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Report – Public Talk

“Implementation of TAPI Pipeline”

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Pictures of the Event



The Institute of Strategic Studies Islamabad (ISSI) organized a Public Talk under its Distinguished Lecture Series on December 6, 2018, titled, *“Implementation of TAPI Pipeline”*. The guest speaker at the occasion was Mr. Muhammetmyrat Amanov, CEO and Chairman, Board of TAPI Pipeline Company Ltd. (TPCL), Turkmenistan.

Director General ISSI , Ambassador (Retd) Aizaz Ahmad Chaudhry, in his welcome remarks said that the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project was very important and that there was a critical mass of interest regarding the TAPI project in general. He said that TAPI's importance was known in the region as all member states were on board and the project has been inaugurated, as earlier this year, the pipeline was laid down between Turkmenistan and Afghanistan. Despite the emphasis laid on renewable energy resources, particularly solar energy, the efficacy of fossil fuel cannot be beaten, and therefore, the project will remain pivotal. Apart from serving the regional energy needs, the project will also integrate the region because TAPI will pass through Afghanistan, and through Pakistan connecting into the Indian gas pipeline system. However, there are a number of prerequisites for the implementation of TAPI such as peace in Afghanistan, However, it is heartening to know that more than 1600 people have been working on the project in Afghanistan and bulk of the work done including the survey which is near completion, was carried out without any accidents,. This is a positive indication of the future success of the project. He concluded that once the pipeline has been laid out, the security of the project will also become a very important.

Mr. Amanov began his talk by giving an overview of the TAPI pipeline which was originally conceived in the 1990's. He talked about the various aspects of the project and said that the 1,814km pipeline would transport natural gas from Turkmenistan's Galkynysh gas field, which is one of the world's largest, to Afghanistan, Pakistan and India. Mr. Amanov said that the TAPI pipeline was not only a much needed energy project, but essential for economic development and regional connectivity. In this regard, he appreciated the strong support the project has continuously received from all three host governments and stated that TAPI would play an integral role in not only meeting the energy requirements of the region, but would help integrate the region.

He elaborated that the project would be implemented in two phases. During the first phase, the pipeline would be constructed, and the second phase would include construction of 6 compressors. He went on to explain the precise route that the pipeline would take and gave an overview of the timeline for the project. He highlighted that all the necessary intergovernmental agreements had been signed along with the completion of survey works in Turkmenistan and Afghanistan. In Pakistan, he said, they were in the final stage of completion. The phase-one financial close will be completed in the first quarter of 2019, he said.

He also talked about the considerable benefits to all participating countries especially Pakistan, ranging from boosting Pakistan's industrial sector, creation of jobs, cheaper, environmentally friendly and efficient energy, social infrastructure programs (e.g. hospitals), infrastructure upgrades in Northern Pakistan, and transit fee revenues, to name a few. He said that strong support from the government of Pakistan will help speed up the project in a timely and efficient manner. In particular, the TAPI project would benefit significantly from representation of key figures within the government such as Pakistan's Minister for Petroleum. Mr. Amanov said that the TAPI project required support from the Pakistani Government in four specific areas: a full time dedicated team; Senior Government Liaison; Financing; and Project Agreements. He said a dedicated team from the Pakistani side was required for liaising with provincial and federal authorities, assisting with land acquisition and expediting approvals and consents required by TPCL and its subcontractors. Secondly, Senior Government Liaison was essential to access key decision makers within the government regarding meeting the project schedule. Thirdly, he said the government needed to focus on the financing aspect which entailed release of Second Closing funding in accordance with the Investment Agreement, as well as assisting lenders with diligence. Lastly, he said focus needed to be laid on the Project Agreements, by creating and empowering negotiation teams to make decisions on the part of the Pakistani government. The teams would facilitate quick resolution of outstanding points, as well as expedite approval of Project Agreements.

Mr. Amanov indicated that significant progress has been made on the procurement aspects of the project and contracts will be awarded in the first quarter of 2019. He added that all lenders are required to provide a firm commitment to finance the project before contracts will be assigned to them. In addition to this, given the risks involved, the lenders have also requested the

government of Turkmenistan to provide a guarantee for all aspects of the project and provide legal cover including investor protection.

Speaking about long-term aspects of the project in terms of funding, Mr. Amanov said that the government of Turkmenistan would provide a sovereign guarantee for one hundred percent of the debt, and that the Asian Development Bank and Islamic Corporation for the Insurance of Investment and the Export Credit (ICIEC) had also confirmed their interest in lending up to USD 500m and USD 300m (respectively) for the project which would play an instrumental role in the industrialization of the region. He said that the project was gaining interest from all quarters and in this regard, Euler Hermès, SACE, and TurkEXIM have submitted letters of support for German, Italian and Turkish bidders for the project, thus widening its scope. He said that phase one of the project would be achieved by using long-term debt sourced from a mixture of multilateral development agencies, export credit agencies and commercial banks.

The talk was followed by a brief question and answer session.

Responding to a question regarding concerns about the security of the pipeline in Pakistan and Afghanistan, Mr. Amanov said that there was a clear understanding that both countries were responsible for the security of the pipeline in their respective territories and have given sovereign guarantees to ensure the security of the pipeline.. He went on to say that while Afghanistan continues to be in a state of war, so far , the TAPI project has not been adversely affected. He was of the view that apart from the Afghan government, all groups/factions in Afghanistan were on board regarding the project and had given their tacit approval for the project.

Responding to a question about the exact price of the gas from the TAPI project, Mr. Amanov said that although he was not at liberty to disclose the price, he assured that the price of gas provided through TAPI would be significantly less compared to liquefied petroleum gas.

Ambassador (Retd) Khalid Mahmood, Chairman BOG ISSI, in his concluding remarks stated that although all the preliminary work has been completed and the project is moving ahead steadily, it faced a number of challenge, amongst which the security situation in Afghanistan was at the forefront, and which cannot be ignored. He said that political stability in Afghanistan was paramount as was the management of Pakistan-Afghan and Pakistan-India ties for the successful

implementation and functioning of the TAPI project. He said all member countries of the project were equally responsible for the success of the project, and in this regard, local manpower, managerial and institutional capabilities also needed to be built and strengthened. He concluded with the hope that these factors will not stand in the way of the project.