78pc households have no access to natural gas in Pakistan: report

Ikram Junaidi

ISLAMABAD: While 78pc of households have no access to natural gas in Pakistan, exploration and production have declined in the country.

“OGDCL predicts that Pakistan’s indigenous oil reserves will be exhausted by 2025, the circular debt in the gas sector has crossed Rs1.5 trillion, politically influenced allocations and monopolistic business operations are all bottlenecks.”

These observations were made by Pakistan Institute of Development Economics (PIDE) in its latest research brief on “Gas crises in Pakistan”.

It stated that gas is the third largest energy source consumed around the world. However, Pakistan has less than a one per cent share in world gas consumption. It meets its energy demand through imported and indigenous resources in the ratio of 44:56. Natural gas and imported LNG contribute more than 40pc to the country’s current energy mix, including gas resources used in electricity generation. In recent years, the demand for gas has increased rapidly in Pakistan. However, gas exploration and production have declined, and the LNG operational and regulatory framework is weak, leading to a nationwide shortage and increased supply costs.

> Says govt’s poor policy formulation creating inefficiencies in supply chain

According to a press release issued by PIDE, 15 gas explorations and production companies worked in 55 fields spread throughout the country. The gas distribution and transmission are mainly owned and operated by two state-owned companies - Sui Northern Gas Pipelines (SNGPL) and Sui Southern Gas Company (SSGCL). The gas exploration/production industry and gas distribution/transmission industry lack competition in Pakistan.

“OGDCL predicts that Pakistan’s indigenous oil reserves will be exhausted by 2025. However, current reserves will last a maximum of 15 years if demand is capped at present day gas levels by 2030.”

PIDE research showed that 78pc of households had no access to natural gas in Pakistan. Natural gas consumption in the domestic sector has grown by about 11pc over the years. Supplying gas to households requires significant investments. The cost of gas supply to households is much higher than the cost of supply to the industry or power sector. Gas allocation policy has remained based on political priorities rather than on the objective of maximising value addition. Low gas prices and inefficient gas allocations have encouraged higher demands.

With 30.6 billion cubic metres of natural gas, Pakistan shares 0.8pc of global production. There is a sharp increase in gas demand in Pakistan, but due to the inefficient distribution the country has been facing a colossal gas shortfall.

The brief described that large areas in the country remain unexplored due to security concerns and law and order situation. For instance, Balochistan's Pishin basin is considered a valuable block. However, there has been no exploration activity in this basin because of the law and order issue.

According to the PIDE, all activities in the gas sector in Pakistan, directly or indirectly, are under the government control. An independent regulator was established in 2002 to regulate mid and downstream activities. Still it remains hostage to government decisions because of the extensive state presence in all activities in the supply chain. Ogra law allows too much mandatory government involvement in the current oil and gas regulatory system. This has made the regulator powerless. Government interference in service providers' affairs has led to cross-subsidy and an overall deficit in the gas sector. The circular debt in the gas sector has crossed Rs1.5 trillion, contributed by both the SNGPL and SSGPL. Government irregularities in regulatory frameworks and poor policy formulation are hindering sectoral growth and creating inefficiencies in the supply chain.

The brief suggested prioritizing exploration activities to rely on LNG imports, correct well head prices, and minimise government interference. A progressive and market-based exploration policy is needed. Pakistan should deregulate the natural gas sector and liberalise the pricing structure. Market-based pricing systems will also curtail the misuse of gas. For LNG imports, incentivise third-party access increased involvement of the private sector in the LNG supply chain happening in mature LNG markets like Japan, South Korea and even India.

Published in Dawn, September 12th, 2022

PIDE forecasts indigenous oil reserves to be exhausted by 2025

Islamabad – Pakistan Institute of Development Economics (PIDE) has predicted that indigenous oil reserves will be exhausted by 2025; however, current gas reserves will last for maximum of 15 years.

