

IPI or TAP Pakistan needs Early Materialization of a Gasline

Safdar Sial

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Pakistan needs more gas for its expanding industrial, commercial and domestic needs, but the available gas reserves in the country are being predicted by analysts to finish within the next twenty years. There is a gap of about one billion cubic feet between demand and supply of the gas in the country on the daily basis.[\[i\]](#) Pakistan is better endowed in natural gas resources, with a proven capacity of 22 trillion cubic feet (TCF). And the prospects for more discoveries in traditional and offshore fields are also promising. But still, Pakistan with an annual consumption of 0.7 TCF a year, and with a demand increase of about 10 per cent a year, will have to import natural gas by around 2010.[\[ii\]](#)

Seven foreign companies were issued licenses to explore gas in the country two years back but the deteriorating security situation has hindered them to start their work. Of the existing foreign companies working in Pakistani energy sector, 65 per cent are Chinese and they have also time and again expressed their security concerns.

Pakistan, meanwhile, has been pursuing two gas pipelines to meet its gas needs i.e. the much trumpeted Iran-Pakistan-India (IPI) gas pipeline and the Turkmenistan-Afghanistan-Pakistan (TAP) pipeline. The IPI gas pipeline will be originating from Iran's southern port city of Asalouyeh and after passing through Balochistan and Sindh in Pakistan would reach New Delhi and Mumbai in India whereas the TAP would ship natural gas in Turkmenistan via Afghanistan to markets in Pakistan and [may be] India. If India is included in the proposed gas pipeline, it will become Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline.

Recent Developments and Prospects

Due to one reason or the other, the progress on both the proposed gas pipelines has not yet been impressive despite the fact that Pakistan needs an instant materialization of any such pipeline on the eve of stark energy crises.

Iran-Pakistan-India (IPI) Gas Pipeline:

India's lack of interest manifested by her absence in recent tripartite meetings is pushing Pakistan to pursue the IPI gas pipeline just as IP (Iran-Pakistan) gas pipeline. The three parties had already agreed in March last year to start laying the pipeline by September 2009 on a segmented basis. According to this arrangement each country will build the pipeline in its territory and Iran "has already started laying pipeline from Asalouyeh to Iranshar" to serve its eastern areas that would be extended to Pakistan border. Pakistan would build the 655-kilometer pipeline in its territory. Eventually there were planned two pipelines of 56-inch-diameter (class 600X-70) for the project – one delivering 2.1 billion cubic feet per day (BCFD) to Pakistan and the other that will take about 3.2 BCFD to India.[\[iii\]](#)

According to Zeydifard, a senior pipelines expert at National Iranian Gas, Pakistan can start receiving the gas when Iran completes a 400-kilometer section from Iranshar to the Pakistani border.[\[iv\]](#) President Musharraf was to reach Tehran on January 20 this year to sign the deal but this did not happen. Pakistan had then proposed to Iran to shift the ceremony to UAE that was rejected.[\[v\]](#)

The Pakistani government, meanwhile, has asked Iran to finalize the gas pipeline project, with or without India, by April this year, to help meet Pakistan's increasing gas requirements. Iran is yet to hold final talks with India to persuade it to join the Iran-Pakistan-India (IPI) gas pipeline project.[\[vi\]](#)

Iran and Pakistan had started a new round of talks on September 24 last year over finalizing the long-delayed pipeline project with India, but in the absence of Indian officials. India's absence then was linked to its lack of agreement on pricing terms with Pakistan.^[vii] However some analysts believe India was reluctant to join the pipeline talks under US pressure with whom she is going to enter into a nuclear deal agreement.

Even Pakistan and Iran could not agree later (on October 19, 2007) on the pricing of a gas import plan. However they decided to finalize the draft of an agreement as quickly as possible to start work on the 'bilateral' pipeline project. India seemed almost out of the project after that development since it was not part of the negotiations at the moment, but Pakistan remained committed to New Delhi to provide safe transit for the pipeline and India was welcome to join the project.

Pakistani side did not accept Iran's demand for price revision every three or five years and proposed a ten-yearly revision. However, the two sides had already agreed to the basic principle of gas price linkage with international market as measured by the Japanese Crude Cocktail (JCC).^[viii]

According to the gas price formula approved by the economic coordination committee [ECC] on April 10 last year if the price of JCC stands at \$60 per barrel in the region, then the price of Iranian gas would stand at \$4.93 per million British thermal units (mBtu). However, if the JCC price surges in the market up to \$90 per barrel and \$100 per barrel, the gas price at Pak-Iran border would be at \$6.56 per mBtu and \$7.06 per mBtu, respectively.^[ix] Later, both the countries agreed that whenever there will be any change in the co-relation between Japan LNG and Japan crude oil mix, then the formula will be reviewed. However, the first review was agreed to be in 2015 after commissioning the gas import under the IP pipeline keeping in view the data of 60 months ranging from 2002 to 2007.^[x]

