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Asia Times

## Pakistan seals pipeline deal with Iran

By Syed Fazl-e-Haider

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KARACHI - Iran has finalized a US\$7 billion gas pipeline deal to export natural gas to Pakistan. The two countries on Sunday formally signed an export contract that commits the Islamic republic to supplying its eastern neighbor with natural gas from 2014.

The Iran-Pakistan (IP) pipeline, which has been talked about for 17 years, will connect Iran's South Pars gas field with Pakistan's southern Balochistan and Sindh provinces and will be crucial in Pakistan's attempts to ease countrywide electricity shortages.

The deal was signed days after a UN Security Council voted to tighten sanctions against Iran, but Islamabad believes that these will not affect the pipeline project.

"As far as our ... project is concerned, it is a commercial agreement to meet our energy deficit and beyond the purview of this resolution," Dawn newspaper reported Abdul Basit, Foreign Office spokesman as saying.

The United States has sought to dissuade Pakistan and India, which has also considered joining the project, because of Tehran's nuclear ambitions.

"We have advised Pakistan to seek other alternatives," Dawn quoted Robert Blake, the US Assistant Secretary of State for South and Central Asian affairs as saying in April.

"We do not think it is the right time for doing this kind of transaction (building the pipeline) with Iran."

Iran, which has the world's second-largest gas reserves after Russia, needs around \$25 billion a year in oil and gas industry investment, according to Reuters. Its gas production capacity of 600 million cubic meters per day is expected to rise to 1.1 billion cubic meters by 2015, but sanctions by the West, political turmoil and construction delays have slowed its development as an exporter.

US Defense Secretary Robert Gates reportedly said before the UN sanctions vote last week that the UN resolution could clear a way for individual states and the European Union to block foreign firms expanding Tehran's oil and gas exports and impose other curbs on business activity.

The pipeline will provide gas to the power sector to generate about 5,000 megawatts of electricity. Some analysts say it will not be possible for the government to provide the fuel to domestic consumers due to its high price, which was one reason behind India's withdrawal from the project.

Pakistan's Deputy Energy Minister Kamran Lashari, who was present at the signing ceremony, said Islamabad will conduct a one-year feasibility study for building its section of the pipeline, local media reported. Iran has built 907 kilometers of the pipeline between Asalouyeh, in southern Iran, and Iranshahr. Iran's Deputy Oil Minister Javad Ouji reportedly said that Iran this week will start building the next 300km stretch to the Pakistani border, through the Iranian port of Chabahar. Pakistan will take three years to build the 700km link from the Iranian border to Nawabshah, in Sindh province.

"This is a happy day," Ouji said at the contract signing ceremony in Tehran, Agence France-Press reported. "After decades of negotiations, we are witnessing today the execution of the agreement ... to export more than 21 million cubic meters of natural gas daily from 2014 to Pakistan."

On May 28, the two countries signed the sovereign guarantee agreement, which makes effective made Gas Sales Purchase Agreement (GSPA) signed by the countries last year in Istanbul. Under the GSPA, Iran agreed to export 750 million cubic feet per day (mmcf) with a provision to increase it to one billion cubic feet a day (bcfd) at the rate equal to 78% of crude oil for the next 25 years.

The pipeline was originally planned to extend from Pakistan to India in 1993. India walked away from the project last year, but has kept its options open to join at a later stage. After India's withdrawal, Beijing has shown interest in building a pipeline through Pakistan carrying Iranian gas to China. China's National Petroleum Corporation is already involved in developing the South Pars field.

Pakistan's demand for gas, which is the primary fuel helping run the economy, has surged to 4.7 billion cubic feet a day (bcfd) against actual supply of 3.6 bcfd. The country's natural gas reserves, which meet over 50% of its requirement for energy, have depleted rapidly in recent years with few hydrocarbon discoveries and decline in production from its largest Sui gas field in Balochistan.