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Minister says govt will uphold LNG contract with Qatar

ISLAMABAD: The government on Monday said it was requesting Qatar for reduction in the price of Liquefied Natural Gas (LNG) and its supplies on delayed payments under the existing 15-year supply contract, but would abide by all the other clauses in the contract.

Speaking informally to a group of media persons, Petroleum Minister Ghulam Sarwar Khan also said Pakistan and Saudi Arabia would sign an MoU for up to $10bn Saudi investment in Gwadar during the visit of Crown Prince Mohammed Bin Salman (MBS) in the last week of February.

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He said Prime Minister Imran Khan “may request Qatar government to provide credit facility for LNG supplies and revise the prices” when he visits Doha on Jan 22. Finance Minister Asad Umar and Foreign Minister Shah Mahmood Qureshi have already visited Doha one after the other in recent weeks and are understood to have put the matter on the table, he said.

The ruling Pakistan Tehreek-i-Insaf (PTI) has been criticising the contracts signed by the previous Pakistan Muslim League-Nawaz (PML-N) government for import of LNG from Qatar at a price equivalent to 13.39 per cent of international benchmark crude oil price and two terminals set up by the private sector for re-gasifying imported LNG.

PTI earlier criticised gas deal signed by PML-N govt, Doha to be requested for price reduction

On Nov 30, the petroleum minister had said the government was considering completely renegotiating the 15-year contract for LNG import with Qatar, adding that a final decision would be made after an in-camera briefing by his ministry to the prime minister.

On Monday, he said the government would abide by the 15-year agreement but still ask for a price reduction from the Qatari ruler, and another 10-year contract with another supplier that became the basis of final LNG price with Qatar. He said Pakistan has long-term LNG supply agreements and would honour them.

Saudi Arabia and the UAE have committed a total of $6bn in safe deposit of the State Bank of Pakistan (SBP) bank of Pakistan and $6.4bn credit worth of oil facility for balance of payments support. Pakistan’s LNG import bill roughly comes to about $4bn per annum.

Talking about the visit of Saudi minister for energy, minerals and industry to Gwadar on the weekend, the petroleum minister said Saudi Arabia was firming up its plan to invest up to $10bn in Gwadar for a refinery and a petrochemical complex and an MoU would be signed during the visit of MBS in the last week of next month.

Saudi Arabia, he said, had also offered Pakistan to supply LNG to meet gas shortages while some other countries and investors were also keen on entering Pakistan’s LNG market that would result in competition and result in low LNG prices.

The Saudi minister also expressed strong interest for investment in four areas including petrochemical complex, mineral resources, industry and renewable energy. Initially, the minister has committed $10bn investment in the petroleum sector including an oil refinery having a 200,000-300,000 tonnes per day refining capacity and petrochemical complex in Gwadar. He said the minister took aerial view of two pieces of land — one within 30km radius of Gwadar and another 80km away and would select one of them shortly. Riyadh, he said, was also interested in LNG-based power plants.

Besides the Saudi refinery, the minister said a similar capacity refinery had already been taken in hand by Parco at Khalifa Point land for which has already been transferred to Parco. These two refineries would help Pakistan meet total requirement of finished petroleum products and still have some capacity for re-export of some products. Once the two refineries are up and running, Pakistan is expected to import only crude instead of refined products, he said adding almost half of consumption of oil products in Pakistan was currently met through imports — a heavy burden on foreign exchange.

Responding to a question, he said the government was in the process of giving improved incentives to exploration companies to boost onshore drilling. He said the offshore exploration had already been given attractive incentives including in the form of tax and duty exemptions and the government was considering extending them to onshore areas as well.

He said the new oil and gas exploration policy would address most of the current challenges facing the nation. He said that he had held meetings with chief ministers of Balochistan, KPK and Sindh to take them on board on new energy policy and would take other stakeholders into confidence before a formal announcement in March.

Talking about new gas schemes, the minister said the cabinet had already discussed the issue as all three gas surplus provinces had first right on gas utilization under Article 158 of the Constitution and they were not ready to provide gas supply to other provinces. He said Punjab was gas deficit and rising demand there meant its industry could not compete with their counterparts in other provinces for which Rs25bn subsidy had recently been extended.

He said the government was working on comprehensive energy policy to address all these issues because countries like UAE, Saudi Arabia, Iran and Qatar had huge gas reserves but were not supplying gas in pipelines. Pakistan was perhaps the only country in the region where consumers had luxury of pipeline gas and there was no rationale to further increase the gas network.

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