Oil and Gas Regulatory Authority (OGRA) remained hostage to government decisions because of the extensive state presence in all activities in the supply chain. The OGRA law allows too much mandatory government involvement in the current oil and gas regulatory system, that has made the regulator powerless, said the latest research brief on "Gas Crises in Pakistan" released by the Pakistan Institute of Development Economics (PIDE).

Natural gas and imported LNG contribute more than 40 percent to the country's current energy mix, including gas resources used in electricity generation. In recent years, the demand for gas has increased rapidly in Pakistan. However, gas exploration and production have declined, and the LNG operational and regulatory framework is weak, leading to a nationwide shortage and increased supply costs.

According the PIDE, 15 gas explorations and production companies work in 55 gas fields spread throughout the country. The gas distribution and transmission are mainly owned and operated by two state-owned companies Sui Northern Gas Pipeline Limited (SNGPL) and Sui Southern Gas Company Limited (SSGCL). The gas exploration/production industry and gas distribution/transmission industry lack competition in Pakistan.

PIDE research quoting OGDCL said that it is predicted that Pakistan's indigenous oil reserves will be exhausted by 2025. However, current reserves will last a maximum of 15 years if demand is capped at present-day gas levels by 2030. PIDE research showed that 78 percent of households have no access to natural gas in Pakistan. Natural gas consumption in the domestic sector has grown by about 11 percent over the years. Supplying gas to households requires significant investments. The cost of gas supply to households is much higher than the cost of supply to the industry or power sector. Gas allocation policy has remained based on political priorities rather than on the objective of maximising value addition. Low gas prices and inefficient gas allocations have encouraged higher demands.

With 30.6 billion cubic meters of natural gas, Pakistan shares 0.8 percent of global production. There is a sharp increase in gas demand in Pakistan, but due to the inefficient distribution of natural gas resources, Pakistan has been facing a colossal gas shortfall, the brief revealed. PIDE briefly described that large areas in the country remain unexplored due to security concerns and the law-and-order situation.

The PIDE research said that Balochistan's Pishin basin is being considered a valuable block. However, no exploration activity in this basin is underway due to law-and-order problem. All the activities in the gas sector in Pakistan, directly or indirectly, are under government control. An independent regulator was established in 2002 to regulate mid and downstream activities. Still, it remained hostage to government decisions because of the extensive state presence in all activities in the supply chain. The OGRA law allows too much mandatory government involvement in the current oil and gas regulatory system. That has made the regulator powerless. Government interference in service providers' affairs has led to cross-subsidy and an overall deficit in the gas sector. The circular debt in the gas sector has crossed Rs1.5 trillion, contributed by both the utilities SNGPL and SSGCL. Government irregularities in regulatory frameworks and poor policy formulation are hindering sectoral growth and creating inefficiencies in the supply chain. Politically influenced allocations and monopolistic business operations are all bottlenecks.

The research brief recommends that ensuring reliable and high-quality uninterrupted natural gas supply and efficient services is one of the critical aspects of the regulatory process. The gas distribution companies must maintain adequate pressure in the transmission pipelines and distribution networks and upgrade the system where necessary to ensure supply of contractual volume and pressure to its consumers. Gas resources are depleting, but these monopolies are expanding their transmission and distribution networks to maximize their financial returns. As a result, these companies, especially SNGPL, have earned enormous profits over the years.

The research further state that in both utilities, mismanagement and irregularities have affected their operational performance. Though private entities own 40 percent or more of their shares, these companies have no business model. There is no regulatory mechanism to link their financial returns to their operational efficiency. Underground pipeline leakage, poor maintenance, measurement errors, wrong billing, law and order, and theft have contributed significantly to Pakistan's unaccounted for gas. The two integrated companies, SNGPL and SSGC, are over-regulated monopolies with no incentive to improve their inefficiencies and service delivery. Against the OGRA allowance of UFG at 4.5 percent, the gas losses in these companies remained relatively high. After 2017, this allowance increased to 7 percent and 8.5 percent for SNGPL and SSGCL to compensate for declining profits.

