



**RESEARCH ARTICLE**

**Iran-Pakistan Gas Pipeline Conundrum and Options for Pakistan**

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Article Info	Abstract
<p><b>Keywords:</b> Iran-Pakistan Gas Pipeline, Energy Security, Strategic Diversification, US Sanctions, Energy Security, Cost Efficiency</p>	<p><i>The Iran-Pakistan gas pipeline, also known as the peace pipeline, extend huge potential to lessen the incessant energy shortages and nurture economic growth for Pakistan. Multifarious proposals have been made on the pipeline project since its commencement in the 1990s, underscoring the strategic cooperation between the two countries. From economic outlook, the pipeline would ameliorate energy security, upgrade industrial production, and mitigate Pakistan's energy expenses. From a strategic perspective, the pipeline portrays an essential component of regional collaboration and integration. Nevertheless, numerous hurdles stand in the way of its progression, encompassing budgetary limitations, regional security concerns, and geopolitical squabbles like the US sanctions against Iran. Additionally, the viability of project is impeded by convoluted political factors existing in Pakistan and the larger international community. To bridle these hurdles, Pakistan requires exploitation of multiple approaches. Although the Iran-Pakistan gas pipeline ensures massive economic and strategic benefits for Pakistan, comprehending its potential entails a multifaceted strategy embracing diplomatic briskness, energy diversification, multilateral cooperation, and adhesive security measures. The qualitative method is utilized and case study design to inspect the Iran-Pakistan gas pipeline conundrum. A comprehensive analysis of documents is given using secondary resources to explore the geopolitical and economic options available for Pakistan.</i></p>

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## Introduction

Modern economies are invigorated by energy, which powers the entirety from industrial production to daily household activities. In contemporary scenario, a low-cost and dependable energy source is foundational for both growing economy and sustainable development in the technologically resilient world of today. Pakistan needs a ceaseless source of energy for its rapidly amplifying population and industrial sector.<sup>1</sup> Unfortunately, the nation endured difficult chapter in ensuring enough energy, which resultantly hindered economic growth and ultimately habitual power outages in Pakistan. The bleak financial and operational sloppiness of Independent Power Producers (IPPs) have rendered Pakistan's energy situation substandard.<sup>2</sup> These IPPs have only intensified the nation's bulky debt through abominable capacity payments in the guise of lessening the energy deficit.<sup>3</sup> These payments are made although the power is harnessed or utilized, paving the way for a significant strain on the national purse.<sup>4</sup> This situation subsequently creates an energy sector hassled with inefficiency and sloppiness.<sup>5</sup> In this dreadful scenario, Iran-Pakistan gas pipeline popped up as savior and game-changer for Pakistan's energy landscape. The pipeline pledged a sustainable and economical energy supply by transporting natural gas from Iran's extensive gas reserves to Pakistan. The proposed pipeline plan of transporting gas from Iran

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<sup>1</sup> Mian Ahmad Naeem Salik, "Pakistan's Energy Crisis: The Need for a Transition to Alternate Energy" *Institute of Strategic Studies Islamabad* (October 30, 2023): [https://issi.org.pk/wp-content/uploads/2023/10/IB\\_Salik\\_Oct\\_30\\_2023.pdf](https://issi.org.pk/wp-content/uploads/2023/10/IB_Salik_Oct_30_2023.pdf).

<sup>2</sup> Khurshid Khan, "Energy security in Pakistan-the case of IPI and TAPI," *Journal of Contemporary Studies* 1, no. 2 (2012): 1–20.

<sup>3</sup> Anjum Siddiqui and AR Kemal, "IPPs: The Real Issues [with Comments]," *The Pakistan Development Review*, 1998, 811–23. <https://pide.org.pk/research/ipps-the-real-issues/>

<sup>4</sup> Hafsah Ammar, "Independent Power Producers in Pakistan," *The Paradigm Shift* (October 6, 2023): <https://www.paradigmshift.com.pk/independent-power-producers-in-pakistan/>.

<sup>5</sup> Siddiqui and Kemal, "IPPs: The Real Issues [with Comments]."

is an essential step in achieving energy self-sufficiency and reducing dependence on expensive and less reliable sources of energy as aligned with energy security theory.

Pakistan has protracted onerous journey to fulfill its energy requirements, resulted in persistent energy shortages. These shortages put a brake on economic and societal development. The pipeline offers a feasible solution to the frequent energy deficits, providing a stable and cost-effective energy source as per cost-benefit analysis, with IP pipeline having the potential to boost Pakistan's energy security. Pakistan stands a hope to conquer its energy deficits by aligning the pipeline into its energy infrastructure. It would also stand a chance to bolster economic growth and ameliorate the quality of life of its citizens. The Iran-Pakistan gas pipeline is much more than a project, it is a symbol of hope for an energy starved nation aspiring for energy independence and economic resilience in line with energy security theory perpetuating energy independence.<sup>6</sup>

### **Research and Methodology**

This research paper adopts qualitative method to inspect the complications surrounding the Iran-Pakistan gas pipeline and to explore viable options for Pakistan. Qualitative research is one of the approaches to analyze complex geopolitical, ideological and economic issues. As this method entails in-depth insights into the contexts and perspectives. A case study method is opted to discuss the IP gas pipeline as a critical case. This case study method best examines the Pakistan's geopolitical challenges, energy dynamics and economic interests. The data is collected from various documents, including official agreements, policy briefs, reports from international organizations, and think tanks to analyze

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<sup>6</sup> Sajid Aziz, "Revival of Iran-Pakistan Gas Pipeline: How far It Will Go?" *Stockholm: Institute for Security and Development Policy* (2024): <https://www.isdp.eu/revival-of-iran-pakistan-gas-pipeline-how-far-will-it-go/>.

geopolitical patterns. Also, scholarly articles and newspapers on IP pipeline are extracted to inspect the implications of IP pipeline.

