

GAS UTILITIES

SECTOR OVERVIEW

May 2016



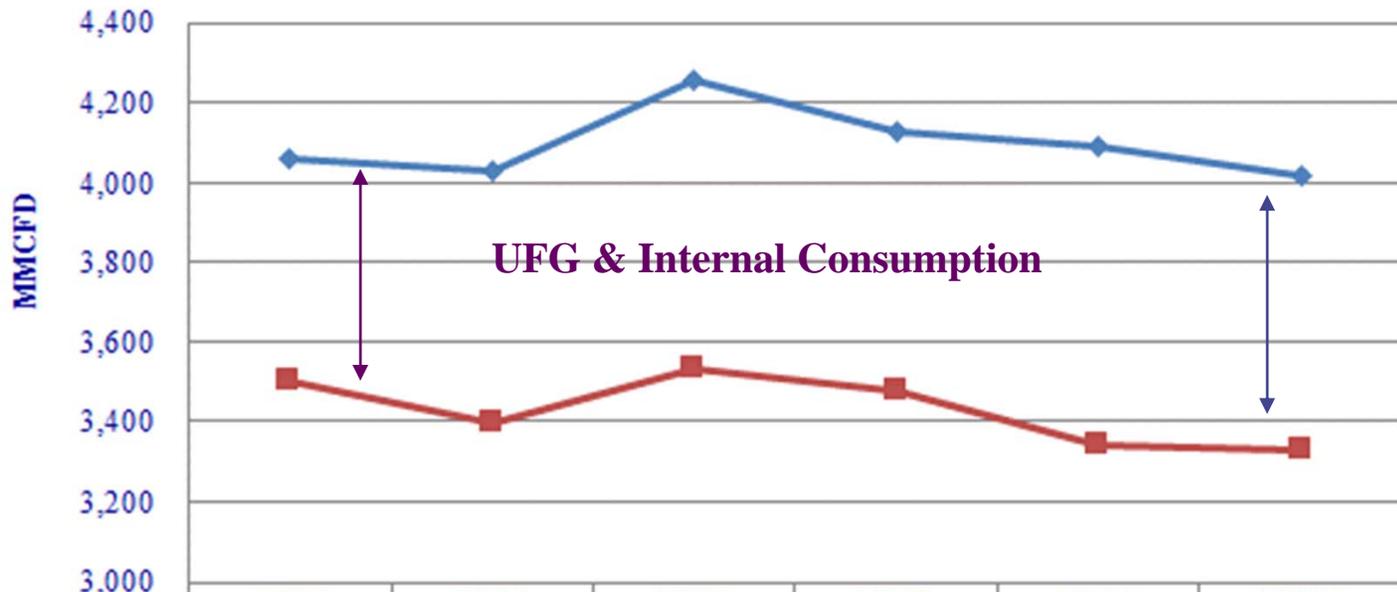
Gas Utilities | Sector Snapshot

- Pakistan's total natural gas demand is reported at more than 6bcfd while the country's production clocks in at 4bcfd resulting in supply deficit of ~2bcfd
 - Demand gap is presently managed through load shedding and load management by gas utilities companies. Meanwhile, Government of Pakistan (GoP) is working on various gas import projects to meet the supply deficiency
 - Two gas distribution companies [SNGPL & SSGC] operate in Pakistan with a total network of 152,559KMs (end-Jun15) and serve ~7.7mln customers
 - Gas Distribution – a regulated sector | OGRA – the regulator – determines annual tariff
 - Guaranteed annual return on average operating assets | All costs and CAPEX are subject to approval
- **Key Risks:**
 - ✓ **Unaccounted for Gas (UFG) Volume | Theft and Leakage**
 - ✓ **Poor Law and Order & Pilfered Volume by Non-Consumer**
 - ✓ **Regulatory and legal delays in decisions**
 - ✓ **Old distribution Infrastructure | Heavy capex requirement for replacement**