PIDE research brief suggested the way forward in the following key recommendations:

Prioritise exploration activities to rely on LNG imports, correct well-head prices, and minimise government interference.

A progressive and market-based exploration policy is needed.

Pakistan should de-regulate the natural gas sector and liberalise the pricing structure. Market-based pricing systems will also curtail the misuse of gas. For LNG imports, incentivise third-party access increased involvement of the private sector in the LNG supply chain happening in mature LNG markets like Japan, South Korea, and even India. Higher private sector participation in these countries facilitates cheaper fuel availability, smooth procurement processes and allows market-based price discovery.

To maximise returns from private sector involvement and guarantee the sustainability of the natural gas sector, it is essential to first solve the profound structural and operational challenges.

Without rationalising the subsidy structure, the financial viability of the natural gas sector is difficult to achieve. The tariff must be set on a cost-of-service basis for a reliable and sustainable gas sector. Gas allocation to industries should be from a growth perspective and not based on political decisions. Energy efficiency legislation and strict implementation in all sectors are compulsory.

Restructuring of gas utilities is required to improve their operational and managerial efficiency. Unbundling these monopolies between 'pipeline' and 'retail' is inevitable before allowing for other private participants in the 'pipeline' and 'retail' business. It's high time to get rid of guaranteed returns based on network expansion. Companies must have a business model to earn profits from operational efficiency.

All gas companies should operate commercially without any political interference by any government. Government should limit its role to policy making and effective legislation for market liberalisation. There should be a single autonomous regulatory authority for upstream, midstream, and downstream activities. But the regulator must have the powers and capacity to monitor the sector effectively and ensure market development.

PIDE report underscores need for minimising govt ‘interference’ in gas sector

Recorder Report

PESHAWAR: Report on a research study carried out by the Pakistan Institute of Development Economics (PIDE), entitled ‘Gas Crises in Pakistan’, has proposed prioritising exploration activities, correcting well-head prices, and minimising government interference in the sector.

According to a press release issued on Sunday, the report emphasised the need for a progressive and market-based gas exploration policy and called for deregulating the natural gas sector and liberalising the pricing structure.

The PIDE study also said that market-based pricing systems would curtail the misuse of the fuel.

About import of Liquefied Natural Gas (LNG), the report said that incentivising third-party access increased involvement of the private sector in the LNG supply chain, just as it is happening in more mature markets like Japan, South Korea, and India.

Greater private sector participation in these countries facilitates cheaper fuel availability, smooth procurement processes and allows market-based price discovery (SBP, 2021), it added.

The research report said that to maximise returns from private sector involvement and guarantee the sustainability of the natural gas sector, it is essential to first resolve the profound structural and operational challenges.

Without rationalising the subsidy structure, the financial viability of the sector is difficult to achieve. The tariff must be set on a cost-of-service basis for a reliable and sustainable sector.

Gas allocation to industries should be seen from a growth perspective and should not be based on political decisions. Energy efficiency legislation and strict implementation in all sectors are compulsory.

Restructuring of the gas utilities is required to improve their operational and managerial efficiency, according to the report. Unbundling these monopolies between ‘pipeline’ and ‘retail’ sections is necessary before allowing for other private participants in the ‘pipeline’ and ‘retail’ businesses.

To improve management and administration in the Sui Northern Gas Pipelines Ltd (SNGPL) and Sui Southern Gas Company Ltd (SSGCL), slicing them into smaller units may also help.

It’s high time to get rid of guaranteed returns based on network expansion.

Companies must have a business model to earn profits through operational efficiency. All gas companies should operate commercially without any political interference from the government, said the report. The government should limit its role to policymaking and effective legislation for market liberalisation.

There should be a single autonomous regulatory authority for upstream, midstream, and downstream activities. But the regulator must have the powers and capacity to monitor the sector effectively and ensure market development.

