



24<sup>th</sup> March 2015

Mr. Khaqan Abbasi,  
Minister of Petroleum,  
Islamabad

Sub: Allegation of Violation of PPRA Rules on Award of Unsolicited US \$ 22 Billion LNG  
Procurement Contract to a Commercial Group. REMINDER

Dear Sir,

Transparency International Pakistan refers to its letter dated 17th March 2015, on the complaint that PSO in violation of PPRA Rules, has awarded an unsolicited US \$ 22 Billion LNG Procurement Contract to a Commercial Group of Qatar, and no reply has been given to TIP as yet.

The Minister is requested to note that on 27<sup>th</sup> February 2015 Govt of Pakistan has made TIP Adviser as honorary Consultant to Prime Minister's Inspection Commission, for the measures to be taken by the Prime Minister of Pakistan for enforcement of strict accountability and Zero tolerance in Corruption. One of the task entrusted to TIP Adviser is to check fraud in energy, power and privatization sector and follow up.

On the Capital TV, you on 22<sup>nd</sup> March 2015, denied receiving the letter, and also denied about the US \$ 22 Billion LNG deal.

Transparency International Pakistan is satisfied with your clarification through Capital TV that no such Contract of US \$ 22 Billion for 15 years has been executed yet.

Kindly note that Govt of Pakistan and Govt of Qatar can negotiate an unsolicited contract under a treaty signed between the two states, but PSO is not Government, and is a listed company. According to PPRA Rules, PSO, or SSGCL are not allowed to award any unsolicited contract.

In order to set the record right, the Minister is requested to clarify following issues attributed to him in new papers on 14<sup>th</sup> March 2015, which has created the impression that the LNG import deal is at US \$ 22 Billion.

1. In Daily NEWS on 14 March 2015, following statements given by you were published, but you have not issued any contradiction. **Annex-A**



*The Nawaz government will meet the deadline of bringing the Liquefied Natural Gas (LNG) by end March and the first shipment is expected to reach Karachi on March 26 as Pakistan and Qatar have almost finalised the biggest-ever commercial LNG deal of \$22 billion under which the Government of Pakistan will start importing 200 mmcf/d LNG and injecting it into the system of Sui Southern from April 1, 2015.*

*Shahid Kahaqan Abbasi, Minister of Petroleum and Natural Resources, while talking to a select group of journalists on the occasion of awarding a block to the Kuwait Foreign Petroleum Exploration Company on strategic basis disclosed that the LNG deal was almost done but was formally yet to be okayed by the board of Qatar Gas Company and ECC.*

*“After the approval from both sides, a formal announcement will be made on the LNG deal,” he said. The minister refused to share the salient features of LNG supply contract with Qatar including the price component. However, he claimed that LNG supply contract with Qatar will be flexible, which is to be good for the country.*

2. In Daily Dunya of 14 March 2015, your statement was published that PSO Team in Qatar has finalized agreement with Qatar and the first ship of M/s Accelerate Company will arrive at PQA on 26 March 2015, but you have not issued any contradiction. **Annex-B**
3. On 9 March 2015, Daily Dawn published following inquiry report, on blacklisting all PSO Directors, but you have not issued any contradiction. **Annex-C**

*Sources told Dawn that the committee, led by Barrister Zafarullah Khan, had held Pakistan State Oil's (PSO) management board responsible for failing to perform its functions under Section 7 of the Marketing of Petroleum Products (Federal Control) Act of 1974.*

*The inquiry report, seen by Dawn, recommended that under the act, the government “immediately de-notify the existing board and appoint a new board on professional lines and the existing members of the board may be blacklisted for other such assignments in future”.*

*The recommendation was partially implemented, according to the wishes of an influential lobby within the government, an official close to the inquiry committee told Dawn.*

4. On 20 December 2015, Business Recorder published following report, in which UJ Consultants has advised the Ministry not to award LNG Contract for more than 5 years, but you have not issued any contradiction. **Annex-D**

*According to officials, the USAID consultant has recommended sealing short-term LNG import deal for two to five years to benefit from a price cut in the global market. The consultant had also forecast the possibility of a further reduction in the LNG price in the global market to as low as \$6 per MMBTU in coming years due to shale gas production by US and Australia.*



TI Pakistan also refers to the Henry Hub is the pricing point for natural gas futures contracts traded on the New York Mercantile Exchange (NYMEX), according to which Natural Gas spot prices on 18 March 2015 in USA were quoted at US \$2.86. **Annex-E**

