

US
2018 C. Affairs

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Discuss in detail the Iran-Pakistan gas pipeline and challenges to it.

INTRODUCTION

In 2009, Pakistan and Iran inked an agreement of about USD 7.5 Billion, in Ankara. This agreement was ^{about} the laying of a 2000 km gas pipeline from southern tip of Iran to the Pakistani city of Nawabshah.

However, it has been almost 13 years and progress from the Pakistani side is nowhere to be seen. The Iranian's had completed their side in 2012-2013. But sanctions and lack of financing options by financial institutions due to US and UN sanctions were a cause of zero progress.

All is not lost as the Pakistani re^{new}ed its commitment and is planning to build an 80-km pipeline to Qawadar to bypass sanctions.

BRIEF HISTORY OF THE IRAN - PAKISTAN PIPELINE

This project was originally conceived in 1994. The participating countries were Iran, Pakistan, and India. However, till 2008, India had withdrawn due to ^{the} US-India civil nuclear deal in 2008 and the sanctions imposed on Iran

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by the US. It went from a trilateral project to a bilateral one.

Later in the year 2009/10, Iran and Pakistan agreed to the project in Ankara. The deal inked by the two countries proposed a completion date of March 2012; and mandated a completion of the entire project by 2014. Failure to do so would result in penalties of \$1M/day.

However, US sanctions and financing options on the Pakistani-side led to a revision of the agreement in 2019, whereby the pipeline length was curtailed to 80km till the port city of Gwadar at a cost USD 158 Million.

PROPOSED ROUTE OF THE PIPELINE

Iran

Pars Energy Economic
Corridor (Assalyeh) →
Fars → Kerman → Hormozgan →
Iran shehr → Bushehr (Sistan - Balochistan)

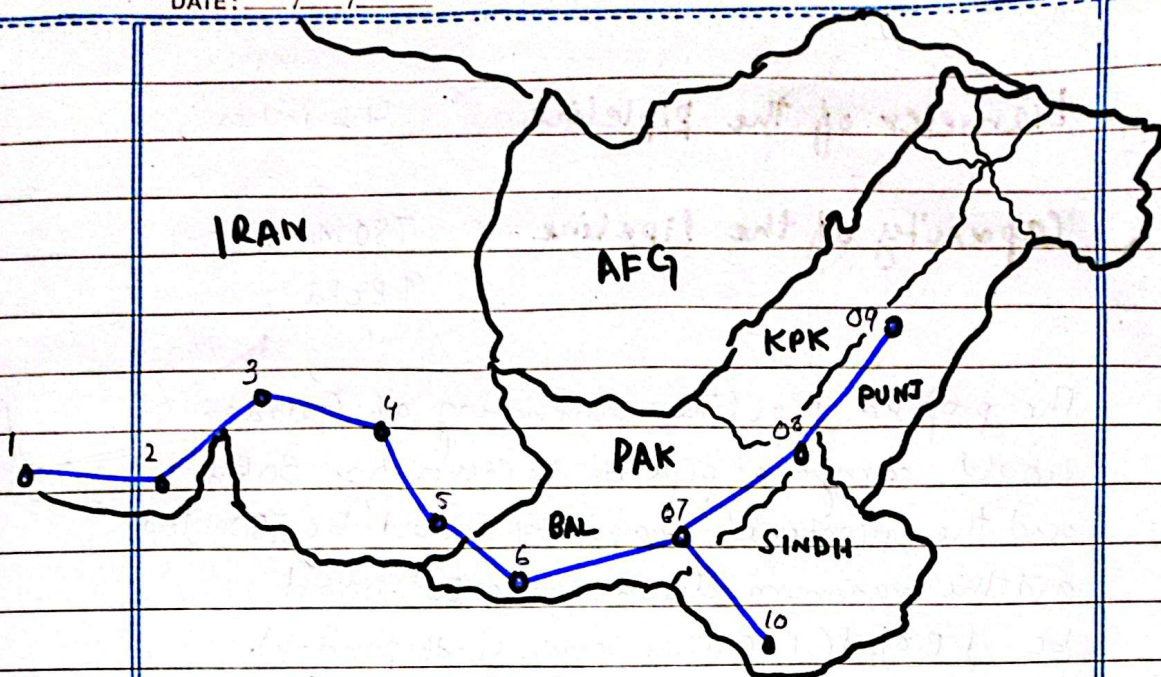
Pakistan

Gwadar (since 2019)

(Pre - 2019)

Gwadar, Khuzdar → Karachi →
Nawabshah → Mulla.