Research carried out by PIDE showed that 78 percent of the households had no access to natural gas in the country. Natural gas consumption in the domestic sector has grown by about 11% over the years.

Also, supplying natural gas to households requires significant investments. The cost of gas supply to households is much higher than the cost of supply to the industry or the power sector.

The gas allocation policy is based on political priorities rather than on the objective of maximising value addition. Low gas prices and inefficient gas allocations have encouraged higher demands.

With 30.6 billion cubic metres of natural gas, Pakistan has a share of 0.8% of the global production. There is a sharp increase in demand for gas in the country, but due to inefficient distribution of natural gas resources, Pakistan has been facing a colossal gas shortfall, the study revealed.

PIDE launches research study on Gas Crises in Pakistan - Daily Lead Pakistan

Web Desk

PESHAWAR
Pakistan Institute of Development Economics (PIDE), a national think tank of the country has launched a research study report on ‘Gas Crises in Pakistan’.
The report suggested prioritizing exploration activities to rely on LNG imports, correct well-head prices, and minimize government interference.
According to a press release issued here on Sunday, the study also emphasized a progressive and market-based exploration policy is needed and asked that Pakistan should de-regulate the natural gas sector and liberalize the pricing structure.
The PIDE study furthermore said that market-based pricing systems will also curtail the misuse of gas.
For LNG imports, it asserted that incentivizing third-party access increased involvement of the private sector in the LNG supply chain happening in mature LNG markets like Japan, South Korea, and even India.
Higher private sector participation in these countries facilitates cheaper fuel availability, smooth procurement processes and allows market-based price discovery (SBP, 2021), it added.
The research study emphasized that to maximize returns from private sector involvement and guarantee the sustainability of the natural gas sector, it is essential to first solve the profound structural and operational challenges.
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But the regulator must have the powers and capacity to monitor the sector effectively and ensure market development.
PIDE research showed that 78 percent of households have no access to natural gas in Pakistan. Natural gas consumption in the domestic sector has grown by about 11

percent over the years. Supplying gas to households requires significant investments. The cost of gas supply to households is much higher than the cost of supply to the industry or power sector. Gas allocation policy has remained based on political priorities rather than on the objective of maximizing value addition.
Low gas prices and inefficient gas allocations have encouraged higher demands. With 30.6 billion cubic meters of natural gas, Pakistan shares 0.8 percent of global production. There is a sharp increase in gas demand in Pakistan, but due to the inefficient distribution of natural gas resources, Pakistan has been facing a colossal gas shortfall, the brief revealed.

Call for more investment in gas sector to ease energy crunch | The Express Tribune

Our Correspondent September 12, 2022

ISLAMABAD:

A research study has called for more investment to explore new gas reserves as the country grapples with the worst energy crisis in decades.

The latest research study on the “gas crisis in Pakistan" conducted by the Pakistan Institute of Development Economics (PIDE), Quaid-e-Azam University, has also recommended encouraging the private sector to tap gas reserves and doing away with political interference and selectivism in the provision of gas to domestic consumers.

It said that gas is the third-largest energy source consumed around the world, however, Pakistan has less than a one per cent share in world gas consumption. It said that Pakistan meets its energy demand through imported and indigenous resources in the ratio of 44:56. Natural gas and imported LNG contributed more than 40 per cent to the country's current energy mix, including gas resources used in electricity generation, it said.

“In recent years, the demand for gas has increased rapidly in Pakistan. However, gas exploration and production have declined, and the LNG operational and regulatory framework is weak, leading to a nationwide shortage and increased supply costs,” the latest research brief said.

According to a press release issued from the PIDE, a national think tank of the country, it stated that in upstream, 15 gas explorations and production companies work in 55 gas fields spread throughout the country.

“The gas distribution and transmission are mainly owned and operated by two state-owned companies Sui Northern Gas Pipeline Limited (SNGPL) and Sui Southern Gas Company Limited (SSGCL).