### **Importance of the Pipeline for the Project**

The pipeline holds immense significance as Iran holds the second largest gas reserves after Russia in the world.<sup>7</sup> And due to geographical contiguity, Iran shares substantial borders with Pakistan. And the two countries have a continuing commitment to the IP gas pipeline. Pakistan will stand the chance to strengthen its geopolitical position as per the geopolitical theory. Pakistan is at closer stages to fulfill the construction of pipeline to manage its energy requirements with the import of gas from Iran. This progression settled in less than two decades. But this progression is not without challenges. Pakistan has had to negotiate external pressure and domestic discords regarding linking its domestic and industries to gas fields of Iran. The Iran-Pakistan gas pipeline also holds strategic significance as it would transform Pakistan's status as a vital energy transit hub and upgrading its geopolitical leverage. The estimated natural gas deliverance of pipeline is up to 22 million cubic meters per day from south pars field of Iran to Pakistan, lessening Pakistan's persistent energy shortages and stabilizing its economy.<sup>8</sup> The distance to be covered by pipeline is 19,00 kilometers and as mentioned earlier, it would escort 750 million cubic feet gas per day, later it would be potentially increased to one billion cubic feet of gas per day.<sup>9</sup> This enduring energy supply will mitigate dependence on traditional energy sources and this pipeline will foster economic stability and secure energy supply as indicated by the economic theory. The pipeline will ensure promises of

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<sup>7</sup> Muhammad Munir, Muhammad Ahsan, and Saman Zulfiqar, "Iraq-Pakistan Gas Pipeline: Cost-Benefit Analysis," *J. Pol. Stud.* 20 (2013): 161.

<sup>8</sup> Khurshid Khan, "Energy security in Pakistan-the case of IPI and TAPI," *Journal of Contemporary Studies* 1, no. 2 (2012): 3-8.

<sup>9</sup> Fallahi, Ebrahim, "IP Gas Pipeline: A Fading Opportunity for Pakistan," *Tehran Times* (March 3, 2018): <https://www.tehrantimes.com/news/421743/IP-gas-pipeline-A-fading-opportunity-for-Pakistan>.

economic stability and economic growth with much needed revenue.<sup>10</sup>

**Figure1:** Proposed Iran-Pakistan Gas Pipeline Project



## Theoretical Framework

The Iran-Pakistan gas pipeline (peace pipeline) is a subject of extensive debate and scrutiny due to various geopolitical, security, and economic concerns. A multi-dimensional theoretical framework can be employed to examine the conundrum and suggest potential options for Pakistan. The following is the proposed framework for the plan, incorporating geopolitical, economic, and energy security theories:

### Geopolitical Theory

**Realism.** According to this theory, the pursuit of power dynamics and national interests is paramount.<sup>11</sup> For Pakistan, this pipeline secures its energy needs and strengthens bilateral ties with Iran,

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<sup>10</sup> David Templeman, “The Iran-Pakistan-India Pipeline: The Intersection of Energy and Politics,” *IPCS Research Papers*, no. 08 (April 2007): 32.

<sup>11</sup> Antunes, Sandrina, and Isabel Camisã. “Introducing Realism in International Relations Theory” *E-International Relations* (2018): <https://www.e-ir.info/pdf/72860>.

while balancing against external influences from regional powers like India, the United States, and China.

***Geostrategic Competition.*** The geostrategic aspect focuses on the influence of great powers such as China, Russia, and the United States in the region, and how their strategic interests impact Pakistan's decisions.

### **Energy Security Theory**

***Energy Dependence.*** This perspective evaluates Pakistan's energy requirements, diversification of energy resources, and the viability of gas supply from Iran compared to other potential sources.

***Sustainable Development.*** This perspective assesses how the pipeline could enhance Pakistan's long-term sustainable energy aspirations, stabilizing dependence on fossil fuels while addressing environmental concerns.

### **Economic Theory**

***Cost-Benefit Analysis.*** This method evaluates the economic viability of the pipeline project, considering construction costs, potential revenue from transit fees, and long-term benefits of enhanced energy security against possible economic sanctions and political risks.

***Game Theory.*** This theory analyzes the strategic interactions among stakeholders, including Pakistan, Iran, and others, examining potential rewards and penalties.

### **Historical Context of the Iran-Pakistan Gas Pipeline Project**

Historically, the project has been under negotiation between Pakistan and Iran since 1994, with initial agreement signed by Iran in 1995.<sup>12</sup> Later, Iran propounded to include India in the pipeline

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<sup>12</sup> Muhammad Munir, