

Qatar Seems to Win Long-Term Pakistan Gas Deal

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Image Attribute: In January 2019, two large LNG-carrying ships docked at Karachi's Port Qasim and averted a looming energy crisis. Ship on Left - AL GHASHAMIYA (IMO: 9397286, MMSI: 538003353) and Ship on Right - EXQUISITE (IMO 9381134, MMSI: 538003353) / Dated: January 19, 2019 / Source: ProPakistani.pk

According to the **latest media reports** quoting a senior Pakistani government official associated with the cabinet of Prime Minister Imran Khan, Qatar has emerged as the front-runner for a long-term *liquefied natural gas (LNG)* supply deal to Pakistan. The decision on the agreement will be taken in the coming weeks.

Pakistan is facing a severe energy crisis with repeated power blackouts and gas supply outages that led to the **sacking of the heads** of two of its main gas distribution utilities in January. That is why the country has turned to LNG imports to alleviate chronic energy shortages that have hindered its economic growth caused by a mix of poorly maintained distribution networks, inefficient regulation, and poor governance.

In recent years, Pakistan has been negotiating with eight countries with whom it has signed inter-governmental agreements which includes Qatar, Russia, Turkey, Italy, Oman, Azerbaijan, Malaysia, and Indonesia. Earlier this month, **a delegation** from the world's largest crude oil producer, Saudi Aramco, was in Pakistan for discussions on what would be its first-ever LNG shipments.

Qatar is already Pakistan's biggest gas supplier after signing a US\$ 22 billion agreement to export up to 3.75 *million tons per annum (mtpa)* of LNG/year for the next 15 years. That 2016 deal led the **docking of the first Qatari LNG-carrying ship** at Elengy Terminal, Port Qasim on March 1, 2016. After docking, the LNG ship was hooked up with *Floating Storage Regasification Unit (FSRU)* of Elengy Terminal for re-filling of gas process.

Pakistan is emerging as one of the world's fastest-growing LNG markets and the country is looking to secure long-term supply contracts for its second LNG terminal, which can receive 600 million cubic feet per day (*mmcf/d*) of natural gas. The adoption of LNG infrastructure made Pakistan one of the industry's fastest-growing markets in Asia, sparking interest from the world's major energy producers and traders.

Pakistan has already signed a five-year import deal with commodity trader Gunvor and a 15-year agreement with Italy's Eni but is seeking long-term agreements for about 400 *mmcf/d*. The Pakistani official told Reuters that Saudi Aramco may sign a long-term supply deal with Pakistan, potentially also providing some of the 400 *mmcf/d* available at the second terminal.

Earlier on April 22, the *All Pakistan CNG Association (APCNGA)* **said** over 20 multinational and local companies are keen to invest billions in the gas sector of Pakistan which should be welcomed. These companies are inclined to invest in the construction of new gas terminals, gas supply to consumers and laying down new gas pipelines, it said.

Qatar's Gas

The senior Pakistani official told Reuters that state-run Qatargas put forward the lowest bid for a long-term LNG supply contract that would have a price review after five or ten years. "*Qatar has offered the lowest price,*" said the official, declining to say the amount of LNG or the price offered by Qatar. He further added that in the coming next week or two, Imran Khan's cabinet is expected to decide if it will proceed with a government-to-government deal when it will also decide on the size.

But, according to Qatari officials, in this case, cash-strapped Pakistan is most likely to go with the cheapest supplier. However, the government may choose more expensive rates to bolster its relations with a chosen country. There are possibilities Pakistan could also choose to put out an open tender for long-term agreements, said the senior official. However, some energy officials believe direct government-to-government deals could offer better rates than

tendering.

Qatar as a gas-rich kingdom is solidifying its hold as the top global LNG exporter (*represents 72 percent of global LNG demand*). It caught the energy world by surprise in late 2017 when it announced that it would increase its liquefaction capacity from 77 mtpa to a staggering 110 mtpa by late 2023 or early 2024 by **developing more gas at its North Field**, an increase in production of some 43 percent. The move will also increase Qatar's total production capacity from 4.8 to 6.2 million barrels of oil equivalent (boe) per day.

With reporting by Dawn, ET Energy World, OilPrice.com and Reuters
