

'Thar coal project has potential to change energy landscape'

IQBAL MIRZA KARACHI (January 07, 2013) : Despite all the derelictions, delays, handicaps, claims and promises of all kinds, the Thar Coal Project which has the potential to change the energy landscape of Pakistan continues to moving slowly the good intentions of the Prime Minister and the country's economic managers notwithstanding. Stakeholders believe that vested interests are ensuring it does not happen. The cost of the project is a big issue as it would require initial funding starting from one billion dollar to three billion dollars plus the infrastructure cost the Government will have to incur in developing the barren region. Out of all the projects Sindh Engro Coal Mining Company (SECMC), a joint venture company between the Government of Sindh and Engro Powergen Limited, is the most advanced, but it is now faced with a situation where funding, policy and political will is required at all levels of Government. Experts claim that to overcome the current energy crisis, Pakistan has no other alternative except development of indigenous energy resources. Thar coal fields have estimated lignite reserves of 175 billion tons which is equivalent to total oil reserves of Iran & Saudi Arabia combined that could be utilised to produce 100,000MW of power for 200 years. Furthermore there is so much coal that it could even be exported it to India. Thar coal based power tariff will be much lower than RFO based power tariff, which means that general consumers could get electricity at much cheaper rate than what they are paying right now. Thar Coal is also competitive viz-a-viz imported coal and LNG. Currently, Pakistan's effective power generation capacity stands at 14,000MW. At the current growth rate, Pakistan will require 26,000MW by 2020 out of which around 10,000MW could be produced from Thar Coal. Primary objective of Thar Coal development is to provide affordable, reliable and sustainable electricity to consumers using indigenous resource. Reliance on indigenous fuel will help save billions of dollars in foreign exchange which are currently being spent on import of expensive RFO (Refined Furnace Oil). A recent study by Pakistan Business Council estimates the import bill for petroleum products will reach over 120 billion dollars by 2020. For Thar Coal to really start and change country's destiny, the Government of Pakistan (GOP) needs to figure out how it is going to finance it. In principle the Government has developed public private partnerships such as SECMC and brought in parties such as UK based Oracle and a Chinese Group. The challenge is to attract foreign investment from international institutions to raise up to three billion dollars towards the project cost. And what primarily GOP needs to do is to project Pakistan as a country which could attract foreign investment. Already SECMC and the GOP have been meeting with Chinese banks and Asian Development Bank to see what the opportunities are. Chinese banks would like the Government to give them a sovereign guarantee as they are wary of circular debt issues and failure of the Government to deliver even though there are contracts in place. A prime example is Engro which is having a tough time raising financing for SECMC due to its staggering Rs 65 billion debt due to unprecedented gas cuts to its new fertilizer plant, which was established with an investment of over 1.1 billion dollars based on a water tight contract with SNGPL. Hence being able to attract foreign investment for Thar Coal is becoming next to impossible as international organisations question why they should invest in another project in Pakistan when a leading blue chip Pakistani company is already suffering. In the coming months with an interim government expected around the corner, the Government both at the federal and provincial levels needs to work hard to start executing the Thar project. For without Thar, Pakistan will succumb to international oil pressures and have an energy mix with very little indigenous component. [Copyright Business Recorder, 2013](#)