

Policy Incentives for Tight Gas Exploitation

Barrister Shahab Ahmad

Omv (pakistan) Exploration Gmbh, Islamabad

Recent surge in energy demand in the country and progressively increasing supply and demand gap in conventional fossil fuel and limited availability of an alternate, technologically and economically viable, source of energy has induced a sense of urgency to explore/exploit for the unconventional fossil fuel. The unconventional gas (Tight Gas, gas hydrates and coal bed methane) resources have increasingly attracted interest from the major E & P companies especially in the United States and Canada. Tight Gas reserves around the globe have not been untapped to its fullest potential and remain largely understudied since its development is capital intensive and takes unusually long investment recovery period owing, typically, to low rates of production. Minimal work has been done in Pakistan with regards to Tight Gas reservoir development, predominantly, because of absence of investor friendly Tight Gas policy.

The author firstly touches upon different types of unconventional gas and then gives a detailed review of its definition problem, which is causing hindrance for policy makers. After giving a brief conceptual over view of Tight Gas, the author then briefly analyses the case study of United States as a success story for enhancement of production of unconventional gas through economic policy incentives. The focal point is then shifted to energy crisis and the importance of exploration and production of natural gas in Pakistan. The author then sheds light on brief description of Tight Gas reservoir potential in Pakistan and then technologies required to undertake different phases of exploration, development and production of a Tight Gas potential to substantiate the fact that policy incentives are required to attract huge investment. This is followed by description of economic aspect of producing from tight unconventional reservoir under the exiting circumstances of Pakistan. The paper will conclude after giving a brief overview of the draft Tight Gas Exploration and Development Policy 2010 (as this has not been approved by the Economic Coordination Committee (ECC) on the date on which this paper is being compiled) and then listing down recommendations for the policy makers and all the stake holders to create an environment for successful exploration and exploitation of Tight Gas Reserves in Pakistan.