



PAKISTAN STREAM GAS PIPELINE: FINALLY A DONE DEAL

By
Muhammad Taimur Fahad Khan
Research Associate
Centre for Strategic Perspectives (CSP), ISSI

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Najam Rafique

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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



Pakistan and Russia signed the Amendment Protocols to the Inter-Governmental Agreement on Cooperation in the Implementation of the North-South Gas Pipeline Construction Project on May 28, 2021.¹ The signing of the Amendment Protocols came into fruition after the visit of Russian Foreign Minister Sergei Lavrov to Pakistan in early April this year. During his visit, the Russian Foreign Minister stated that the construction of the gas pipeline was part of the conversation between officials of the two countries and that construction will begin soon after the finalization of details of this project.

The initial Inter-Governmental Agreement on Cooperation in the Implementation of the North-South Gas Pipeline Construction Project was signed between Pakistan and Russia back on October 16, 2015.² Construction of this project was delayed for many years for different reasons, ranging from disagreements on financial and operational details of the project to the risk of invoking US sanctions.

However, as per initial reports, the project has been renamed “*Pakistan Stream Gas Pipeline*” (PSGP) project, along with the partnership structure for this project between Pakistan and Russia to avoid

¹ “Nikolay Shulginov and Pakistani Ambassador to the Russian Federation Shafkat Ali Khan signed a protocol on Amendments to the Intergovernmental Agreement of October 16, 2015 on the Construction of a gas pipeline in Pakistan”, Ministry of Energy, Russian Federation, published on May 28, 2021. <https://minenergo.gov.ru/node/20776>

² Ibid.

running the risk of US sanctions that have been levied against different Russian companies in the energy and development sectors.

The Pakistan Stream Gas Pipeline is designed to be 1100 kilometres in length.³ It will transport Liquefied Natural Gas (LNG) between Pakistan's Kasur (Central-West Punjab) and the major port city of Karachi which then can be used for commercial, industrial and residential purposes. The PSGP will deliver up to 12.3 billion cubic meters of LNG per year.⁴

The signing of the Amendment Protocols for the PSGP project is a sign of growing progress in the bilateral relations between Pakistan and Russia. It also shows the seriousness of both sides to bolster relations which are being forged on the exchange and cooperation in the tools and areas of 'low politics' contrary to past practice. Moreover, it also substantiates Pakistan's policy shift from geo-politics to geo-economics.

Pakistan has a burgeoning population and its energy sources are under tremendous pressure due to the increasing demand for energy usage due to a spectrum of reasons (industry, commercial, domestic). It is increasingly becoming an energy deficient country. In such circumstances, the PSGP is extremely significant and which has become the flagship project of Pakistan-Russia bilateral cooperation in the energy sector.

PSGP: Strengthening Pakistan's Energy Security

The Pakistan Stream Gas Pipeline project will not only cater to the existing energy deficit in Pakistan but will also help in strengthening the country's energy security which it desperately needs at the moment.

