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To: Senior Executive Director
Finance – Oil Pricing
Head Office OGRA, Blue Area
Islamabad

Subject: **Machike-Thallian-Tarujabba White Oil Pipeline (MTT-WOP) Submission of
PKR Feed Based Tariff**

Reference: Previous correspondence and meetings held in OGRA, discussion between chairman OGRA and DG FWO dated 22 November 2023.

1. This is with reference to previous meetings held in OGRA and advice of Member Finance and Chairman OGRA to explore the possibility of considering PKR based Tariff of the subject project.
2. Please find enclosed updated the financial model to reflect impact / implications of receiving a PKR Tariff. Soft copy of the same will be handed over to your office along with this letter.
3. If any further clarification of the same is required kindly feel free to contact our team.

Regards,



(Signature)
Lieutenant Colonel
Director FOC1
Atif Mushtaq (Retired)

Case Number 103/WOP/OGRA License/FOC1 dated 04 December 2023

Copy to: The Chairman, Oil & Gas Regulatory/ Authority (OGRA)
Member Finance – OGRA

(In meeting)

SED(F) - Azhar
09/12

SED(F)

21
15/12

FRONTIER OIL COMPANY 1 (PVT) LTD

HQ FWO, 509, Kashmir Road, R.A. Bazar, Rawalpindi.

Tel: +92-51-5174324, Fax: +92-51-5174132, E-mail: oilinfra@fwo.com.pk

Received SED (Finance) Office
Dt: 12/12/2023 Time: 2:22 PM

Chairman's Secretariat, OGRA
05-12-23
Dt: 05/12/23

1. BACKGROUND

- 1.1. Frontier Oil Company – 1 (FOC-1) got incorporated in 2016 under the Companies Ordinance 1984 (now Companies Act 2017) as a 100% owned subsidiary of Frontier Works Organization (FWO). FOC-1 has been mandated by the FWO to develop Oil Pipeline Project on commercial basis.
- 1.2. The Authority (OGRA) awarded Construction License (**No. OIL-01/2018**) to Frontier Oil Company-1 (FOC-1) on 8th June 2018. Before license award, the basis for this project was laid under the recommendations of the Task Force constituted by Ministry of Energy in 2016.
- 1.3. MTT-WOP project is the further extension of PARCO's (MFM) Pipeline which is already laid until Machike from Mehmoodkot.
- 1.4. Pakistan is a longitudinal market for petroleum products with ports located in South and bulk consumption in North. Currently, MS and HSD are transported from Machike onwards to central and northern parts of the country on road transportation. Upper Punjab and KPK is worst hit for petroleum product shortages due to absence of any pipeline network, in addition to serious threat posed to environment and public by Oil Tanker's accidents.
- 1.5. MTT-WOP Project is of vital national and strategic importance and will serve the purpose of transporting dual oil products (HSD & MS) from Machike to TaruJabba, completing the pipeline 'backbone' from Karachi to Peshawar. The project is intended meet the increased oil demand especially in north due to increased tourism and CPEC development factor.
- 1.6. MTTWOP is the green-field project to be executed on commercial basis under product Transportation Agreements with OMCs operating in the region with no Sovereign throughput guarantees from GoP.

2. SALIENT FEATURES OF MTT-WOP PROJECT

2.1 Overview of Project

The 7 MTPA licensed capacity MTT- WOP Oil pipeline with anticipated length of approximately 477 km originates from Machike (Sheikhupura - Punjab) and will traverse along M-2 Motorway up to Thallian (Chakri) and terminates at TaruJabba (Peshawar-KPK). There will be an interconnection branch pipeline from Attock Refinery Ltd. (ARL) to Thallian Oil Village having approximately 42 km length. The implementation of the project involves section wise construction of the pipeline having three sections namely;

2.2 Section-1: Machike – Thallian

At Machike, Storage Terminal of capacity 60,000 M Tons

Pipeline from Machike to Thallian Dia. 20" x 265 km long approx.

At Thallian, Storage Terminal of capacity 60,000 M Tons plus separate 3,000 M Tons storage for transmix & its processing.

2.3 Section-2: Thallian - TaruJabba

Pipeline from Thallian to TaruJabba Dia 12” x 172 km long approx.

At TaruJabba, Storage Terminal of capacity 50,000 M.Tons plus separate storage for transmix handling 3,000 M.Tons

The MTT-WOP system shall comprise of line pipe, storage tanks, pumping stations, mainline block valve stations, Pig Launching and Receiving Stations, CP system, SCADA and Telecom system, distribution facilities for Oil Marketing Companies (OMC), transmix handling / processing facilities and other related equipment / installations. Additionally, route corridor MTT-WOP is on Motorway M1, M2, road/highways, some portions of GT road route and will encounter pipeline crossings across Highways, road, rail road, canals, rivers, water ways, nullahs etc.

Design life of project is 30 years (extendable) with a capacity enhancement upto 10MTPA. Construction duration is 2 years and 2 years O&M services will be performed by the competitively selected EPC contractor. Budgetary EPC cost of the project is PKR 50 Billion. The project financing structure is based on 30:70 equity-debt ratio for 70% debt portion formation of consortium for local financing with LC's. if required buyer credit to meet foreign debt. Key customers are Oil Marketing Companies operating in the region of the project which includes PSO, Shell, Hascol, Bakri Energy, JS fuel, Echo Oil, GO, etc.

