GOVERNMENT OF PAKISTAN
MINISTRY OF PETOLEUM AND NATURAL RESOURCES
MONITORING AND EVALUATION UNIT
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1. Energy Sector Overview

Government of Pakistan is committed to resolve the energy sector crisis. Government has initiated sustainable energy sector reforms which include multidimensional policy measures and programs in collaboration with International Financial Institutions (IFI). The reform process in essence is to introduce good governance and efficient management of energy sector to provide secure and sustainable energy at affordable price.

2. Recoverable reserves of Oil and Gas

In year 2013-14, Pakistan's net reserves of Oil and Gas are 353.5 MMBBL and 23.64 TCF respectively. The reserves situation in 2000-01 was 296 MMBBL for Oil and 24 TCF for gas. Out of which 323.31 MMBBL was consumed from oil reserves and 17.7 TCF was consumed from gas reserves till year 2014. During the same period 380.81 MMBBL reserves of oil were added and present reserves are 353.5 MMBBL. Similarly, 17.34 TCF reserves of gas were added and remaining reserves are 23.64 TCF.

Table 1 : Oil and Gas Reserves Situation

	Reserves 2000-01	Consumed 2001-14	Reserved Added during 2001-14	Net Balance Reserves 2014
Oil (MMBBL)	296	323.31	380.81	353.5
Gas (TCF)	24	17.7	17.34	23.64

3. Oil and Gas Production

There are twelve companies involved in crude oil production. Among these, Oil and Gas Development Company Limited (OGDCL) of Pakistan have the highest share almost 50% as 42969 barrels per day was produced during 2013-14. United Energy Pakistan (UEP) contributed 15.5%, Pakistan Petroleum Limited (PPL) contributed 7.4% and MOL Hungarian Oil and Gas Company (MOL) contributed 19.98%:

Table 2: Oil and Gas Production

	Company Name	Gas (MMSCFD)	Oil (BOPD)
1	OGDCL	1,171	42,969
2	PPL	648	6,420
3	MPCL	593	642
4	Eni Pakistan	489	353
5	BHP	286	1,393
6	MOL	287	17,293
7	OMV Pakistan	310	46
8	UEP	206	13,464
9	PEL	20	-
10	Dewan	18	136
11	POL	15	1,943
12	Hycarbex	11	-
13	POGC	10	-
14	OMV Maurice	18	1,259
15	OPL	9	616
	Total	4,092	86,533

4. Refining Capacity

There are eight (08) oil refineries, operating in the country having refining capacity of 18.79 million tonnes as given hereunder:

Table 3: Oil Refineries' Capacity

	Capacity Million Tonnes per Year
Pak-Arab Refinery Limited (PARCO)	4.50
National Refinery Limited (NRL)	2.71
Pakistan Refinery Limited (PRL)	2.10
Attock Refinery Limited (ARL)	1.92
Byco Oil Pakistan Limited (Byco –I	1.74
Byco Petroleum Pakistan Limited (Byco-II)	5.45*
ENAR Petrotech Refining Facility (I&II)	0.33
Total:	**18.79**
***Commissioned, but the refinery is not yet in full production**	

5. Sectoral gas consumption and allocation

The sectoral gas consumption is based on the priority defined under Gas Allocation and Management Policy 2013. Under the priority settings by the government, first priority is given to domestic and commercial users (Table 4). Assigning the first priority clearly indicates that government gives more value to domestic and commercial consumers addressing socio-economic dynamics. Natural gas is a cheap fuel and its availability to domestic and commercial consumers at low prices make livelihood affordable.

Table 4: Priority-Wise Gas Allocation to different Sectors

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

The second priority is assigned to power sector in 2013 energy policy. Earlier, the power sector had lower priority compared to other categories. This indicates government resolve to improve power supply in country.

The third priority is assigned to industrial, fertilizers and captive power plants. Fourth priority goes to cement industry and fifth priority goes to CNG sector. However, priority order defined by the government has signaled the market about long term policy goals and objectives of government. It has provided very clear direction and set expectation for investors to invest in the energy sector.