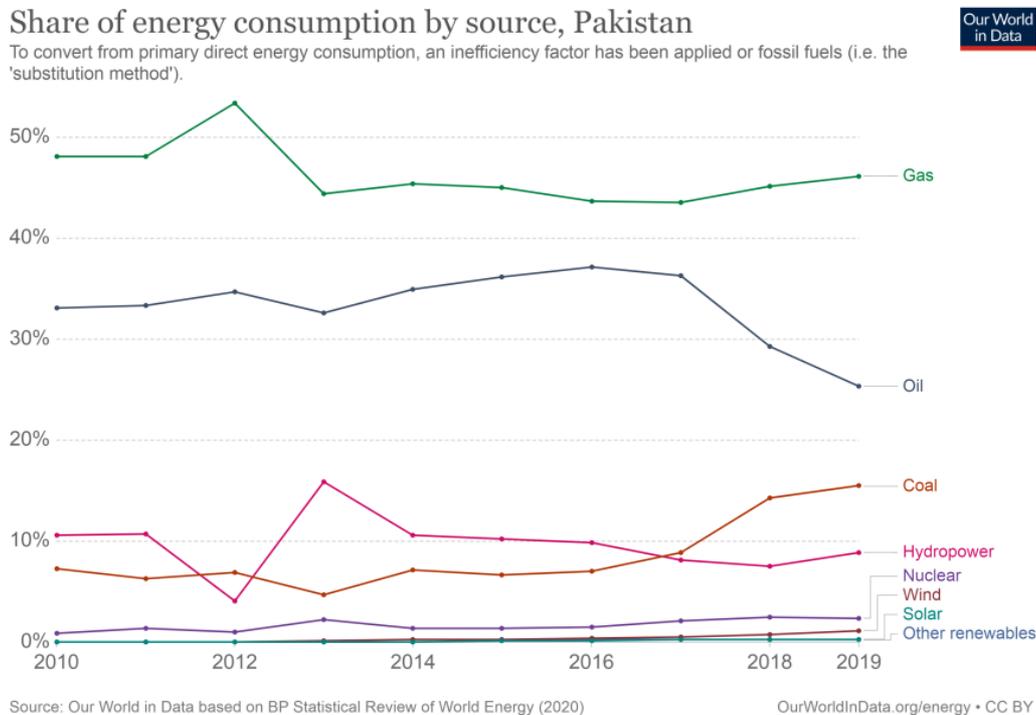
With the construction of PSGP project, Pakistan will be in a better position to make a swift transition to clean energy sources, which is again in line with Pakistan's policy on climate change and help in curbing the effects of environment degradation. The volume of environment friendly energy (in the form of LNG) that will be added due to the construction of this project will aid in reducing Pakistan's reliance on the traditional energy sources such as burning of fossil fuels (like coal and oil) and wood. LNG via PSGP will also help reduce the usage of non-renewable energy sources like fossil fuels and wood that witnesses a surge in consumption during the winter season (mainly for domestic purposes) in Pakistan.

³ "Russia, Pakistan sign deal to build Pakistan Stream gas pipeline", *TRT World*, published on May 28, 2021. <https://www.trtworld.com/business/russia-pakistan-sign-deal-to-build-pakistan-stream-gas-pipeline-47082>

⁴ Ibid.

The following chart show the 'Share of Energy Consumption by Source of Pakistan 2010-2019'⁵ (Figure 1).

Figure 1: Share of Energy Consumption by Source of Pakistan



The chart shows Pakistan's heavy reliance on non-renewable energy sources like oil and gas. Consumption of these sources of energy have adverse impact on the environment and for a developing country like Pakistan, it is only logical to adopt similar sources of energy like LNG which are cost-effective and does not affect the environment negatively as well.

Moreover, the increase in the usage of LNG will also be a good source of low-cost energy. LNG has been termed as *energy of the future*.⁶ It produces no waste material after combustion, and generates less carbon dioxide than oil (30%) and coal (45%) combined with double reduction in the emissions of nitrogen oxide and sulphur dioxide gases that are environmentally damaging.

⁵ Hannah Ritchie and Max Roser, "Pakistan: Energy Country Profile", Our World in Data, accessed on May 30, 2021.
<https://ourworldindata.org/energy/country/pakistan?country=~PAK#what-sources-does-the-country-get-its-energy-from>

⁶ "LNG: An Energy of the Future", *Elengy*, accessed on May 29, 2021.
[https://www.elengy.com/en/lng/lng-an-energy-of-the-future.html#:~:text=The%20combustion%20of%20natural%20gas,sulphur%20dioxide%20\(SO2\)%20emissions.](https://www.elengy.com/en/lng/lng-an-energy-of-the-future.html#:~:text=The%20combustion%20of%20natural%20gas,sulphur%20dioxide%20(SO2)%20emissions.)

Construction of PSGP is a win-win for Pakistan. Since the country is looking to internally balance itself and focus on building its economic portfolio, transition to cheap and environmentally friendly energy sources like the LNG will not only help in ticking off items from its Sustainable Development Goals' checklist, but it will also provide the growing Pakistani industry with affordable and reliable energy source.

Besides its industrial and domestic use, the LNG that will be available in Pakistan via the Pakistan Stream Gas Pipeline will be a good alternate as a road vehicle fuel and marine fuel as well. With the easy availability of affordable LNG fuel, Pakistan's usage of the heavy fuel oil for maritime purposes will also decrease by manifolds and aid in curbing sulphur emissions.

In essence, the signing of Amendment Protocols for the construction of PSGP is an encouraging development. It will reap substantial dividends for Pakistan in economic and environmental terms. It is an important milestone which will definitely contribute in developing strategic relations between Pakistan and Russia and pave way for the implementation of various other energy and connectivity projects in the region.