SSGC considers awarding LNG import contract today | Forex, Pakistan

Written by Shumaila Ahmed
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<p>LAHORE: The Board of Directors of Sui Southern Gas Company Ltd (SSGC) is going to contemplate offer made by Pakistan GasPort Limited (PGPL), the successful lowest bidder for much-desired import of liquefied natural gas (LNG), today (Monday). </p> <p>{loadposition content_adsense300}The project will lead to increase cheap and abundant power generation, reducing outages significantly.
Yes, the board meeting has been scheduled on Monday in this regard, said Yusuf Ansari, Company Secretary, SSGC, on Sunday. However, he did not confirm reported resignation of SSGC Board Chairman Waqar A Malik, saying till Saturday, there was no such development and as of his information, Malik is scheduled to chair the today meeting. I and the Board have no information about the resignation of Waqar A Malik from the chairmanship of SSGC Board, he observed. He said situation in this connection would become clear on Monday.

However, sources said, Malik, who is both SSGC�s chairman and a director of an Engro company, has been asked to resign from the public sector gas utility, because of conflict of interest.

When Company Secretary�s attention was drawn towards �conflict of interest aspect�, Ansari said he would be able to comment on this issue only on Monday after contacting the chairman. On the other hand, sources claimed that Elengy Terminal Pakistan Limited (ETPL), one of the three bidders in the recent LNG Import Project tender, has made at least 23 deviations in its price proposal to SSGC, which is overseeing the process.

These 23 deviations from the notified terms and conditions of the tender document render ETPL�s bid �non-compliant,� according to SSGC�s USAID-appointed international adviser, QED Consultancy, as well as the adviser�s lawyers in London and Karachi.

According to statements attributed to him in the national press, this expert opinion against the non-compliant bid did not prevent SSGC Chairman Waqar A Malik from allegedly caught in conflict of interest situation involving ETPL, which is a wholly-owned subsidiary of Pakistan�s Engro Corporation.

The ETPL, instead of offering a single and unconditional price, put forward adjustable pricing formulas in its bid proposal in contravention of the clear written instructions issued by the SSGC. Another bidder, Global Energy Infrastructure, Pakistan, (Private) Limited (GEIP), owned by Turkish business interests, has conceded that its compliant price offer of $18.16/mmbtu was not the lowest. GEIP has written to SSGC objecting to ETPL�s non-compliance and stated that it will participate in the second LNG Import Project tender which is due April 1. This leaves the third compliant bidder, Pakistan GasPort Limited (PGPL), with the lowest evaluated bid at $17.7074/mmbtu. PGPL is majority owned by foreign interests.

ETPL�s 23 deviations from the tender terms are substantial. �Not only ETPL did not provide a single, unconditional price offer in conformity with the explicit requirements of the tender,� said Ministry sources, �it has also demanded tax breaks and made SSGC and the Government of Pakistan responsible for funding the project and assuming hundreds of millions of dollars in risk on behalf of ETPL.� The sources said ETPL�s price proposal was an attempt to unilaterally rewrite the tender documents.

In its price offer, ETPL has asked SSGC to issue a confirmed Standby Letter of Credit for $230 million without which it will not start project construction. The SBLC, which will cost the national exchequer at least 5 percent in annual confirmation charges, will then be discounted to raise ETPL�s equity and debt for the $200-million project. ETPL has also demanded that SSGC be solely responsible for investing in and operating the pipeline that will connect its LNG vessel offshore to SSGC�s gas system onshore. Both these demands are in defiance of the tendered terms and conditions.

Additionally, ETPL does not want to pay any withholding tax on its income from the project. It has also not factored in mandatory insurance costs and payments due to Port Qasim Authority,

where the LNG projects will be sited. It has placed the responsibility for procuring permissions necessary for the project exclusively on SSGC. Another major deviation is that ETPL has made SSGC financially responsible for the performance of ETPL�s LNG vessel operator. When LNG is cooled and re-gasified onboard an LNG vessel there are losses known as boil-off gas. ETPL has stated that in case any such losses exceed 1.2 percent, SSGC shall compensate ETPL for the extra boil-off gas.

Meanwhile, S Imran ul Haque, CEO ETPL, said his company, GEIP has offered the price of $18.16 per million British thermal units and PGPL has offered $17.7074 per mmbtu. ETPL has quoted two prices.-Brent-based price, as required in the Request for Proposal, which is the lowest at $17.618 per mmbtu and as an option, subject to review and acceptance by SSGC and another price of $16.5853 per mmbtu, which is even lower but based on combination of supplies based on Henry Hub and Brent index. Being optional, SSGC may or may not consider it.

Therefore on a Brent indexed price ETPL is lower and a fact that cannot be challenged

The statement attributed to QED that ETPL cited the Henry Hub index instead of benchmarking specifically to Brent, disallowed comparison between the three price offers, is incorrect. He claimed, it is to be noted that ETPL is the only bidder with significant supplies originating primarily from QGas and other sources.

Industry knows that QGas sells LNG on Brent indexed price. ETPL does not provide supplies from organizations that have not traded in LNG or can ramp up the 400 mmscfd in 2 years instead on 12 months required by the RFP.
It will deliver the quantity on day one. Nor does it offer FSRUs to be built in 27-30 months thereby not meeting the first gas date.

ETPL awaits the reviews and analysis of QED on the technical proposal, and the pricing proposal. We have requested SSGC and await its response, he observed. CEO ETPL concluded that any pricing proposal for a USD 40b contract spread over 15 years requires diligent review and conditioning.

Unfortunately, �fast track� conditioning of bid in 18 hours is reflected in the poor analysis by QED, he claimed and adding like the technical proposal queries, USAID consultant QED should have spent time to clarify its assumptions.

The country�s first $200-million, 400mmscfd private sector LNG import project will help in supplementing dwindling gas supplies for power sector, significantly bridging gap between electricity demand and supply.</p> <p>�</p> <p>Courtesy: The News</p>