Published in The Express Tribune, September 5th, 2022.

PIDE Research Brief on Gas Crises in Pakistan - Islamabad Post

isbpostadmin

· Gas exploration and production have declined in the country.

· OGDCL predicts that Pakistan's indigenous oil reserves will be exhausted by 2025.

· 78% of households have no access to natural gas in Pakistan.

· The circular debt in the gas sector has crossed Rs 1.5 trillion.

· Politically influenced allocations and monopolistic business operations are all bottlenecks.

Islamabad, SEP 11 /DNA/ – Gas is the third-largest energy source consumed around the world. However, Pakistan has less than a 1 percent share in world gas consumption. It meets its energy demand through imported and indigenous resources in the ratio of 44:56. Natural gas and imported LNG contribute more than 40 percent to the country's current energy mix, including gas resources used in electricity generation. In recent years, the demand for gas has increased rapidly in Pakistan. However, gas exploration and production have declined, and the LNG operational and regulatory framework is weak, leading to a nationwide shortage and increased supply costs. The latest research brief on "Gas Crises in Pakistan" was revealed by the Pakistan Institute of Development Economics (PIDE).

According to a Press Release issued from the PIDE, a national think tank of the country, it stated that in upstream, 15 gas explorations and production companies work in 55 gas fields spread throughout the country. The gas distribution and transmission are mainly owned and operated by two state-owned companies Sui Northern Gas Pipeline Limited (SNGPL) and Sui Southern Gas Company Limited (SSGCL). The gas exploration/production industry and gas distribution/transmission industry lack competition in Pakistan.

It was said in the study that OGDCL predicts that Pakistan's indigenous oil reserves will be exhausted by 2025. However, current reserves will last a maximum of 15 years if demand is capped at present-day gas levels by 2030.

PIDE research showed that 78% of households have no access to natural gas in Pakistan. Natural gas consumption in the domestic sector has grown by about 11% over the years. Supplying gas to households requires significant investments. The cost of gas supply to households is much higher than the cost of supply to the industry or power sector. Gas allocation policy has remained based on political priorities rather than on the objective of maximizing value addition. Low gas prices and inefficient gas allocations have encouraged higher demands.

With 30.6 billion cubic meters of natural gas, Pakistan shares 0.8 % of global production. There is a sharp increase in gas demand in Pakistan, but due to the inefficient distribution of natural gas resources, Pakistan has been facing a colossal gas shortfall, the brief revealed.

National Think Tank briefly described that large areas in the country remain unexplored due to security concerns and the law-and-order situation. For instance, Baluchistan's Pishin basin is considered a valuable block. However, no exploration activity in this basin because of the law-and-order problem.

According to the PIDE research, all the activities in the gas sector in Pakistan, directly or indirectly, are under government control. An independent regulator was established in 2002 to regulate mid and downstream activities. Still, it remained hostage to government decisions because of the extensive state presence in all activities in the supply chain. The OGRA law allows too much mandatory government involvement in the current oil and gas regulatory system. That has made the regulator powerless. Government interference in service providers' affairs has led to cross-subsidy and an overall deficit in the gas sector. The circular debt in the gas sector has crossed Rs 1.5 trillion, contributed by both the utilities SNGPL and SSGCL. Government irregularities in regulatory frameworks and poor policy formulation are hindering sectoral growth and creating inefficiencies in the supply chain. Politically influenced allocations and monopolistic business operations are all bottlenecks.

The research brief recommends that ensuring reliable and high-quality uninterrupted natural gas supply and efficient services is one of the critical aspects of the regulatory process. The gas distribution companies must maintain adequate pressure in the transmission pipelines and distribution networks and upgrade the system where necessary to ensure supply of contractual volume and pressure to its consumers. Gas resources are depleting, but these monopolies are expanding their transmission and distribution networks to maximize their financial returns. As a result, these companies, especially SNGPL, have earned enormous profits over the years.

