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USAID ENERGY POLICY PROGRAM

MONTHLY PROGRESS REPORT MAY 2015

COMMERCIAL ADVISORY SUPPORT FOR
LNG PROCUREMENT

June 2015

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FGE MAY 2015 MONTHLY PROGRESS REPORT

During the month of May, FGE worked on one task order as follows:

I. Ongoing LNG Support to the Government of Pakistan

- a. Week of 1 May 2015: Updating of commercial terms for Qatargas negotiations in Islamabad the following week. Rob, Alberto, and Fang discuss via separate phone calls. Alberto offers detailed thoughts on where he thinks the sticking points will be.
- b. Week of 4 May 2015: travel to Islamabad with two travel days. Purpose is to meet with Qatargas and the Pricing Committee.
 - i. While in Islamabad, it became clear that certain people within the Government of Pakistan are trying to restrict FGE's communication with other entities. The apparent goal is for these individuals to present themselves as experts and incur favor within the government. The restriction of the flow of information extends to other entities within the government. This became clear while sitting with Minister Abbasi for several hours when the Pricing Committee met with Qatargas.
 - ii. Per the above, FGE has been tasked per its scope of work with training the government of Pakistan on commercial LNG matters, including updates and negotiation simulations. The need for this could not have been more prevalent when Qatargas basically laughed the Pricing Committee out of the room. While some entities have requested training, the requests are often blocked by someone more senior who usually claims that there is not enough time. Fang advised on market intelligence via phone and skype to Rob.
 - iii. Further discussion of tender with detailed work from Alberto, Fang and Rob. Several phone discussions with Rob being in Pakistan. Phone discussions made with potential bidders by Rob, Fang, Alberto and
 - iv. G2G efforts were kept afloat with Gazprom and Petronas via Fang and Rob. Gazprom and Petronas both find it challenging to get a response from PSO during this busy time.
 - v. Alberto and Rob discreetly explored the possibility of a European LNG buyer that has an FOB contract with Qatargas swapping their vessel with a Q-flex to help Pakistan. While it makes economic sense, both sides informed us that each could not initiate as there is significant animosity between the two due to prior arbitration proceedings.
- c. Week of 11 May 2015: Fang and Alberto worked with Rob to review and finalize the tender documents.
 - i. Emails and calls with Alberto and Fang on SBLC (standby letter of credit), GOP does not want one. GOP fears that someone will cash

it and not give them LNG. This is possible, but no LNG supplier would ever consider it and it is not a risk. We have tried to reassure GOP that the LNG business does not work that way, but they are not willing to risk trusting our advice to protect them from the potential of someone stealing +/- \$30mn by cashing in the SBLC. Credit terms further reviewed by David Isaak from recent comments on the Hawaii tender and from Fang's review of tender documents on file. Both were discussed with Robert via skype.

- ii. GoP, but not the minister, has been claiming credit for all the LNG knowledge. This is off the record and was cleared up in person with the minister. The tendency still exists within the GoP. say how it came from certain parties that appear to want to control all the information and what we've been sending them has been passed on as their own. Also other Pakistani infighting stuff. There was also a request to discontinue email communication with potential bidders, though the tender process is so strict that it would not influence anyone or give them an advantage. FGE suspects this is another effort by certain parties to control the flow of information in their favor. Meanwhile, FGE continues to engage potential suppliers via phone calls and skype. Such efforts throughout the project have been paramount in keeping Pakistan's LNG supply efforts alive.

d. Week of 18 May 2015:

- i. Through Alberto, Fang and Robert, FGE encouraged potential bidders to submit their comments on the tender process and the documents. They were told via phone calls to provide as much feedback as possible. This is to help Pakistan understand how difficult their tender process is, and hopefully see that it actually works against them. It is also to help everyone in the GoP become more familiar with the LNG sellers and to continue to establish relationships. This is not to be discounted in the LNG world and Pakistan needs to further develop this skill set. FGE often finds itself working to help Pakistan in this regard and reassure potential suppliers that they are legitimate. As noted earlier this year and late last year, this was especially important in bringing Qatargas back to the table and keeping them there.
- ii. Jeff and Fang worked on LNG specification verification in relation to potential bidders. This included phone enquiries to LNG suppliers to see what can be provided under their full range of specifications and not just their operating range. This is considered to be sensitive and confidential by the LNG suppliers.
- iii. Qatargas work on SPA closeout.
- iv. One travel day was incurred with Robert departing on 23 May for Karachi.

- e. Week of 25 May 2015: Robert traveled to Karachi incurring one travel day on the return flight. On Monday the 25th, FGE assisted PSO in reviewing the tender responses. This included Alberto and Fang supporting Rob while in Karachi. Rob also continued to review the recent draft of QG spa that was sent.

- i. Tender questions and responses have been shared in separate documents.
- ii. Continue to push all parties on working to have PQA finalize their port fees.
- iii. Working on getting a permanent system in place for port clearances for potential suppliers.
- iv. Suggested to PSO to communicate with Engro delicately on terminal approval and offered to facilitate.
- v. PSO decided to write an email on May 30, 2015. The response has yet to be seen and concerns arise over if this is the best way to approach Engro due to their reputation for withhold information and behaving rather difficult. With Imran's potential new position as the incoming MD of PSO, perhaps he will be more flexible. It is FGE's opinion that the shared regulations were only written by Imran on Tuesday evening, 26 May in response to PSO's request. Furthermore, they were done without consulting Excelerate and are unreasonable by industry standards and are one item that could result in the failure of the tender.

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