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CNG sector allowed to use surplus LNG capacity

ISLAMABAD: The government has allowed compressed natural gas (CNG) sector to utilize LNG surplus capacity to maintain CNG price below petrol price and reduce per day capacity charges to LNG terminals.

Universal Gas Distribution Company (UGDC) owned by CNG sector will buy 40 to 50 mmcfd out of total surplus capacity of 150 mmcfd from leading Singapore based commodity multinational, Trafigura.

The first LNG shipment of the private sector company is expected by October, however, it is not known whether the company is purchasing LNG at spot rate or the price has been linked to Brent Oil, sources said.

Trafigura owns 150 mmcfd LNG import capacity at second terminal of Pakistan Gas Port Consortium Limited (PGPC). The industry sources suggested that the government save around $5 million under utilized capacity charges.

Engro Elengy Terminal Private Limited has about 690mmcfd capacity compared to about 750mmcfd of Pakistan Gas Port Consortium Limited. The government utilizes 600 mmcfd at each terminal but the remaining 210 mmcfd was un-utilized.

Pakistan Muslim League-Nawaz (PML-N) government had agreed to pay $272,000 and $245,000 per day in capacity utilisation charges, irrespective of usage, to both RLNG terminals.

The government granted a license to commodity trading firm Trafigura, to sell natural gas and re-gasified LNG to consumers in the country, the Oil and Gas Regulatory Authority said in its performance report for the financial year ended June 2019.

On August 1, 2019, Economic Coordination Committee (ECC) allowed two LNG regasification terminals to allocate additional re-gasification capacity of terminal, if any, to third parties on a commercial basis under mutually agreed arrangements subject to certain conditions.

However, on August 12, 2019, the government reversed the decision and decided to acquire surplus re-gasification capacity of two LNG terminals to meet additional gas demand mostly in the private sector. This includes 60mmcfd spare capacity of the Engro terminal and 150mmcfd from the Pakistan Gasport terminal.

On Thursday (September 26, 2019), both UGDC and Trafigura reconfirmed their cooperation agreement for the terminal capacity and supply of LNG / gas to UGDC.

ExxonMobil also inked a gas supply deal with UGDC in US which will ensure the smooth supply of LNG to CNG sector in future, sources said.

The reaffirmed agreement was signed by Chief Executive Officer (CEO) of UGDC Ghiyas Abdullah Paracha and Fadi Mitri, Business Development and Origination- LNG and Gas, Trafigura.

Officials of both the companies and Managing Director of BW LNG Yngvil Eriksson Asheim were also present. The company has provided Floating Storage Regasification Unit (FSRU) for the second LNG terminal.

Speaking on the occasion, UGDC Ghiyas Paracha said that this would not only help the government save foreign exchange but also reduce the risk of the government while encouraging private sector and foreign investment, he added.

Ghiyas Paracha said that UGDC would not only buy gas from Trafigura but also plans to import LNG from other sources with Trafigura support.