The research further state that in both utilities, mismanagement and irregularities have affected their operational performance. Though private entities own 40% or more of their shares, these companies have no business model. There is no regulatory mechanism to link their financial returns to their operational efficiency. Underground pipeline leakage, poor maintenance, measurement errors, wrong billing, law & order, and theft have contributed significantly to Pakistan's unaccounted-for gas. The two integrated companies, SNGPL and SSGC, are over-regulated monopolies with no incentive to improve their inefficiencies and service delivery. Against the OGRA allowance of UFG at 4.5 %, the gas losses in these companies remained relatively high. After 2017, this allowance increased to 7% and 8.5% for SNGPL and SSGCL to compensate for declining profits.

PIDE research brief suggested the way forward in the following key recommendations:

- Prioritize exploration activities to rely on LNG imports, correct well-head prices, and minimize government interference.
- A progressive and market-based exploration policy is needed.
- Pakistan should de-regulate the natural gas sector and liberalize the pricing structure. Market-based pricing systems will also curtail the misuse of gas. For LNG imports, incentivize third-party access increased involvement of the private sector in the LNG supply chain happening in mature LNG markets like Japan, South Korea, and even India. Higher private sector participation in these countries facilitates cheaper fuel availability, smooth procurement processes and allows market-based price discovery (SBP, 2021).
- To maximize returns from private sector involvement and guarantee the sustainability of the natural gas sector, it is essential to first solve the profound structural and operational challenges.
- Without rationalizing the subsidy structure, the financial viability of the natural gas sector is difficult to achieve. The tariff must be set on a cost-of-service basis for a reliable and sustainable gas sector.
- Gas allocation to industries should be from a growth perspective and not based on political decisions. Energy efficiency legislation and strict implementation in all sectors are compulsory.
- Restructuring of gas utilities is required to improve their operational and managerial efficiency. Unbundling these monopolies between 'pipeline' and 'retail' is inevitable before allowing for other private participants in the 'pipeline' and 'retail' business.
- To improve management and administration in SNGPL and SSGC, slicing them into smaller units may also help.
- It's high time to get rid of guaranteed returns based on network expansion. Companies must have a business model to earn profits from operational efficiency.
- All gas companies should operate commercially without any political interference by any government.
- Government should limit its role to policy making and effective legislation for market liberalization.
- There should be a single autonomous regulatory authority for upstream, midstream, and downstream activities. But the regulator must have the powers and capacity to monitor the sector effectively and ensure market development.

PIDE Launches Research Study On Gas Crises In Pakistan - UrduPoint

PESHAWAR, (APP - UrduPoint / Pakistan Point News - 11th Sep, 2022) :Pakistan Institute of Development Economics (PIDE), a national think tank of the country has launched a research study report on 'Gas Crises in Pakistan'.

The report suggested prioritizing exploration activities to rely on LNG imports, correct well-head prices, and minimize government interference.

According to a press release issued here on Sunday, the study also emphasized a progressive and market-based exploration policy was needed and asked that Pakistan should de-regulate the natural gas sector and liberalize the pricing structure.

The PIDE study furthermore said that market-based pricing systems will also curtail the misuse of gas.

For LNG imports, it asserted that incentivizing third-party access increased involvement of the private sector in the LNG supply chain happening in mature LNG markets like Japan, South Korea, and even India.

Higher private sector participation in these countries facilitates cheaper fuel availability, smooth procurement processes and allows market-based price discovery (SBP, 2021), it added.

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PIDE research showed that 78 percent of households have no access to natural gas in Pakistan. Natural gas consumption in the domestic sector has grown by about 11 percent over the years.

Supplying gas to households requires significant investments. The cost of gas supply to households is much higher than the cost of supply to the industry or power sector.

Gas allocation policy has remained based on political priorities rather than on the objective of maximizing value addition.

Low gas prices and inefficient gas allocations have encouraged higher demands.