The Ministry of Petroleum is requested to clarify that above and why spot purchase is not considered at present when the process are at lowest level. Transparency and accountability shall be maintained in deal of LNG import by all.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,

Sohail Muzaffar  
Chairman

Copies forwarded for the information with request to take action under their mandate to:

1. Secretary to Prime Minister, Islamabad.
1. Chairman, NAB, Islamabad.
2. Chairman, Prime Minister's Inspection Commission, Islamabad.
3. Registrar, Supreme Court of Pakistan, Islamabad.
4. Managing Director, PPRA, Islamabad.
5. DG, NAB, Karachi



LNG deal with Qatar almost done: minister

***Khalid Mustafa***

Saturday, March 14, 2015

**ISLAMABAD: The Nawaz government will meet the deadline of bringing the Liquefied Natural Gas (LNG) by end March and the first shipment is expected to reach Karachi on March 26 as Pakistan and Qatar have almost finalised the biggest-ever commercial LNG deal of \$22 billion under which the Government of Pakistan will start importing 200 mmcf/d LNG and injecting it into the system of Sui Southern from April 1, 2015.**

Shahid Kahaqan Abbasi, Minister of Petroleum and Natural Resources, while talking to a select group of journalists on the occasion of awarding a block to the Kuwait Foreign Petroleum Exploration Company on strategic basis disclosed that the LNG deal was almost done but was formally yet to be okayed by the board of Qatar Gas Company and ECC.

“After the approval from both sides, a formal announcement will be made on the LNG deal,” he said. The minister refused to share the salient features of LNG supply contract with Qatar including the price component. However, he claimed that LNG supply contract with Qatar will be flexible, which is to be good for the country.

He said that LNG consumers including the power sector would bear average Unaccounted for Gas (UFG) based for three years. He said the government was also focusing to finalise the LNG import deal with other countries. He maintained that the government would pursue three options for LNG import that include long term, short term agreement and spot purchasing of LNG.

The minister said the government would cancel those exploration licenses of oil and gas companies, which had not even started work for the decades under clause of force majeure. He said that notices had been issued to 19 companies to cancel licenses for exploration blocks. He maintained the government had also cancelled one license of exploration blocks over failure to initiate work.

According to top officials of the Ministry of Petroleum and Natural Resources, Pakistan’s team mainly comprising officials of the state-owned Pakistan State Oil (PSO) that is in Qatar for the last three days has agreed on the LNG deal. The Engro Elengy Terminal Limited (ETPL) — a subsidiary of Engro Corporation has already completed the construction of its \$135 million LNG terminal when in the FSRU Exquisite, the floating storage and re-gasification vessel currently anchored at Dubai Dry docks and will sail by March 15, 2015 and arrive at Engro LNG terminal much before the arrival of the LNG carrier from Qatar.

The minister three days back told The News that the most economic LNG deal between supplier and buyer in recent days is done on 14.85 percent of Brent with 0.5 percent of transportation charges at the sea and Pakistan will have the deal done at reasonable price with Qatari authorities.

He said that when the negotiations for LNG import started in Musharraf regime and then in PPP regime, the government’s sovereign guarantee was fixed at \$700 million, but the Nawaz regime with its credibility has managed to make Qatari authorities agree on much lower sovereign guarantee