The gas consumption by different sectors after priority allocation has changed. Domestic and commercial sector collectively gets 20 percent of gas allocation. Power sector allocation is 30 percent which is highest among all categories. General Industry share remained 9 percent and fertilizer is 18 percent. Transport sector share remained 6 percent whereas, cement share negligible and captive share is 10 percent or gas sector consumption remained only 0.6 BCF.

Table 5: Gas Consumption by Different Sectors in MMCFD

Sectors	2013-14	Jul-Dec 2014
Power	901	970
Domestic	729	680
Commercial	104	95
Transport (CNG)	240	212
Cement	2	3
Fertilizer	600	598
General Industry	393	314
Captive Power	311	326
Total	**3,280**	**3,198**

6. 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.

Model supplemental Agreement (MSA): M/o Petroleum & NR in consultation with Finance and Law Divisions has approved the Model Supplemental Agreement to formalize the conversion incentives provided in Petroleum Policy 2012 which has been uploaded on the website www.mpnr.gov.pk under the tab News/Highlights.

Further, all concerned E&P companies have been advised to submit the draft SA duly incorporating information pertaining to individual blocks/fields for approval after which the same will be signed by contracting parties.

The cases received in MPNR are being examined and approval is being conveyed. So far 60 SAs have been signed. These Agreements will legally effectuate the new price regimes for old concessions as provided in Policy, 2012.

7. Gas import projects

Present gas supplies in country are over 4,000 million cubic feet per day (MMCFD) while constrained demand is over 6,000 MMCFD. Ministry of Petroleum and Natural Resources (MPNR) is pursuing a three pronged strategy of abridging this widening gap through (i) incentivizing the exploration and production companies for enhanced domestic production (ii) import of gas through transnational pipelines as well as LNG in public as well as private sectors and (iii) rationalizing economic use of gas in various sectors through administrative (load management) and fiscal (gradual price rationalization) measures.

Various LNG import projects aimed at a total of 1,200 MMCFD gas are being pursued by the Ministry through state owned enterprises in petroleum sector. The LNG receiving, storage and regasification terminals will mostly be developed in Port Qasim and/or Gwadar Port and the gas has to be transported upcountry through high pressure transmission lines. The present pipeline capacity can only handle up to 400 MMCFD gas out of which 280 MMCFD gas can be transported to system of SNGPL while 120 MMCFD gas can be consumed in SSGS system.

SSGC is handling the Fast Track LNG Terminal Project. A LNG Service Agreement (LSA) has been executed between M/s Elengy Terminal Pakistan Limited (EETPL) and SSGC on 30-04-2014. The Implementation Agreement between EETPL and PQA has been signed on 23-06-2014. The terminal has started operations.

Moreover, SSGC have also issued tender inquiry for 2nd LNG terminal.

Government of Pakistan (GOP) is pursuing import of LNG from Qatar on Government to Government negotiation basis. Pakistan State Oil Company Limited (PSOCL) has been nominated by GOP to negotiate import of LNG whereas

Government of Qatar has nominated Qatargas Company Limited (Qatargas) to supply the LNG.

The LNG SPA is expected to be finalized shortly followed by execution after approval of ECC/ Cabinet. Cabinet Committee on Energy (CCE) vide its decision dated 12th February 2015 have approved LNG payment mechanism of direct payments to PSO by the Ministry of Finance from the electricity Tariff Differential Subsidy budget payable to power sector.

Gas Utility Companies and PSO are negotiating a Tripartite Agreement for transportation and supply of RLNG to end consumers and also augmenting their pipeline network for the said purpose. To address the issues of RLNG pricing mechanism/ allocation etc, a summary for the ECC has been submitted to ECC for consideration in its forthcoming meeting.

8. Gas allocation and management

Gas allocation and management has recently seen changes as per policy guidelines from government of Pakistan. Power sector has been placed on 2nd priority to reprioritize for socio-economic development. The Policy 2005 has specifically addressed the load-shedding curtailment and policy document is available on MPNR website.

