underway and project management will be done once EPC contractor mobilizes.

Project Status

Immediately after the formation of government in 2013, Iran-Pakistan Gas Pipeline Project was reviewed in the wake of international sanctions on Iran and an Alternative Strategy was developed to undertake project implementation in consultation with all stakeholders.

Alternative Strategy:

As per the Alternative Strategy, **'Gwadar-Nawabshah LNG Terminal and Pipeline Project'** was conceived, whereby using the same route and technical specifications, gas pipeline will be constructed from Gwadar to Nawabshah along with LNG terminal at Gwadar Port. The gas Pipeline will be connected with Iran once international sanctions on Iran are lifted.

Approval of Alternative Strategy:

Economic Coordination Committee (ECC) in its meeting held on 2nd October, 2014 and subsequently Cabinet in its meeting held on 23rd February, 2015 approved the "Gwadar-Nawabshah LNG Terminal and Pipeline Project" in principle as an Alternative Strategy of Iran-Pakistan Gas Pipeline Project, an authorized ISGS to execute the implementation of the project and directed the Ministry of Petroleum & Natural Resources to finalize funding plan, preferably on Government-to-Government (G to G) arrangement or BOT basis.

Soon after getting ECC approval, the Minister for Petroleum and Natural Resources visited Iran 28-29th October 2014 to discuss the way forward strategy on the Iran-Pakistan Gas Pipeline project. Pakistan conveyed that in the wake of sanctions on Iran, the project could not implemented, however, Pakistan is committed with the Project and is making all efforts to complete the same under the Alternative Strategy whereby 700 km gas pipeline will be completed and only a small portion of 80 km will need to be constructed to connect the pipeline with Iranian segment.

Nomination of Chinese EPC Contractor under Government-to-Government Agreement:

In accordance with the ECC decision, Ministry of Petroleum and Natural Resources contacted the Govt. of China to nominate a well-reputed and well-experienced company to implement the project. The Govt. of China through the National Development and Reforms Commission of the People's Republic of China conveyed that China Petroleum Pipeline Bureau (CPP), a wholly owned subsidiary company of China National Petroleum Corporation (CNPC), will undertake project implementation.

Signing of Framework Agreement:

A Framework Agreement was signed on 20th April 2015 between the National Energy Administration (NEA) and Ministry of Petroleum and Natural Resources (MPNR) whereby ISGS was nominated from Pakistan and CPP was nominated from China side to

engage and undertake project implementation. Since then both companies are engaged to discuss the contractual arrangements.

Submission of Techno-Commercial Proposal by CPP:

As per project details, CPP has submitted Techno-Commercial proposal on 30th September 2015 which is a big milestone in realizing the Project under the Alternative Strategy. The proposal is under evaluation by the Consultant (JV ILF/NESPAK).

Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline Project

Background

- The TAPI project involves four countries and Asian Development Bank as its secretariat. The Project has international significance and peculiar dynamics.
- The Head of States of all the member countries signed the Intergovernmental Agreement (IGA) during TAPI Summit held at Ashgabat on 11th December 2010. Respective petroleum ministers of four countries signed the Gas Pipeline Framework Agreement (GPFA) on the same day.
- TAPI Parties have achieved major milestones by signing the GSPAs, Operations Agreement, appointment of Transaction Advisor for the Project with the main task to prepare/update technical studies including Technical Implementation schedule, feasibility study, security and safeguards study, and last but not the least selection of Consortium Leader. Currently the Parties are engaged in negotiating Investment Agreement, Gas Transportation Agreement and Pipeline System Rules.

Project Status

Appointment of Transaction Advisor:

In accordance with the GPFA, TAPI members have signed the Transaction Advisory Services Agreement (TASA) with ADB as Transaction Advisor (TA) on 19th November, 2013 in Ashgabat, Turkmenistan. The Transaction Advisor will undertake the pre-project activities, including the selection of the Consortium Leader.

Signing of Operations Agreement:

Pursuant to the signing of Gas Sales and Purchase Agreement, Operations Agreement has been signed between all four TAPI countries on 9th July 2014.

Incorporation of Consortium Company:

TAPI Pipeline Company Limited (TPCL) has been incorporated in Isle of Man on 11th November 2014. The first Board Meeting has been held in Ashgabat, Turkmenistan on 19th November 2014. Pakistan has been selected Chairman of the Board of TPCL.

Update of Project Pre-Feasibility Study:

Transaction Advisor has submitted its work and different technical studies including updated the Pre-feasibility study required for the preparation of Information Memorandum/Bidding Documents.

Selection of Consortium Leader:

In the 22nd TAPI Steering Committee (SC) meeting held on 6th August 2015 in Ashgabat, breakthrough was achieved when Turkmenistan proposed itself as Consortium Leader and SC unanimously endorsed State Concern “Turkmengaz” as the Consortium Leader of TAPI Pipeline Company Limited.

