Geopolitics of Pipelines: Iran-Pakistan-India Gas Pipeline

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Note: All the information were taken from publicly available sources. All the analysis are made on Masuda’s personal responsibility.
## Comparison of 3 Eurasian Pipelines

*They differ in both geopolitical environment and developmental stage*

<table>
<thead>
<tr>
<th></th>
<th>BTC</th>
<th>ESPO</th>
<th>IPI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Full Name</strong></td>
<td>The Baku-Tbilishi-Ceyhan Pipeline</td>
<td>The Eastern Siberia-Pacific Ocean Pipeline</td>
<td>The Iran-Pakistan-India Pipeline</td>
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<tr>
<td><strong>Company</strong></td>
<td>BTC Company (BP, AzBTC, Chevron, Statoil, others)</td>
<td>Transneft (Russian state’s pipeline company)</td>
<td>To be announced</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td>2003-2005</td>
<td>1st stage (2006-2009)</td>
<td>To be decided</td>
</tr>
<tr>
<td><strong>Countries</strong></td>
<td>Azerbaijan-Georgia-Turkey</td>
<td>Russia (with a spur to China)</td>
<td>Iran-Pakistan-India</td>
</tr>
<tr>
<td><strong>Length</strong></td>
<td>1,760km</td>
<td>4,300km (1st stage 2,760km)</td>
<td>2,600km</td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td>1mb/d (oil)</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; Stage 1.6mb/d (oil)</td>
<td>2.8mt/year (natural gas)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Stage 1mb/d (oil)</td>
<td></td>
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<tr>
<td><strong>Reserves</strong></td>
<td>The Azeri-Chirag-Gunashli field (Azerbaijan)</td>
<td>Eastern Siberia (Russia)</td>
<td>The South Pars field (Iran)</td>
</tr>
<tr>
<td><strong>Consumers</strong></td>
<td>European countries (by oil tankers from Ceyhan Terminal, Turkey)</td>
<td>China (1st Stage)</td>
<td>Pakistan and India</td>
</tr>
<tr>
<td></td>
<td></td>
<td>North East Asia (2&lt;sup&gt;nd&lt;/sup&gt; Stage)</td>
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</table>
Four Phases of Cross-Border-Pipelines

- Political messages may flow through pipelines, which makes the politicization phase important.
- The IPI pipeline is gradually shifting from the politicization phase to the commercialization phase.


IPI Pipeline

SOURCE: TED Case Studies “Iran to India Natural Gas Pipeline” by Shamila N. Chaudhary
IPI Chronology (1)

- **In 1988** The discovery of the South Pars gas field by Iran (world’s largest gas field combined with the Qatari part called the North Dorm).
- **In 1995** A preliminary agreement between Iran and Pakistan to build gas pipeline from the South Pars to Karachi.
- **In 1996** Iran proposed to extend the pipeline from Pakistan to India.
- **Feb 1999** Iran and India signed a preliminary agreement on bilateral collaboration on the pipeline.
- **April 1999** Iranian and Indian Governments established a Task Force to study the feasibility of the pipeline.
- **March 2000** Pakistani Secretary of Petroleum visited Iran and formally agreed to the pipeline between the three countries (now formally “IPI”).
- **July 2000** Pakistan guaranteed to Iran and India the security of IPI passage through Pakistan.
IPI Chronology (2)

- **Sept 2000** President Musharraf expressed Pakistan’s willingness to participate in IPI in NY.
- **Jan 2004** President Musharraf expressed his strong hope for IPI at the World Economic Forum in Davos, Switzerland.
- **March 2006** The US White House reiterated its opposition to IPI due to the concern over “Iran’s nuclear activities, support for terrorism, and serious human rights record,“.
- **March 2006** The first tripartite Governmental talks were held in Teheran.
- **Feb 2007** Pakistani Secretary of Petroleum said that the documentation for the IPI pipeline project will be made by July 2007.
- **May 2007** Tripartite meeting on a framework pricing agreement was held.
- **June 2007** The trilateral Vice-Ministerial meeting reached the basic agreement on the pricing of natural gas from Iran ($4.93/MBtu).
- **Sept 2007** Iran warned India that it would sign a deal with Pakistan alone if India did not swiftly agree on transit pricing with Pakistan.
Geopolitics of IPI Pipeline

**Iran**
- Access to large markets
- IPI extension to China
- Diversification of export

**India and Pakistan**
- Most economical option (1/2 of LNG)
- Catalyst of regional integration
- Increasing thirst for natural gas (India)
- Transit fee and own use (Pakistan)

**USA**
- Iran as part of “axis of evil”
- Iranian Sanctions
- Cooperation with Pakistan on war on terror
- Cooperation with India on civil nuclear technology
## Possible Scenarios and Observation

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<tr>
<th>Scenarios</th>
<th>Likelihood</th>
<th>Observation</th>
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| Full Construction (Iran-Pakistan-India) | Not High   | • India’s thirst for natural gas will be eased, for the time being, due to the discovery of gigantic natural gas reserves in the Bay of Bengal.  
• India’s disagreement with Pakistan on transit price may not be easily resolved due partly to the above reason.  
• US and UN sanctions against Iran may negatively affect international fund raising for the IPI construction. |
| Partial Construction (Iran-Pakistan) | High       | • Iran will complete the pipeline construction close to the border with Pakistan border by 2009, in any case, as part of Iran’s domestic gas pipeline network.  
• The construction to Pakistan may make better economic sense than the full construction (due to its short distance).  
• The likelihood of this option has been repeatedly expressed by the Governments of Iran and Pakistan. |
| No Construction                   | Low        | • The IPI Project has sound economic rationale in transporting Iranian natural gas to the neighbors.  
• The tripartite consultation has made a big progress despite negative international environment.  
• At least, a partial construction will take place in the near future due to its economic rationale and less cost involved. |