



Prime Minister's Office  
Prime Minister's Inspection Commission  
Islamabad

**Member**

Ph: 9213934

F.No.2(1)/Misc/TIP/SCM/PMIC

Dated: 13.05.2015

Subject: **LNG Import Issue**

Dear, *Sahail Musaffar,*

Reference Transparency Int'l-Pakistan (TIP)'s letter dated 24.03.2015.

1. We have examined LNG import issue to determine the factual position on the issues taken up by TIP vide above referred letter. Following conclusions have emerged:-

- a. LNG is a game changer and a key solution to current energy shortages. Pakistan energy future is inevitably linked to LNG in short to medium time frame.
- b. More than 50% of Pakistan's current energy consumption is based on natural gas.
- c. Pakistan's constrained demand for natural gas is 6000 MMCFD against the supply of 4000 MMCFD. The unconstrained demand is estimated at 8000 MMCFD.
- d. Pakistan must mobilize all resources for domestic gas exploration / production but needs to import natural gas concurrently either through pipelines or LNG or both.
- e. The Iran-Pakistan (IP) Pipeline cannot be operational for another 30xmonths or so, whereas, Turkmenistan-Afghanistan-Pakistan-India shall also take 48xmonths or more. Thus, LNG import is the only solution left with Pakistan.
- f. Pakistan's private sector has built the world's fastest LNG re-gasification terminal in a period of less than 11xmonths. This terminal is built without any public funds and Sovereign Guarantee on a tolling fee based Build Own Operate Transfer (BOOT) model. The tolling fee of \$0.661 MMBTU is one of the lowest in the world.
- g. Negotiations with the Qatar Gas are PPRA compliant and pursued at Government to Government level. LNG price and terms are likely to be made public soon.

- h. The expected LNG contract with Qatar is for a volume of 1.5 MT/per annum. Pakistan's demand is expected to be grown to 12 MT/per annum within 5 years.
- i. Unlike Oil, there is no international benchmark for LNG. Most of the LNG contracts are priced at a direct linkage to Oil. Pakistan cannot gamble linking LNG import price to any benchmark except the Oil.
- j. LNG with a national Brent linkage is 10% cheaper than High Sulphur Furnace Oil (HSFO), 20% cheaper than Low Sulphur Furnace Oil (LSFO) and half the price of Diesel.
- k. Re-gasified Liquid Natural Gas (RLNG) is cheaper than all other imported fuels for power generation in Pakistan.
- m. RLNG will allow these power plants to generate an additional nine billion KWH per annum, equivalent to an additional 10% of total current power generation without any additional investment.
- n. The 3 MT/per annum of LNG used to generate 400 MMCFD of RLNG will cost about \$1.5 billion (Rs.150 billion) per annum. This RLNG will displace over \$2.5 billion of Diesel and LSFO resulting in sustained annual savings of \$1 billion (Rs.100 billion). The government is setting up 3600 MW of RLNG based power plant which will generate 30xbillion KWH every year or 35% of total annual power generation with likely saving exceeding Rs.200 billion per annum.
- o. RLNG for power generation has a substantially lower environmental impact than all other fossil fuel based plants.

2. Above facts are clear manifestation of the state's resolve to overcome energy crisis through economical / viable options and deserves appreciation.

  
Lt.Col.(R)  
(Mussarat Naeem)  
Member

**Mr. Sohail Muzaffar,**  
Chairman,  
Transparency International-Pakistan  
Karachi

Copy for information to:-

1. Federal Minister, Ministry of Petroleum & Natural Resources, Islamabad
2. Secretary to the Prime Minister, Prime Minister's Office, Islamabad
3. Chairman, National Accountability Bureau, Islamabad
4. Registrar, Supreme Court of Pakistan, Islamabad.
5. Managing Director, Public Procurement Regulatory Authority, Islamabad