

Pakistan, Iran Leaders Inaugurate Pipeline Project

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GABD, Iran (AP) — The leaders of Pakistan and Iran on Monday pushed ahead with a pipeline to bring natural gas from Iran despite American opposition, and the Iranian president declared the West has no right to block the project.

Mahmoud Ahmadinejad spoke during a ceremony alongside his Pakistani counterpart, Asif Ali Zardari, in Iran near the Pakistani border intended to mark the beginning of construction of the Pakistani side of the pipeline.

The Iran-Pakistan pipeline is designed to help Pakistan overcome its mushrooming energy needs at a time when the country is facing increased blackouts and energy shortages.

But there are serious doubts about how Pakistan could finance the \$1.5 billion needed to construct the pipeline and whether it could go through with the project without facing U.S. sanctions, which Washington has put in place to pressure Iran over its nuclear program.

"Today is a historic day. The gas pipeline project is the beginning of a great work," said Ahmadinejad, speaking to dignitaries from both countries. "The Westerners have no right to make any obstacles in the way of the project."

Monday's ceremony comes just days before the Pakistani government's term is set to expire and could be designed to win votes by making the ruling Pakistan People's Party look like it's addressing the energy crisis. It also allows the government to thumb its nose at the United States, which is

widely unpopular in Pakistan despite billions of dollars in U.S. military and civilian aid.

Zardari praised Iran for its help in the project and said the pipeline was a vital part of his country's development.

"In order to help ourselves we've got to be economically sound," he told the crowd.

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The U.S. has opposed the project, instead promoting an alternative pipeline that runs from the **gas** fields of Turkmenistan to Afghanistan, Pakistan and then to India. The U.S. has also championed a number of electricity generation projects within Pakistan, such as helping renovate hydropower dams.

Iran's deputy oil minister, Javad Owji, told Iranian state television that Tehran already built 900 kilometers (560 miles) of the pipeline, with about 320 kilometers (200 miles) remaining to be built inside Iran.

The Pakistan segment of the pipeline is expected to be about 780 kilometers (500 miles). Owji said Iranian contractors will be involved in building the Pakistani portion of the pipeline.

Gas is supposed to start flowing in by the end of 2014, although few see that deadline as realistic, considering the delays so far.

The U.S. has repeatedly raised questions about the project.

"If this deal is finalized for a proposed Iran-Pakistan pipeline, it would raise serious concerns under our Iran Sanctions Act. We've made that absolutely clear to our Pakistani counterparts," said State Department spokeswoman Victoria Nuland during a press briefing in Washington last week.

Under American regulations, a wide-ranging list of business-related activities with Iran can trigger American sanctions. Certain sales of technology or equipment that allow Iran to develop its energy sector are barred, as are most transactions involving gasoline or other fuels, according to a January statement by the Congressional Research Report. The regulations also bar business dealings with Iranian financial institutions.

Possible penalties include barring the offending entity from receiving American military equipment or making it essentially impossible to do business with American banks.

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Iran also faces separate European Union and U.N. sanctions over its nuclear program, which the West believes may be geared for building nuclear weapons. Tehran denies that, insisting the program is purely for peaceful purposes.

"The pipeline has nothing to do with the nuclear issue. You can't build an atomic bomb with a natural **gas** pipeline," Ahmadinejad said on Monday.

Rhetoric aside, it remains to be seen whether Pakistan would ever actually face American sanctions. The PPP government led by Zardari likely has only days left leading the country, because elections are expected to be called by the end of the week.

"That timing is very important for the People's Party because they are building their campaign on this," said Hussain Yasar, a senior energy analyst at KASB Securities in Karachi.

One of the chief complaints of Pakistanis with the current government is over the widespread blackouts that have only gotten worse since it took over five years ago. The government seems to be promoting its commitment to the pipeline as a way to prove it is committed to solving the energy crisis

despite its track record, and it has emphasized that it is going forward with the project in the face of U.S. opposition.

One of the biggest challenges for cash-strapped Pakistan is how to come up with the money needed to build the pipeline.

Few countries have been willing to risk American ire by financing the project. In a statement Monday, Pakistani officials said Iran will give Pakistan a \$500 million loan to build part of it.

The Pakistanis said they will finance the rest of the project — roughly \$1 billion — through a \$500 million Chinese loan and an fee added to customers' bills. But that is a tough proposition, considering how few Pakistanis actually pay for electricity.

It's unclear whether Pakistan's commitment to the project will continue if the ruling party loses the upcoming election. The PPP's main contender is the Pakistan Muslim League-N, headed by former Prime Minister Nawaz Sharif, who spent years living in exile Saudi Arabia.

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The oil-rich gulf kingdom, a Sunni Muslim country with deep suspicion of Iran's Shiite Muslim rulers, is believed to also be adamantly opposed to any deal that would benefit Iran.

"It will be a tricky situation for the PML-N," said Yasar.

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