Gas Utilities | Production & Consumption | Trend

Natural Gas | Production and Consumption | Trend

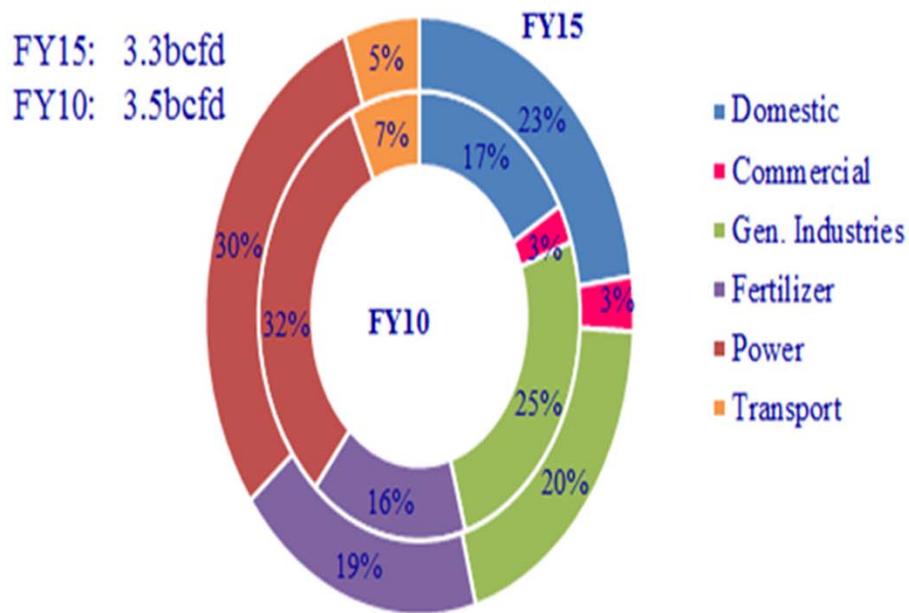


	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
◆ Gas Production	4,063	4,032	4,259	4,126	4,092	4,016
■ Consumption	3,501	3,399	3,529	3,474	3,344	3,328