Initialing of Shareholder Agreement:

After extensive discussions and deliberations, the Parties have initialed Shareholder Agreement during TAPI Steering Committee meeting held on 24th October 2015 at Ashgabat, Turkmenistan.

Stone Laying Ceremony

In view of the above mentioned developments, Stone Laying ceremony of the Project is expected to be done in December 2015.

North-South Gas Pipeline Project

Background:

The existing gas transmission network of Pakistan lacks capacity to transport additional large volume of gas supplies from Southern to Northern regions of the country. Therefore, keeping in view the above mentioned transnational gas import projects, Ministry of Petroleum and Natural Resources has planned to undertake the laying of about 1100 KM long gas pipeline from Karachi to Lahore under the title “North-South Gas Pipeline Project”.

Project 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. The Project will be capable of transporting 1.2 BCFD of gas from Karachi to Lahore. ECC has designated Inter-State Gas System (Pvt.) Ltd as the Executing Agency to implement the Project under Government-To-Government arrangement in liaison with Sui Northern Gas Pipeline Limited (SNGPL) and Sui Southern Gas Company Limited (SSGCL).

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 joint implementation of the Project in Pakistan. Rostec is the largest industrial company operating in civil and military sectors; it includes more than 600 companies and has a headcount of more than 900 thousand people.

Selection of Pipeline Corridor:

Selection of Pipeline route corridor has remained one of the major activities deliberated by ISGSL, SNGPL and RT-GR. In this regards, an initial site visit held from 3rd July to 11th July 2015 was carried out by joint team of ISGSL, SNGPL, RT-GR, to substantiate the route corridor of the Project initially proposed by SNGPL. The route related issues

highlighted during the site visit were jointly discussed by ISGSL, SNGPL, SSGC and RT-GR alongwith RT-GR Consultant NESPAK/ILF in the meeting held on 4th August 2015 at ISGSL office Islamabad. The route was recommended with comments that the problematic areas will be bypassed during detail route survey.

Signing of Inter-Governmental Agreement:

The Inter-Governmental Agreement has been on cooperation for the development of the North-South Gas Pipeline Project has been signed 16th October 2015. The commercial negotiations with the nominated entity (RT-GR) under G to G arrangements for implementation of NSGP Project are under progress and expected to take 3-4 months for finalization.

Request for proposal

The RFP for the project, prepared by SNGPL's Consultant for preparation of Techno-Commercial Proposal by nominated entity, is at finalization stage. The evaluation of Techno-Commercial Proposal shall also be carried out by the same Consultant.

Tentative project timelines:

Tentative project timelines are as follow:

<u>Activity</u>	<u>Target Date</u>
G to G Agreement with Russia	Oct' 2015
EPC Contract Award	Feb' 2016
Design / Construction	Mar' 2018
Commissioning / Startup	Jun' 2018

Import of Liquefied Natural Gas (LNG)

The Pakistan State Oil (PSO) and Qatar Liquefied Gas Company-2 (QG2) as designated buyer and sellers of Pakistan and State of Qatar have negotiated and finalized a LNG Sale Purchase Agreement (SPA). As per terms of LNG SPA, in the first year (2016) it is expected that the Qatargas will supply 1.5 million tons of LNG which will increase to 3 million tons from 2nd year onward (2017 to 2030). The period of the contract will end in December, 2030. There is however a price review provision which allows either party to seek a price review after 10 years and if not agreed the SPA may be terminated.

The Ministry of Petroleum and Natural Resources has submitted a summary to the Economic Coordination Committee of the Cabinet for consideration and approval of the negotiated LNG SPA under Government to Government arrangement before final execution of the said agreement. It is expected that the summary will be considered by ECC in its forthcoming meeting.

So far, fourteen (14) LNG Cargoes mostly through tender process have been imported into the country. The imported LNG has been supplied mainly to the IPPs and partially to CNG Sector whereas three cargoes have been purchased by fertilizer sector.

RLNG Pricing

OGRA has determined the first Re-gasified LNG Price under Petroleum Products (Petroleum Levy) Ordinance 1961 and Petroleum Products (Petroleum Levy) Rules 1967 on 7th October 2015. The decision is available on the website of OGRA under the tab 'Decisions/Appeals' sub-tab '*RLNG Decision*'.

Development of Gas Market Structure and Reform Roadmap

A team of Consultants from the consortium of Economic Consulting Associates (ECA) and MJM energy, which has been engaged by the World Bank to support the Ministry/Government for a study on the gas sector structure, is visiting Pakistan these days.

The consultants will produce a report to suggest a strategy/way forward leading to Separation of transmission function of SNGPL and SSGC and formation of one National Gas Transmission Company as well as SNGPL and SSGC to be further broken down to Multiple Distribution companies.