The instability in Balochistan, however, has been another major set back to the proposed IPI project, which would be in doldrums if the situation in the province does not become normal. At the international level too, there is 'barrier politics' of the US, which opposes the project mainly because of the financial and strategic benefits it would provide to Iran. The US, instead, advocates a pipeline that supplies gas to Pakistan and India via Turkmenistan. Also, in order to ensure that it maintains its domination in the region, the US is trying hard to keep Pakistan and India away from cooperation with Iran, China and Russia.^[xi]

Turkmenistan-Afghanistan-Pakistan (TAP) Pipeline:

The Asian Development Bank (ADB) is 'regrouping' officials of Turkmenistan, Afghanistan and Pakistan in the third week of April to revive the TAP gas pipeline.

India is also willing to attend a meeting of steering committee of the revised \$6 billion, 2,000km-long project in which it has the status of an observer.^[xii]

However, the security situation in Afghanistan and relations between Pakistan and India need to be improved and fuel subsidies in the two countries would have to be phased out to materialize this alternative gas pipeline to Pakistan and India. Above all, the long-term competitive advantage of the TAP over the option of Liquefied Natural Gas (LNG) has also to be determined.

The TAP pipeline of 56-inch diameter needs at least 30 billion cubic meters (BCM) of gas per year from Turkmenistan to reach Pakistan via Afghanistan. The capital cost of the pipeline had been updated to about \$4 billion from \$3.3 billion in 2003. The pipeline will run 145-km in Turkmenistan,

735-km in Afghanistan and 555-km in Pakistan to Multan via Herat and Kandahar. However the Asian Development Bank (ADB) had already been working on northern route on Indian request that should pass through Mazar-e-Sharif, Kabul and Peshawar to Lahore for onward extension to Indian city of Bikaner.^[xiii]

Nevertheless, Ashkhabad has yet to specify how much gas quantities, based on independent certification, it would dedicate for the project and the recipient nations are to put forth their gas requirements through the pipeline. The finalization of framework agreement by the participating countries is the key stage where they can think of implementing the project and trigger a host of activities and agreements between and among the four nations (including India) and the ADB. Pakistan believes that bottlenecks hampering progress on the project involve non-confirmation of uncommitted gas volume by Turkmenistan regarding Daulatabad gas field, and uncertainties or lack of clarity with regard to price of the gas to be demanded by Turkmenistan.

While America has been opposed to the Iran-Pakistan-India (IPI) pipeline, Russia, which takes Turkmenistan's gas at cheap rates, puts it into its international pipeline and sells it at a high price in Europe, is opposed to Turkmenistan selling gas to anyone else. Moscow cannot have been pleased by this new chessboard move on TAP pipeline, but America has seen advantage in making the move after what happened to the Iran-Pakistan-India gas pipeline.

Although Mr Niyazov was not too friendly to Russia, yet under his rule Russia's oil giant Gazprom had become Turkmenistan's main economic partner, buying nearly 70 percent of its annual natural gas output and re-exporting it to Ukraine, the Caucasus, and Europe at great profit.^[xiv] Niyazov's successor Berdymukhamedov had offered the hand of friendship to Russia during his visit to Moscow last year, vaguely promising to work together with Russia's friends in the neighbourhood, Uzbekistan and Kazakhstan, and being more cooperative on the disputes Turkmenistan has with Russia over the oil and gas assets of the Caspian Sea. But Mr Berdymukhamedov has also made overtures to the Americans who favour Turkmen gas going to Europe through Azerbaijan with whom too Turkmenistan has a quarrel over the Caspian Sea assets.

The security situation in Afghanistan and the Russian opposition to the proposed TAP pipeline seem two major hurdles in materialization of the project in addition to Turkmenistan's non-specifications on price and amounts of gas. Any construction project that passes through Afghanistan remains prone to attacks until now. And it is also not certain if Russia will fail in its manipulation of Turkmenistan to counter the TAP move.

Evasive Attitude of India

New Delhi has since July 2007 not attended the trilateral meeting on the pipeline project pending resolution of the transit issue with Pakistan. India is also under considerable pressure from the United States to abandon the project.^[xv] However India has not yet officially indicated that it will stay away from the project but it has not come up with any commitment to finalize the deal over the past nine months.

When Iran began to think of supplying gas to Pakistan and India, the Indo-Pak equation was bad. India was moving towards a special relationship with the United States that didn't want Iran to get the project through. India was also thinking of relying on Liquefied Natural Gas (LNG) and had a naval fleet ready for it. It thought that it could get Burma to pipe its gas to India via the narrow

territory that joins the northeastern union territories to India.^[xvi] As for LNG, the cost of gas transported by sea goes up by 30 percent and should be incurred only if Pakistan cannot be trusted.