## پاکستان کا قطر سے ڈالر کا ایل این جی درآمد کا معاہدہ پہلا بین الاقوامی کوریجی پیچے گا

پاکستان کو 8 تا 9 ڈالر فی ایم ایم بی ٹی یو ایل این جی ملے گی، 31 مارچ کو گیس سوئی سدرن کے سٹم میں شامل جبکہ اضافی گیس سی این جی سیکٹر کو فراہم کی جائے گی ابتدائی طور پر 20 کروڑ کیوبک یومیہ کی سٹم میں شمولیت، انتظامات مکمل کر لئے، یو این پی کو درآمدی گیس ملے گی، 40 فیصد سستی بجلی پیدا کرینگے، وزیر پٹرولیم اسلام آباد (واقع نگار خصوصی) پاکستان اور قطر کے درمیان 22 ارب ڈالر مالیت کا پندرہ سال کیلئے قدرتی مائع گیس (ایل این جی) درآمد کرنے کا معاہدہ طے پا گیا۔ قطر سے ایل این جی کی بجلی کھپ 26 مارچ کو کراچی پہنچے گی۔ وزارت پٹرولیم کے حکام کے مطابق تین روز سے قطر میں موجود پی ایس او کی ٹیم نے قطر حکام کیساتھ ایل این جی فراہمی کا معاہدہ طے کر لیا ہے جس کے مطابق پاکستان کو 8 تا 9 ڈالر فی ایم ایم بی ٹی یو ایل این جی فروخت کی جائے گی۔ وزیر پٹرولیم شاہد خاقان عباسی نے معاہدے کی تصدیق کرتے ہوئے کہا کہ قطر کیساتھ ایل این جی درآمد کرنے کے معاملات طے پا گئے ہیں۔ 26 مارچ کو قطر سے ایک بلیئر ہٹ کمپنی کا شپ ایل این جی کی بجلی کھپ لے کر کراچی پہنچے گا۔ 31 مارچ کو ایل این جی سوئی سدرن کے سٹم میں شامل ہو جائے گی۔ پنجاب میں ڈیزل پر چلنے والے آئی پی بیز ہالمور، سیف، سفائر، اورینٹ اور لائٹ سلفر فرنس آئل پر چلنے والے کمپیکو کے یو این پی کو درآمدی گیس فراہم کی جائے گی۔ انہوں نے بتایا کہ ایل این جی سے ہائی اسپڈ ڈیزل کے مقابلے میں چالیس فیصد سستی بجلی پیدا ہوگی۔ لائٹ سلفر فرنس آئل کے مقابلے میں بھی ایل این جی سے سستی بجلی پیدا ہوگی، پاور سیکٹر سے بچنے والی اضافی گیس شیڈول کے مطابق سی این جی سیکٹر کو فراہم کی جائے گی۔ حکام کے مطابق قطر کی جانب سے گرین سگنل ملنے کے بعد سوئی سدرن اور ناردرن نے تمام انتظامات مکمل کر لئے، ابتدائی طور پر 20 کروڑ کیوبک یومیہ ایل این جی سٹم میں شامل ہوگی۔ وزارت پٹرولیم کے حکام کے مطابق سرکلر ڈیٹ کے باعث آئی پی بیز نے ایل این جی کی خریداری کیلئے بینک گارنٹی دینے سے انکار کر دیا تھا جس کے باعث حکومت کو ایل این جی کی فروخت میں شدید مشکلات کا سامنا تھا تاہم ایل این جی سپلائی کی راہ میں حائل رکاوٹ دور ہو گئی ہے۔ پانچ آئی پی بیز 17 ارب روپے مالیت کی ایل این جی خریدنے پر تیار ہو گئی ہیں۔ کوٹ ادو پاور کمپنی، سیف، سفائر، ہالمور اور اورینٹ سوئی ناردرن سے ایل این جی خریدیں گے۔ حکام کے مطابق کمپیکو ایل این جی کیلئے 7 ارب روپے جبکہ سیف، سفائر، ہالمور اور اورینٹ پاور کمپنی 10 ارب روپے کا لیٹر آف کریڈٹ کھولیں گے۔ سوئی ناردرن کمپیکو کو 7 کروڑ کیوبک فٹ جبکہ سیف، سفائر، ہالمور اور اورینٹ پاور کو 16 کروڑ کیوبک فٹ گیس یومیہ فراہم کریں گی۔ ایل این جی فراہم ہونے سے پانچ آئی پی بیز سے 1 ہزار 400 میگا واٹ بجلی پیدا کی جائے گی۔ گیس کی قلت کے باعث ان آئی پی بیز سے ہائی اسپڈ ڈیزل پر 22 روپے فی یونٹ تک بجلی پیدا کی جاتی تھی تاہم ایل این جی کی سپلائی شروع ہونے پر 11 روپے فی یونٹ بجلی پیدا ہونے کا امکان ہے۔ ان پلانٹس کو ایل این جی فراہم کرنے سے سالانہ 40 ارب روپے کی بچت ہونے کا امکان ہے۔



## ***Govt 'cherry picking' results of fuel crisis inquiry***

**KHALEEQ KIANI — PUBLISHED MAR 09, 2015 05:55AM**

**The government is reluctant to fully implement recommendations of an inquiry committee.—  
APP/File**

**ISLAMABAD: The government is reluctant to fully implement recommendations of an inquiry committee, headed by a special assistant to the prime minister, into the petroleum crisis that paralysed several parts of the country in January.**

**Sources told Dawn that the committee, led by Barrister Zafarullah Khan, had held Pakistan State Oil's (PSO) management board responsible for failing to perform its functions under Section 7 of the Marketing of Petroleum Products (Federal Control) Act of 1974.**