The project is intended to meet the increasing oil demand especially north including CPEC development factor, increasing vehicle ownership rate. The project will also mitigate the recurring oil shortages in the country especially the severe oil shortage in 2015 which can be described as a strategic emergency. Project implementation will result in safe and efficient supply of Petrol and Diesel to northern Punjab till Peshawar and less reliance on trucking cartels.

Project Cost

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Description	Amount (PKR)	Amount (PKR)
CAPEX - Terminals	17193.00	17,193
CAPEX - Pipeline	32391.00	32,391
Total Construction Cost	49584.00	49,584
Contingencies	2479.20	2,479
Insurance	247.92	248
Taxes & Duties	3718.80	3,719
Total EPC Cost	56029.92	56,030
Upfront Right of Way Rental Charges	2672.00	2,672
Land Acquisition	0.00	-
Line Fill Charges	0.00	-
Escalations (RoW & Line Fill Charges)	0.00	-
RoW & Line Fill Charges	2672.00	2,672
SPVC Cost	250.00	250
Design & Supervision	1886.92	1,887
Management & Consultancy	0.00	-
Development Cost	2136.92	2,137
Local Financing		
IDC	11995.79	11,996
Arrangement Fees	30.28	30
Commitment Fees	435.42	435
DSRA	0.00	-
Exchange Loss on 50% Foreign Component	0.00	-
Financing Cost	12461.49	12,461
Foreign Financing		
IDC	1890.29	1,890
Arrangement Fees	95.40	95
Commitment Fees	190.80	191
DSRA	0.00	-
Financing Cost	2176.49	2,176
Total Project Cost	75,477	75,477



Tariff - Cost of Service							
Year	Operating Expenditures	Cost of Capital	Product Volumes	Tariff			
				Total Revenue	PKR / MT	PKR / MT / KM	
2027	3,785	26,869	3,177,522	34,433	10,836.3	41.15	
2028	3,171	26,032	3,631,818	33,015	9,090.4	34.52	
2029	3,407	25,187	4,143,576	32,437	7,828.3	29.73	
2030	3,665	24,333	4,271,316	31,876	7,462.8	28.34	
2031	3,948	23,473	4,407,542	31,333	7,108.9	27.00	
2032	4,260	22,702	4,546,813	30,968	6,811.0	25.87	
2033	4,734	21,916	4,687,164	30,695	6,548.8	24.87	
2034	5,110	21,117	4,829,153	30,305	6,275.5	23.83	
2035	5,534	20,305	4,975,379	29,947	6,018.9	22.86	
2036	6,144	19,482	5,123,739	29,758	5,807.9	22.06	
2037	6,613	18,697	5,274,310	29,481	5,589.6	21.23	
2038	7,133	17,898	5,427,168	29,178	5,376.4	20.42	
2039	7,876	17,086	5,582,392	29,082	5,209.6	19.78	
2040	8,488	16,264	5,703,982	28,838	5,055.8	19.20	
2041	9,162	15,431	5,839,295	28,644	4,905.3	18.63	
2042	10,139	14,637	5,976,003	28,805	4,820.1	18.30	
2043	10,966	13,830	6,114,148	28,799	4,710.2	17.89	
2044	11,882	13,012	6,253,776	28,866	4,615.7	17.53	
2045	13,155	12,183	6,394,934	29,274	4,577.8	17.38	
2046	14,265	11,345	6,537,671	29,508	4,513.5	17.14	
2047	15,505	10,546	6,682,038	29,925	4,478.4	17.01	
2048	17,223	9,735	6,828,088	30,803	4,511.3	17.13	
2049	18,777	8,913	6,975,877	31,503	4,516.0	17.15	
2050	20,527	8,080	7,125,463	32,384	4,544.9	17.26	
2051	22,894	7,238	7,276,909	33,870	4,654.4	17.68	
2052	25,116	6,437	7,430,277	35,266	4,746.2	18.02	
2053	27,628	5,623	7,585,636	36,934	4,869.0	18.49	
2054	31,001	4,798	7,743,057	39,449	5,094.7	19.35	
2055	34,281	3,963	8,002,750	41,858	5,230.4	19.86	
2056	37,703	(0)	8,271,153	41,041	4,962.0	18.84	
				Average	5,419.53	12.45	



Estimated Volumes: Machike-Thallian

Year	MS Volumes (000 M.Tons)	HSD Volumes (000 M.Tons)	Total Volumes (000 M.Tons)
2023	1,544	1,633	3,178
2024	1,656	1,976	3,632
2025	1,780	2,363	4,144
2026	1,838	2,433	4,271
2027	1,933	2,474	4,408
2028	2,030	2,517	4,547
2029	2,126	2,561	4,687
2030	2,224	2,605	4,829
2031	2,322	2,654	4,975
2032	2,420	2,704	5,124
2033	2,519	2,756	5,274
2034	2,618	2,809	5,427
2035	2,718	2,864	5,582
2036	2,806	2,898	5,704
2037	2,906	2,933	5,839
2038	3,008	2,968	5,976
2039	3,110	3,004	6,114
2040	3,212	3,041	6,254
2041	3,316	3,079	6,395
2042	3,420	3,118	6,538
2043	3,524	3,158	6,682
2044	3,630	3,198	6,828
2045	3,736	3,239	6,976
2046	3,844	3,282	7,125
2047	3,952	3,325	7,277
2048	4,061	3,370	7,430
2049	4,171	3,415	7,586
2050	4,282	3,461	7,743
2051	4,401	3,601	8,002
2052	4,549	3,722	8,271