9. RLNG allocation

PSO in engaged in negotiations with Qatargas for supply of LNG which will be supplied to SNGPL/SSGC for onward sale to IPPs or other customers. In this regard, the Cabinet Committee of Energy (CCE) has already approved allocation of initial 325 MMCFD RLNG for IPPs on SNGPL system which will subsequently be enhanced to 400 MMCFD in October-2015 with ongoing augmentation of pipeline capacity by both gas companies. It is important to mention that recommendations of Market Price by the Ministerial Committee on RLNG price for power sector has already been approved by the CCE vide case No. CCE-6/4/2014 dated 09.12.2014.

10.LNG for CNG – Approval of ECC:

The CNG sector has received lowest priority for gas allocation. However, government is cognizant of the fact there are more than 3500 CNG station serving the needs of transportation sector with 26 percent vehicles on CNG. Keeping in view the CNG existing developed infrastructure, environmental friendly fuel, and low price fuel. Government has allowed that CNG sector through its own private arrangements to import LNG under arrangements with private LNG developers. For this purpose a number of SPVs (Special Purpose Vehicles) may be setup under a corporate structure, in which CNG stations would be invited to participate.

In order to make the price of LNG based CNG attractive / competitive for end consumer, the Government has approved that there would be no GIDC on LNG based CNG industry, however, 5% GST would be levied on it. RLNG will be transported from Terminal to each CNG station by Sui companies. For this purpose the SPVs of CNG sector will enter into a Gas Transportation Agreement with Sui Companies under Natural Gas (Third Party Access) Rules, 2012.

11.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.

12. Determination of Revenue Requirements of gas companies and Quorum requirement of OGRA

In order to determine the revenue for gas utility companies, the quorum in OGRA is required which is a legal requirement in order to avoid any future litigation. After retirement of member Oil quorum was not complete which restricted the determination of revenue. The government has advertised the position but it remained un-filled for long time. Later, Government of Pakistan has assigned the Additional Secretary (Cabinet Division) for the position of member oil as stopgap arrangement. The quorum is now complete for decision making by the authority.

13. GIDC – Litigation – Ordinance – Litigation

The GIDC Act 2011 was promulgated in December 2011 as money bill. It was challenged in all the High Courts. The Islamabad High Courts in January 2013 and Peshawar High Court in July 2013 declared the law Ultra Vires to constitution. Review petitions in the Supreme Court were dismissed in August 2014 declaring that Cess is not a tax but a fee which cannot be levied through money bill and hence was not validly levied.

A review petition has been admitted in the Supreme Court and notices have been issued to respondents. No hearing has taken place thereafter.

In September-2014, GIDC Ordinance has been promulgated to provide cover to imposition of GIDC under previous Act of 2011 which has also been challenged in Courts and various stay orders have been issued by the Court.

The Ordinance has also been introduced in National Assembly which referred it to Standing Committee. After approval of National Assembly, the same will be laid in Senate as provided in the Constitution.

The Cess shall be utilized by the Federal Government for or in connection with infrastructure development of Transnational Pipeline Projects, LNG or other Projects or for price equalization of other imported alternative fuels including LPG or for such other purposes connected therewith as determined by the Federal Government.

14. Promulgation of Gas Theft Ordinance - Initial results

The Gas Theft Control and Recovery Ordinance 2014 enunciated the legal measures to be taken against those stealing natural gas. Under the ordinance, any person tampering with gas supply lines will be liable to a punishment of between five and 10 years of imprisonment, and a fine of up to Rs3 million. However, those tampering with the main lines or installations may be awarded imprisonment of between seven and 14 years, and a fine of up to Rs10m. So far, more than 300 FIRs has been registered under the Gas Theft Ordinance. The ordinance has expired and its approval from the Parliament is being pursued. So far, the Senate has approved the same while the same stood referred to National Assembly for approval. Once approved as law the gas utility court can be established.

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