**The inquiry report, seen by Dawn, recommended that under the act, the government "immediately de-notify the existing board and appoint a new board on professional lines and the existing members of the board may be blacklisted for other such assignments in future".**

**The recommendation was partially implemented, according to the wishes of an influential lobby within the government, an official close to the inquiry committee told Dawn.**

**He said that while the board was immediately de-notified early last month, one of its members – who also headed the crucial 'audit and finance committee' – was made acting managing director for three months, instead of being blacklisted for such future assignments, as called for by the inquiry report.**

**Unlike normal listed companies with a board of directors, the PSO is guided by a management board responsible for greater management issues. The board's audit and finance committee is normally required to guide the company on financial arrangements for imports.**

**Secondly, other members of the board were removed from their assignments but not blacklisted. It is ironic that the country's largest company in terms of revenue is currently being run without a board of management**

## **LNG import: Pakistan likely to strike long-term deal with Qatar**

December 20, 2014

[ABDUL RASHEED AZAD](#)

[0 Comments](#)

Pakistan is likely to strike a long-term agreement with Qatar for the import of Liquefied Natural Gas (LNG), as a Qatari delegation is expected to arrive in Islamabad in the first week of January 2015, Petroleum Ministry officials said. A senior Petroleum Ministry official while talking to *Business Recorder* on Friday said that a Qatari delegation was expected to visit Pakistan on the start of the New Year to discuss LNG prices and other terms of the agreement.

"Pakistan is likely to strike a 10 years' LNG contract with Qatar and so far we are not in a position to tell about the prices, but we will ensure best possible deal with Qatar," the official said when asked about the price of the commodity. Pakistan at present is facing serious gas demand/supply gap due to which gas supply to many industries and other sectors has been suspended during the winter and to deal with the huge demand/supply gap the government has decided to import up to 2 Billion Cubic Feet per Day (BCFD) LNG within next three years. On fast track basis, the government is making all-out efforts to start importing 400 Million Cubic Feet per Day (MMCFD) of LNG from Qatar for which a KLNG terminal is under construction at Port Qasim Karachi with a capacity to handle a maximum 600 MMCFD of the commodity.

The official said that Malaysian LNG producer and supplier Petronas has also assured Pakistan of supplying 200 MMCFD of LNG per annum. He added that during a recent visit of Pakistan by senior management of Petronas showed great interest in supplying 1.5 million tons LNG per annum to Pakistan.

According to officials, the USAID consultant has recommended sealing short-term LNG import deal for two to five years to benefit from a price cut in the global market. The consultant had also forecast the possibility of a further reduction in the LNG price in the global market to as low as \$6 per MMBTU in coming years due to shale gas production by US and Australia.

However, he said that Qatar wants to strike a long-term deal and maintained that the government was following a two-pronged policy: to import LNG on government to government basis and short-term deal through spot purchases. "We should install power plants to operate on imported LNG during this period," he said, adding that replacement of LNG fuel in power plants would result in cutting fuel cost by 17 percent compared to furnace oil.

"Petronas after Qatar gas is the largest LNG supplier and producer with operations across the globe. The company produces a total of 25 million tons of LNG per annum of which 13 million tons in Malaysia and 12 million tons in other countries including Australia and Canada," the official maintained.

As a result of serious gap between natural gas supply and demand, the government of Pakistan has planned to take LNG imports to 2 BCFD by 2017 for which required infrastructure including

LNG terminal is under construction. Pakistan's first LNG terminal with a total capacity to handle 4.5 million tons of LNG per annum currently is under construction by Engro Pakistan at Port Qasim Karachi. It will be ready by the end of February as per contract, but the Ministry of Petroleum has asked the company to complete it by mid January 2015.

According to another official of the Petroleum Ministry, Qatar gas which is demanding \$18 per Million British Thermal Unit (mmbtu) in 2012 is likely to cut its demand to \$13-14 per mmbtu, adding that LNG spot price had come down to as low as \$10 per mmbtu. The government has formed LNG pricing committee to negotiate LNG price with Qatar gas and currently terms and conditions of the agreement are being finalised while LNG price and other terms of the agreement are expected to be finalised during upcoming visit of the Qatari delegation.

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# 03/18 Henry Hub Average Natural Gas Spot Prices

Mar 19, 2015

The Henry Hub is the pricing point for natural gas futures contracts traded on the New York Mercantile Exchange (NYMEX).

The Department of Energy's Energy Information Administration keeps track of the daily changes to the spot prices. *Power Engineering* figured out the monthly averages and has the figures up to March 18, 2015.