Moreover, in 1995, when Pakistan and Iran signed a preliminary agreement for the construction of [the then proposed] \$3 billion, 870-mile onshore gas export pipeline linking South Pars to Karachi, the agreement did not mention Multan and also excluded the transportation of gas into India.^[xvii]

The US, meanwhile, has been exerting pressure on India (as well as on Pakistan) not to join the project in order to isolate Iran. On the other hand it acted through the United Nations Security Council (UNSC) sanctions to force Iran to end uranium enrichment. A law gives the UNSC the authority to impose sanctions on any country investing the equivalent of \$40 million in Iran over 12 months.^[xviii] These sanctions also targeted Iranian banks as well as the elite Revolutionary Guards Corps. They could also affect the proposed IPI project, as in 2006 the Iranian government awarded a \$1.3 billion contract to the Revolutionary Guards Corps to build the pipeline up to Pakistan's border.^[xix]

After becoming evasive to IPI pipeline, the India seems interested to be part of the proposed TAP pipeline that has full backing from the United States. But this initiative will need much time to become mature.

New Role of China

China has also shown her readiness to join Pakistan and Iran in their gas pipeline project (IP) if India did not. In case China joins the project, the pipeline might pass through Gilgit, where Pakistan has already approved a project to widen the Karakoram Highway. Pakistan also plans to extend a railway track to China to connect it to the Gwadar port. Chinese experts would soon visit Pakistan to finalize the route of the pipeline if it joined the project.^[xx]

Iran's foreign ministry spokesperson Mohammad Ali Hosseini, during his recent visit to New Delhi, has also said in an unambiguous statement that there is limited time left for India to take a decision on the gas pipeline. He expressed his hope to expedite the process by all three countries as China was also applying pressure and wanted to join the project.^[xxi]

Moreover, Pakistan is also interested in exporting gas to China in the form of Liquefied Natural Gas (LNG). The LNG terminal would be made at Gwadar, where the proposed Iran-Pakistan (IP) pipeline (excluding India) would reach, and the gas would be converted into LNG for export to China through a proposed railway line from Gwadar to western part of China.^[xxii] The Ministry of Railways is vigorously studying the feasibility of laying the railways line from Gwadar to China.^[xxiii]

Conclusion

Pakistan, India and China desperately need gas, and hence, the gas pipeline from Iran or Central Asian States directed towards Asia. The global politics and strategic moves, especially being made by the US and the Russia, however have their own regional dynamics and interests. The United States does not want Pakistan and India to pursue any gas pipeline deal with Iran. Contrarily the Russia has her own interests in directing the Central Asian energy routes to the western countries through its land.

Iran, India and Pakistan have worked a lot on IPI gas pipeline. The Indian evasive attitude, due to diversified reasons, has pulled China into the game. China's interest to replace India in Iranian gas pipeline project may not be acceptable to America. That can be a very solid reason for Asian Development Bank's taking abrupt initiative for TAP gas pipeline from Turkmenistan.

Pakistan, nonetheless, can not afford to waste another long time in materializing a gas pipeline to its territory. The TAP does not become a wise option in this regard because Pakistan needs gas urgently. However, if the TAP initiative can deliver needed gas at time and at the competitive rates to Pakistan, there is no harm in pursuing it. Either it is IPI or TAP, Pakistan needs an early materialization of a gas pipeline.

[i] Daily Jang, Islamabad, January 10, 2008

[ii] Safdar Sial, "IPI: Energy Security and Strategic Conflicts": <http://www.san-pips.com/PIPS-SAN-Files/SAN-CentralAsia/SAN-CentralAsia-Article1/San-CA-A1-D.asp>

[iii] Dawn, Islamabad, March 9, 2007

[iv] The Post, Islamabad, March 12, 2008

[v] Daily Express (Urdu), Islamabad, January 29, 2008

[vi] Dawn, Islamabad, March 11, 2008

[vii] Dawn, Islamabad, September 25, 2007

[viii] Dawn, Islamabad, October 20, 2008

[ix] The news, Islamabad, September 19, 2007

[x] The News, Islamabad, November 8, 2007

[xi] The news, Islamabad, November 4, 2007

[xii] Dawn, Islamabad, March 25, 2008

[xiii] PIPS Database

[xiv] Daily Times, Islamabad, August 21, 2007

[xv] Dawn, Islamabad, February 6, 2008

[xvi] Daily Times, Islamabad, March 24, 2007

[xvii] The News, Islamabad, November 4, 2007

[xviii] The Post, February 14, 2008

[xix] The News, Islamabad, November 4, 2007

[xx] Daily Times, Islamabad, February 11, 2008

[xxi] Dawn, Islamabad, February 13, 2008

[xxii] The News, Islamabad, November 4, 2007

[xxiii] The News, Islamabad, November 8, 2007