

# U.S. offers Pakistan partnership in energy; won't rule out nuclear

by Saqlain Imam

*Saqlain Imam, a Pakistani journalist, provided this report to EIR News Service.*

Pakistan, with an over 10% annual rate of growth in electricity consumption, is facing an acute shortage (22%) of power that plunges the whole country into darkness, and causes the power supply to be cut in different areas with different time schedules in order to manage the gap between supply and demand. This phenomenon is known as load-shedding.

Successive governments have been trying to solve the problem, but with the country's loan rating at B/B-, below investment grade, and a history of conflict with its neighbors, the nation has never been able to borrow significantly from international commercial sources. As a result, over 95% of Pakistan's \$21 billion foreign currency debt is to multilateral agencies such as the World Bank, or to foreign government export credit agencies (ECAs). Pakistan's foreign debt service's annual growth rate is 9% and has surpassed defense spending by more than 25%. Thus, Pakistan faces a serious problem in raising finances for the development of infrastructure and the energy sector. This has pushed the country into further backwardness.

In order to meet the challenges of development, the Bhutto government announced a new energy policy. Apart from other various incentives such as free transaction of money and tax-free import of machinery, she has fixed the purchase price of electricity at 6.5 U.S. cents per kilowatt-hour. The policy has been well received by local and foreign investors. However, the Pakistani business community has questioned it, saying that it would make the country dependent on a very expensive form of power. Moreover, the energy policy has also failed to attract investment in the hydroelectric power sector with identified potential of over 40,000 megawatts.

## O'Leary heads mission to Lahore

Against this backdrop, Prime Minister Benazir Bhutto requested President Bill Clinton to assist Pakistan in its bid to develop its energy sector. The President sent to Pakistan an 80-member Presidential Mission on Energy comprising engineers, investors, and finance managers led by Secretary of Energy Hazel O'Leary. The mission attended a Pakistan-U.S. energy conference in Lahore on Sept. 22-23. The energy discussion also took place in a strategic context in which

the Clinton administration is demanding a "verifiable cap" on Pakistan's suspected nuclear weapons program.

O'Leary announced that over \$3 billion worth of power projects in the private sector would be signed during her visit to Pakistan. Addressing the final session of the two-day energy conference on "Pak-U.S. Energy Partnership, Benefits, Opportunities and Challenges," O'Leary said, "We want partnership between the U.S. and Pakistani private sector minus government." She said if four or five projects come up with success through the joint, private-sector Pakistan-U.S. ventures, then Pakistan would be inundated with foreign investment. She said the U.S. government would not only promote joint ventures in energy in the private sector, but would also provide necessary financial and technological assistance to Pakistan. She said there would be a great change in our relations, once the U.S. private financial institutions developed full confidence in Pakistan.

Pakistan's ambassador in the United States, Dr. Maleeha Lodhi, has termed the mission a great shift in U.S. policy toward South Asia. Dr. Lodhi said, "It is clear from this visit that the Pakistan-U.S. relationship is not a simple issue, but one that will evolve in the post-Cold War era as a broad-based and multidimensional one. This is the largest investment delegation ever to come to Pakistan."

In turn, as Saltman Taseer, financial consultant and information secretary of the ruling political party, PPP, pointed out, Pakistan has offered a best package to foreign investors. Although he claimed the investments in Pakistan have been made in a corruption-free environment, the opposition has questioned the basis of the Bhutto government's energy policy. The opposition asks why did the government fix the purchase price of electricity from the emerging private sector at \$.065, when the purchase price in the United States is \$.035. However, the architect of the policy, Shahid Hasan Khan, defending the price, said Pakistan offered the best package and the highest price of electricity in the region, in order to attract foreign investment in energy. His policy has started to yield positive results. For the generation of 6,000 megawatts, offers of 28,000 MW have been received by Pakistan from the foreign private sector. Pakistani industrialists argue that though the policy has geared up the growth process in energy, it will skyrocket production costs, as in the future electricity with the present purchasing power

would cost \$.10 per kwh.

