

Govt moves to review first right of use over natural gas provision

ISLAMABAD: The federal government has decided to seek consent of the provinces to review the first right of use over natural gas provision and weighted average prices of LNG.

"A conference on gas will be held on Wednesday in the PM House to be attended by provinces and industry stakeholders to develop a consensus," said Special Adviser to Prime Minister on Petroleum Nadeem Babar said while addressing a news conference. He was flanked by Federal Minister for Energy Omer Ayub.

Babar said Article 158 of the Constitution regarding distribution of gas would become irrelevant in coming years as the demand would substantially grow and gas-producing provinces will face a deficit to meet even local demand.

Article 158 reads: "The province in which the well-head of natural gas is situated shall have precedence over other parts of Pakistan in meeting the requirements of natural gas from that well head, subject to the commitments and obligations as on the commencing day."

Babar said difference between domestic production and ever-growing demand clearly indicated that Balochistan, Khyber-Pakhtunkhwa and Sindh would face a shortfall of gas in next three-and- half, two-and-half and one- and -half years respectively.

"No, the government is not considering amending Article 158 as events has overtaken the issue and now it is no more a legal issue as gas deficit has become a national issue."

Briefing the media, at present the country's total gas production was around 3.5 Billion Cubic Feet per Day (BCFD) against the demand of 6.5-7 BCFD gas, while the existing gas reserves were depleting at a ratio 7.5 per cent annually.

The minister said the Council of Common interest had directed that seminars should be conducted to deliberate on the issues and on the basis of its recommendations to come up with a way forward on the matter in consultation with the provinces in subsequent meetings of the forum.

The participant of the seminar will discuss all the issues related to the gas supply sector and will be participated by provinces as well as industry people, company heads and gas experts.

Replying a query that whether the government is planning to amend Article 158 pertaining to gas distribution among the provinces, Ayub respondent in the negative.

He said in the seminar they want to gather views of all the stakeholders and their recommendation will go to the CCI for approval.

He said that the government wants that instead of one particular opinion, the viewpoint of all should be presented to the forum.

Replying to the same question, Babar said Article 158 will become irrelevant in coming days as the gas producing province will not be able to meet local demand.

On North South Pipeline, the SAPM said as per the Supreme Court directives in the GIDC case, they have to start the project by February 13, 2021. "Pakistan will increase its share substantially with the construction of the pipeline."

He said that demand for natural gas grew substantially over the last decade and the constrained supply-demand gap in 2013 was estimated at 2,000 MMCFD, while the unconstrained gap exceeded 4,000 MMCFD.

This shortage necessitated gas load management across the country and gas consumers in all sectors in the four provinces experienced varied levels of gas load-shedding; Punjab was the worst affected where SNGPL could not provide natural gas to industry, fertilizer plants, power plants and CNG for over 7 months in a year and over 50% of domestic consumers could not be reliably provided natural gas for cooking and heating purposes from November to February.

The gas producing provinces are anticipated to witness a depletion in indigenous gas production in coming years until and unless bigger new gas finds are encountered.

The resultant gap between demand and supply has to counter gas load management in the gas consumer sectors.

During last decade, the issue of gas load management over the SSGCL and SNGPL network within the gas-producing provinces as the domestic gas depleted, the interpretation of Article 158 and implementation at practical grounds remained under debate at CCI level as well as in honorable courts.

Nadeem Babar said that government under the Petroleum Policy, 2012 has offered incentives for exploration of oil and gas in the country. The new bidding round for award of 20 oil and gas exploration blocks in Pakistan is anticipated to attract local as well as foreign investments which will also pave way for new oil and gas finds within the country.

In reply to a query whether he will renounce his American nationality, Nadeem Babar replied: "Why I should abandon it."