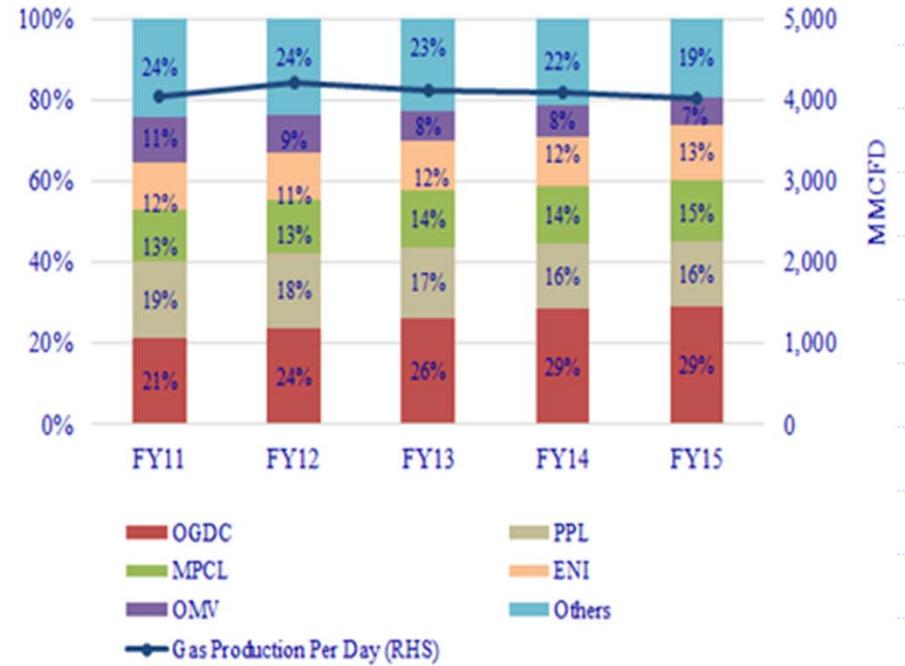


Gas | Production & Consumption | Trend

Gas Consumption | Sector-wise



Natural Gas | Production | Trend





Gas Utilities | Transmission & Distribution Network

		<i>Kilometers</i>
	FY14	FY10
Punjab	87,544	70,990
Transmission	5,947	6,373
Distribution & Services	81,597	64,617
Sindh	38,519	32,740
Transmission	2,798	2,645
Distribution & Services	35,721	30,095
KPK	15,331	12,248
Transmission	1,252	1,212
Distribution & Services	14,079	11,036
Balochistan	8,122	7,365
Transmission	753	675
Distribution & Services	7,369	6,690
Total	149,516	123,343
Transmission	10,750	10,905
Distribution & Services	138,766	112,438
Growth in total network	21.2%	

Gas Utilities | UFG | Trend

SNGPL				
	FY15	FY14	FY13	FY12
Gas Purchased (MMCF)	526,905	587,116	646,156	682,689
Sales Volume (MMCF)	463,393	506,355	552,272	597,272
Internal Consumption & Others (MMCF)	6,283	19,251	22,632	16,575
UFG Volume – Actual (MMCF)	57,229	61,510	71,252	68,842
UFG – OGRA Benchmark	4.5%	4.5%	4.5%	7.0%
UFG –	11.0%	10.6%	11.2%	10.2%
UFG Disallowance (PKR in mln)	11,639	12,262	13,917	6,269
SSGC				
Gas Purchased (MMCF)	434,613	423,665	419,275	406,551
Sales Volume (MMCF)	362,510	356,628	373,645	364,409
Internal Consumption & Others (MMCF)	13,040	8,620	10,376	-1,679
UFG Volume (MMCF)	59,063	58,417	35,254	43,821
UFG - OGRA Benchmark	7.0%	7.0%	7.0%	7.0%
UFG – Actual	13.6%	13.8%	8.4%	10.8%
UFG Disallowance (PKR in mln)	10,282	9,944	1,920	4,469
Total				
Gas Purchased (MMCF)	961,518	1,010,781	1,065,431	1,089,240
Sales Volume (MMCF)	825,903	862,983	925,917	961,681
Internal Consumption & Others (MMCF)	19,323	27,871	33,008	14,896
UFG Volume (MMCF)	116,292	119,927	106,506	112,663
UFG – as per FRR	12.1%	11.9%	10.0%	10.3%
UFG Disallowance (PKR in mln)	21,921	22,206	15,837	10,738

- SNGPL has filed a writ in Supreme Court against OGRA determined benchmark of 4.5%; the decision is pending till finalization of UFG Impact Study.
- SSGC has been given stay by Sindh High Court on UFG determined benchmark – 7% till FY15



Gas Utilities | Developments | Import Projects

- **LNG Project | North – South Pipeline Project**
 - Pipeline Length 1,100 km
 - Gas Volume 1.2 bcf (3.2bcfd total volume)

- **Gwadar-Nawabshah LNG Terminal and Pipeline Project**
 - Pipeline from Gwadar Port to Nawabshah and connect to SSGC/SNGPL network
 - Pipeline length ~700KM

- **TAPI Pipeline Project**
 - Pipeline Length 1,820 km
 - Gas Volume 1.3 bcf (3.2bcfd total volume)
 - Operations Agreement signed between all four TAPI countries on Jul. 9 2014
 - Ground breaking ceremony held Dec.15

- **Iran-Pakistan Pipeline Project**
 - Pipeline Length 1,150 km
 - Gas Volume 1.0 bcf

Bibliography

- Energy Yearbook 2014 | <http://hdip.com.pk/contents/Energy-Yearbook-2014/32.html>
- SNGPL & SSGC Financial Statements
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