Ashfaq Mahmood, Additional Secretary (in charge) of the Ministry of Planning and Development, said that for the first time, opportunities of participating in new technology such as clean cold technology for power generation have been made available by U.S. investors. A mention was also made of coal gasification-type projects, and possibilities also exist in hydroelectric power for which Pakistan needs to articulate its policy in detail. He also said the participants felt the need of elaborating a policy package for developing coal mines as an indigenous energy source. The immediate requirement would be transmission lines and fuel transportation.

Leighton Steward of the Louisiana Land and Exploration Company, said the creation of a natural gas storage facility is also being studied. He said the U.S. private sector in collaboration with the DOE and the government and private sector in Pakistan, would be interested in exploring research and development in oil and gas exploration in Pakistan.

Robert Hart of Coastal Power Production Company, presenting the report on the workshop on coal, said it was agreed by all that the use of indigenous coal resources of Pakistan as an energy source is obviously preferable to using imported oil and gas to generate power. Yet coal has not received the proper attention of the Pakistani policymakers. He said that in collaboration with U.S. companies the coal mines of Pakistan should be developed in an integrated manner with a three-pronged style: a) Chinese/small power plants; b) medium-size power plants, and c) continued development of the coal mines. This, he said, would help in soliciting international financial assistance. He suggested that the U.S. DOE should support Pakistan in this field.

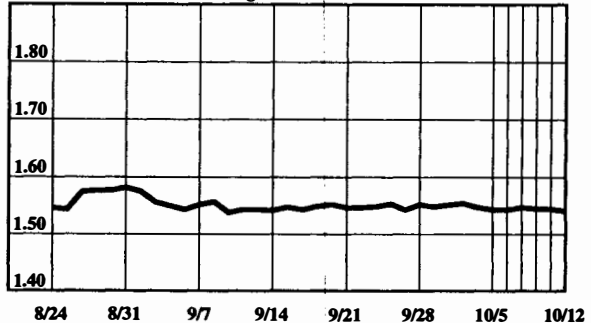
### 'We continue to support fusion'

Nuclear power generation was not a major focus at the conference. However, in answer to a question, O'Leary indicated that the nuclear option is not excluded from the administration's thinking. Asked if the United States has capped research and development in nuclear fusion energy and whether such a cap would not limit world energy development, given the U.S. position as a leading economic and technological nation, O'Leary replied: "I want to be very straightforward about what's going on in the United States. The Clinton administration continues to support sound, reliable and economic nuclear power. . . . There is no intention to walk away from a power source on which so many countries rely. . . . We have just completed two new reactor power plants. . . . I wanted to be clear on it that we continue to support fusion energy. The project of tokamaks receives funding. And this year's budget that would be formally introduced, that is now being gossiped about all over Washington—and the gossip you receive that we have withdrawn funding, that is not true. . . . Nuclear power is one of those power supply options that we want to keep."

## Currency Rates

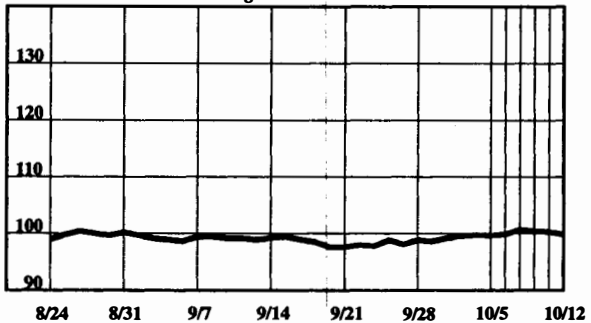
### The dollar in deutschemarks

New York late afternoon fixing



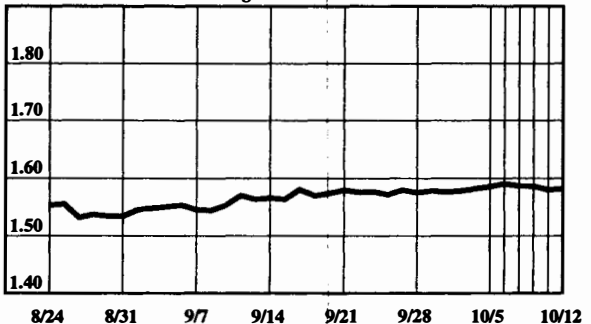
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

