

### **IP gas pipeline: Iran issues notice to Pakistan on moving arbitration court**

ISLAMABAD: Tehran formally gave notice to Islamabad in February 2019 for moving the arbitration court for not laying down the pipeline in Pakistan's territory in stipulated time under the IP gas line project and threatened to invoke the penalty clause of Gas Sales Purchase Agreement (GSPA).

Spokesman of Petroleum Division Additional Secretary Sher Afgan also confirmed the development that Iran in February 2019 gave a formal notice to Pakistan mentioning it will move the arbitration court. Both the countries during the two-day visit of Prime Minister Imran Khan to Iran on April 21-22 discussed the issues related to IP gas line particularly the scenario after the formal notice to Pakistan from Iran.

Earlier in 2018, according to official sources, the authorities in Iran had conveyed to Pakistan that it may move the arbitration court against Pakistan for unilaterally shelving IP gas line project invoking penalty clause of the GSPA. However, this time Iran formally gave the notice to Pakistan in February 2019 threatening to move the arbitration court for delaying the project.

The official sources said that during the visit of Prime Minister Imran to Iran, the top leadership took up the issue of IP gas line and told Pakistan leadership it will take back the notice only if the government of Pakistan extends the construction period of pipeline of 781 kilometres from Iranian border to Nawabshah under signed GSPA. 'After coming back to Pakistan, prime minister asked the petroleum division to stay in touch with authorities in Iran and resolve the issue.'

The agreement was signed in 2009 for 25 years, but since then the project could not get the shape. Also most 9-10 years have elapsed since the signing of the agreement and the construction period for pipeline in Pakistan territory which comprises three years has been wasted. The Iranian authorities want Pakistan to mutually extend this period under GSPA. Iran has already asked Pakistan to review the price of gas under IP, but no talks on this issue have been held so far.

Before the formal notice from Iran in February 2019, Pakistan's legal firm had sent about 15 legal questions to the legal team in Iran asking in the presence of renewed US sanctions against Iran on its nuclear programme how it is possible to materialise the gas transactions. Iran was of the view that there are no sanctions on gas transactions, as it is exporting gas to some EU countries and importing gas from Turkmenistan. However, Pakistan legal firm had asked for mechanism under which EU and Turkmenistan are materialising the gas transactions.

However, instead of reply on the legal questionnaire, Iran in February 2019 sent a formal notice to Pakistan, saying it is going to move arbitration court. Pakistan wants Iran to take back the notice as Pakistan tried its best for arranging funds required to lay down the pipeline in its territories, but in the presence of the US sanctions it failed to get financing from any international agency.

Under existing GSPA, Pakistan is bound to pay \$1 million per day to Iran from January 1, 2015 under the penalty clause. An in case Iran moves arbitration court, then Pakistan will have to pay billions of dollars as penalty. This is the very reason that Pakistan is trying from pillar to post to persuade Iran to take back the notice.

Under the agreement with Iran, the project was to be implemented under segmented approach meaning by that Iran had to lay down the pipeline on its side and Pakistan had to build the pipeline in its territory. The project was to be completed by December 2014 and come on stream from January 1, 2015. Under the penalty clause it was agreed by both sides that if Pakistan fails to have intake of Iranian gas from January 1, 2015, it will have to pay \$1 million per day as penalty.

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