

India and Pakistan agree to transit fee formula for TAPI gas pipeline project

New Delhi, January 25, 2012

Shri S. Jaipal Reddy, Minister of Petroleum & Natural Gas held bilateral discussions with Pakistan's Federal Minister for Petroleum & Natural Resources, Dr. Asim Hussain on various matters relating to bilateral cooperation in the hydrocarbon sector, here today. This was Dr. Hussain's 2nd visit to India as Minister, the 1st one having been on 28th April, 2011 when the Petroleum Ministers of Turkmenistan, Pakistan, Afghanistan and India had met in New Delhi to attend the 13th Steering Committee Meeting for the TAPI Gas Pipeline Project.

Among the issues discussed was the Transit Fee payable to Pakistan by India for the 38 mmscmd of gas envisaged to flow through the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline Project. This was the 3rd meeting with Pakistan on the issue of Transit Fee but the 1st one at the political level.

On the Transit Fee, both sides agreed that the negotiations would be conducted in a transparent manner keeping in mind the overall economics of the Project, i.e., keeping in mind the landed cost of gas, and in accordance with the relevant international practices. Since there is a need to expedite the signing of the Gas Sale Purchase Agreement (GSPA), both sides agreed to settle the Transit Fee issue at the earliest. Pakistan agreed in-principle that whatever fee formula is eventually settled between India and Afghanistan would also be acceptable to Pakistan subject to approval of their competent authority. The two Ministers also discussed other issues of bilateral interest such as trade in petroleum products. Shri Jaipal Reddy offered export of Petrol, Diesel, Aviation Turbine Fuel and Fuel Oil besides Sulphur, Polyethylene and Polypropylene since Pakistan is importing these products currently. It was pointed out that the main advantage for Pakistan will be the savings in freight cost since several refineries in India are located close to the India-Pak border.

The Indian side offered to export refined petroleum and petrochemical products by road, rail and by sea. It was also mentioned that Indian refineries would be willing to look at the feasibility of constructing product pipelines to Pakistan provided long-term guarantees for product offtake can be given by Pakistan.

Both sides noted that a India-Pakistan Joint Working Group (JWG) on Petroleum & Petrochemical Products has been constituted recently to go into the specific details of facilitating trade in this sector, including infrastructure upgradation and augmentation in respect of railways, customs facilitation, setting up of banking channels, etc. Both Ministers agreed to advise their respective officials to hold the 1st meeting of the JWG at the earliest.

Apart from G2G efforts, both sides agreed on the need to activate industry and business associations in the petroleum sector for confidence building. Shri Jaipal Reddy informed Dr. Hussain that India's oil companies would be participating in the "India Show" at Lahore on 11-13 February, 2012 being organized by the Govt of India and FICCI to showcase the strength of India's petroleum refining sector and what India's oil companies can offer to Pakistan.

