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**Issue Brief**

# **TAPI-ITS POTENTIAL FOR MEETING PAKISTAN'S ENERGY DEMANDS**

**March 13, 2015**

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Energy starved Pakistan is looking at various projects to alleviate its ongoing energy crisis, which has had a crippling effect on its economic growth since 2008. TAPI (Turkmenistan, Afghanistan, Pakistan, and India) gas pipeline funded by the Asian Development Bank (ADB) is on the forefront of the Government of Pakistan list of projects to deal with the power deficits in the country. ADB funded a feasibility study of the project in 2004, which was conducted by a British consulting firm PENSPEN, which proposed construction of a 56-inch diameter 1,680 KM pipeline with design capacity of 3.2 billion cubic feet of natural gas per annum (Bcfd) from Turkmenistan through Afghanistan and Pakistan up to India. The signing of IGA (Inter-Governmental Agreement) and GPFA (Gas Pipeline Framework Agreement) in December 2010 set the framework for future implementation of the TAPI project. According to the IGA, all four nations committed to provide unconditional government support including security for the pipeline, and the GPFA focused on the terms of transporting gas through the pipeline.

Proposed TAPI pipeline will carry gas from Turkmenistan's Galkynysh field located in the southern part of the country, holding gas reserves of 16 trillion cubic feet. From the field, the pipeline will run to Herat and Kandahar province of Afghanistan, before entering Pakistan. In Pakistan, it will reach Multan via Quetta before ending at Fazilka in India. The pipeline will have a capacity to carry 90 million standard cubic meters a day (mmscmd) gas for a 30-year period with India and Pakistan getting 38 mmscmd each, while the remaining 14 mmscmd will be supplied to Afghanistan. The Steering Committee for TAPI gas pipeline in its latest meeting held in February 2015 agreed to complete the project by October 2019; the delay in implementation of which could push up its cost to \$10 billion according to ADB estimates. The TAPI project has remained on the drawing board since the four nations have not been able to get an international firm to head a consortium, which will lay and operate the pipeline.

The US has promoted the TAPI pipeline since the 1990s, and sees it as a way to increase development and diversification of the region's energy resources and supply routes, and a way to strengthen their presence in Afghanistan. The US policy makers recognize the importance of Central Asia's energy resources and the economic possibilities that could arise from in the regional as well as world markets. Furthermore, the US aims to use TAPI as a diplomatic tool with regard to Iran, and contain its energy exports and influence in the South Asian region by undermining the proposed IPI (Iran, Pakistan and India) gas project. The recommended TAPI project is consistent with the US declared policy of linking Central and South Asia and diversifying export routes for Turkmen gas, additionally it offers benefits to all four participating countries and will provide a boost to their economies. For Turkmenistan, it would

provide revenue and diversification of export routes. For Pakistan and India, it would address energy deficits. In Afghanistan, it would provide revenue for development and gas for industrial enterprises.

Pakistan at present faces an increased demand for gas due to ever increasing population coupled with chronic power shortages. Therefore to achieve sustainable economic growth the implementation of the TAPI project is of utmost importance for the country's future economic development. At present Pakistan is using one third of its gas reserves for electricity generation purposes, putting a strain on the industrial and domestic users and leading to frequent gas load shedding. In view of the prevailing energy crises and exponentially decreasing gas reserves, importing gas from neighbouring gas rich countries has become the need of the hour. Pakistan's electricity requirements will triple by 2050. If sufficient resources are not allocated, the energy crisis in the country will intensify. The TAPI pipeline will help to reduce Pakistan's energy deficiency, and will also provide an opportunity for Pakistan to export gas beyond the region from its port at Gwadar and the income accruing from these exports would benefit the economy in the long run.

TAPI project is geopolitically significant and is very important, not only to meet Pakistan's energy needs but also to establish its geostrategic presence. It could be a means of extending Pakistan's presence and improving relations with the landlocked Central Asian countries. While the TAPI project seems extremely attractive in theory, there are some serious challenges that must be overcome. Since the TAPI route passes through areas with major insurgencies, security is clearly an issue. The project needs a multi-level approach to tackle cross-border and intra-border issues, and Western backing alone will not guarantee its success. Pakistan needs a stable and strong government with an equally strong will to implement the various policies required of this project. Good local and stakeholder participation and reinvestment of a share of the profits from the sale of gas can go a long way in securing the pipeline. Economic development in the region and distribution of profit through reinvestment in developmental work can reduce turmoil and bring a permanent end to the insurgency in Balochistan which resulted in the first place from lack of infrastructure, development and poverty, by promising to make it an energy corridor and providing opportunities for economic development to the Baloch people.

TAPI will serve as a source of power and energy for industries, which could use its gas as their power supply. Establishing gas based medium capacity power plants and gas-consuming industries will be productive and useful investment. Such power plants and grids will provide solid investment opportunities for domestic and international manufacturers and provide small industries the chance to grow and create needed jobs. Moreover, Pakistan's transit fee to Afghanistan could be subsidized by

transit fees from India to Pakistan; consequently the total price of gas would decline in Pakistan. Formation of an independent energy authority at the national level free from bureaucratic red tapes and inefficiencies is also required to make future plans for the development and utilization of indigenous resources like hydro, coal, nuclear and other renewables, and analyse feasibility of importing energy from within the region.