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Diagrammatic View of the Proposed Route of the IPP

- 1- Pars Energy Economic Corridor
 - 2- Hormoghean
 - 3- Kerman
 - 4- Iran Shehr
 - 5- Bushehr
 - 6- Gwadar
 - 7- Khuzdar
 - 8- Nawabsheh
 - 9- Multan
 - 10- Karachi
- } Pre-2019

TECHNICAL FEATURES OF THE PIPELINE

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Diameter of the pipeline 42 inches

Capacity of the pipeline 750 mmcf/d -
1 Bcf/d

The proposed pipeline culminating at Gwadar would carry a pipe of 42 inches for 80 km and the pipeline's capacity would be 750 mmcf/d and the maximum discharge rate would be 1 Bcf/d (1 Billion cubic feet per day).

MODEL FINANCING ↑ ADOPTED BY PAKISTAN - (GIDC)

GIDC refers to gas infrastructure development cess. It was a surcharge levied by government back in 2013 and an amount of Rs 330 Bn was collected by the government. Later on, this project was placed under the GIDC to better facilitate the project and run it clear from bureaucratic hurdles. Pakistan also renegotiated the pipeline to bring the initial length at 80 km and the cost was a modest USD 158 Mn. ~~This~~ Due to US sanctions investor confidence vanished and private sector companies neither showed interest in

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financing the project or constructing it.

CHALLENGES FOR THE COMPLETION OF IRAN- PAKISTAN PIPELINE

(a) US Sanctions on Iran are the
Biggest Hinderance

Iran was sanctioned by the US and UN over its nuclear program. Till date those sanctions remain in place. Moreover, US pressure during the initial phases of the project was intense.

In January 2013, the then US consul General threatened Pakistan with economic sanctions if it did not abandon this project.

Banking channels and financial institutions are hesitant to get caught in the crossfire of the ongoing tussle between the US and Iran.

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(b) Financing Woes for Pakistan

Pakistan's financial situation is not getting dismal. The country nearly averted a financial default in the year 2022-23. During the initial phases financing the project from its side was quite a hurdle. International investors seemed wary of the risks associated with hit Iran.

Pakistan endeavored to overcome this, asked for help from friendly countries (China, Russia) however it could not achieve this due to US pressure. Moreover, Pakistan also tried to raise funds through QIDC in the initial phase but this practice was struck down by the highest courts.

The only resort was left for Pakistan was to stall the project. However pressure from the Iranian side about the imposition of \$18 Bn penalty has reformed the governments to renegotiate the agreement and start construction.

(c) Pressure from Saudi Arabia

Pressure from Saudi Arabia and its disapproval of the project was also one of the challenges faced by it. In 2014, it was reported in Dawn

"Saudi's to offer 'Alternative Package'

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to Pakistan, if the country abandoned its cooperation with Iran. The package would include a cash loan and oil facility."

Geopolitical pressure from the Saudis affected the decision making. As Pakistan's cooperation with Iran meant that the Saudi's influence would wane.

d) Internal Security Concerns in Balochistan

Baloch separatist movement threatens the viability of the project. This project crosses from the heartland of Balochistan. Passing areas where severe conflicts were seen.

Baloch terrorist organizations have already targeted CPEC infrastructure and attacked the Gwadar Port, Pearl Continental Hotel, Chinese convoys and local security forces.

Even if financing is secured by the country, security remains a prominent challenge to the successful viability of the project.

"466 fatalities were recorded in Balochistan that lost their lives due to terrorism" (South Asia Terrorism Portal)

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CONCLUSION

IPP (Iran Pakistan Pipeline) is game changer for the country, provided it can be completed. The country can secure its energy interests and foster cooperation with neighbours and uplift the province of Balochistan. However, challenges that are in front are impeding progress that can be made. A pragmatic approach is order to secure national interests and ^{energy} security.