

Brief introduction for Pakistan's Refining and Petrochemical Complex

- Petroleum Refining & Petrochemicals are vital to country's economic growth. They are the engine for industrialization and rapid urbanization. Despite its importance, Pakistan regrettably has no single petrochemical plant for producing basic petrochemicals and thus relies 100% on imports. Similar situation exists for petroleum products where large volumes of gasoline, diesel and fuel oil are regularly imported because country lacks adequate refining capacity. Pakistan's import bill on petroleum derived products runs into \$6-7 billion annually which is steadily rising due to strong demand growth.
- PCMA, along with other reputable companies in Pakistan has taken initiative to develop an integrated Refining & Petrochemical Complex in a private sector at Gwadar (outside Gulf of Oman), where China under one belt one road program is making \$55-60 billion investments to develop infrastructure. A proposed world scale complex of 300,000 barrels/day crude oil intake capacity is being planned to develop.
- Proposed project is fully supported by the Government of Pakistan and they have directed PCMA to encourage foreign and domestic investors to develop the project under private and/or public sector. Land, infrastructure, security and logistics support along with other financial incentives such as tax holidays, profit repatriation and investment security will be fully secured.
- Project cost assessment is about US\$8 billion that would require building a new grass-root refinery and a naphtha steam cracker. Both these plants would wipe out the current imports of refined products, olefins, aromatics and glycols. Refining capacity of 15 million tons/year and the steam cracker of 1.5 million tons/year are suggested along with other processing units, utilities and infrastructure. The complex would produce high grades of gasoline, diesel, jet fuel, ethylene, propylene, benzene, xylene and solvents which will all be sold in the domestic market. The project is insulated or have complete immunity from foreign competition as the entire production slate of the complex will be consumed locally. Exports will be subject to market economics.
- The economic benefit of building a petrochemical complex would be a game-changer to Pakistan's economy by saving substantial foreign exchange, creating employment boom in different sectors of the economy and providing a solid platform for developing cluster of industries and businesses that are generally associated with a large petroleum complex. The project after completion would put Pakistan on the road map of major industrialization that would encourage further investments and opens up opportunities to develop other mega projects.
- Project economics as per DCF indicate attractive financial returns that would potentially lure-in investors and other stakeholders in moving forward to develop the project. Few sensitivity cases at different price levels for crude oil also indicate favorable returns. In all three scenarios (crude prices at \$50, \$70 and \$100), the DCF Analysis yielded a positive Net Present Value (NPV) with ROI of 13.5% and a Payback period of 9.3 years.
- PCMA intends to soon launch the project and seeks foreign investors or partners as stake holder by taking equity position. PCMA have full commercial expertise and high profile business knowledge of securing and negotiating the crude oil and naphtha feedstocks along with supply/trading, shipping/logistics and manufacturing process of refined products and petrochemicals. Moving forward, an internationally reputable consultant would be hired to develop a full-fledged feasibility study to start the ball rolling.
- PCMA invites and encourages private investors particularly from the Middle East and Asian countries to participate in this project as this will open up the door of increasing trade and businesses with a foreign country. The project provides a golden opportunity to a foreign company to put a foothold in Pakistan market where growth potential is huge given a population base of over 200 million people.

SSH:

PCMA Consultant