Pakistan conglomerate Punjab Group has joined an LNG import project at the port of Karachi.

Punjab Group, one the largest private education providers in Pakistan, has entered into a joint venture with Singapore-based LNG Easy. The goal is to import LNG into Pakistan as early as the end of this year.

The joint project was granted a government license last year and is expected to import 500,000 tons of LNG in 2023, or half of its designed capacity of 1 million tons per year.

The partners believe that there is room for private players to meet demand unmet by the existing floating storage and regasification units (FSRUs) at Port Qasim.
Pakistan currently has two FSRUs, or about 9.8 million tons/yr of LNG import capacity, according to the International Group of LNG Importers.

Karachi-based Energas Marketing and Tabeer Energy, a subsidiary of Mitsubishi, are known to be planning to build new floating import terminals at the port of Qasim.

**The Project**

Punjab Group and LNG Easy are targeting a 10-year oil-indexed offtake deal with an international energy major by September.

However, sellers are understood to be raising prices for new oil-indexed contracts, especially for supplies from 2023, due to limited supplies coming on line and increasing demand from European markets.

The project plan is to import LNG via Karachi in smaller parcels of 15,000 cubic meters to 30 Mcm.

“LNG will be trucked in ISO tanks or road tankers to satellite stations to be set up in Islamabad, Karachi and Lahore, with railway transport to come at a later stage,” said LNG Easy’s CEO He Yiyong.

The JV has set aside around $100 million for upfront infrastructure, including LNG Easy’s plug-and-play Mobile Filling Platform import solution at Karachi.

**Pakistan's Struggle**

The new import project comes as gas-reliant Pakistan struggles to meet a supply shortfall arising from sellers’ delivery defaults on contracted LNG deliveries since late 2021.

The affected cargoes were contracted at low prices during a time of excess LNG supply. Those prices are not reflective of the current tight market, making the cargoes easy prey for diversion to higher-paying customers.

Pakistan’s LNG imports have shrunk 18% year to date, with annual demand projected to stay flat this year at 8.4 million tons, rising to just about 10 million tons in 2023, a forecast by research agency Wood Mackenzie showed.

Woodmac’s Valery Chow flagged as downside risks for Pakistan's LNG demand: a burgeoning government subsidy for the power sector and the increasing difficulty in passing on higher commodity prices to industrial and residential users.

**LNG Not-So-Easy**

The high LNG price environment, persisting since last year, prevented LNG Easy from firming up the required term offtake for its Pakistan project before Punjab Group came on board.

LNG Easy acknowledged that high prices have contributed to the deferred project start-up from the previous target date in early 2022. But the company’s CEO said he is confident of securing the term offtake now that the tide is gradually turning on the supply front. He suggested that cargo owners are
more amenable to term offtake arrangements as more export projects, particularly in the US, come on line or look set to get sanctioned in the coming months.

He clarified that the joint venture will not compete in the conventional pipeline gas market subject to state price caps. Instead, term purchase contracts priced on a cost-plus basis were fixed with about 30 industrial and residential customers in Pakistan.

LNG Easy helped to realize Myanmar’s first LNG imports in 2020. LNG Easy is also planning a floating LNG hub in on the southwestern coast of Peninsular Malaysia.

Topics: Regasification, LNG Demand, LNG Trade, LNG Supply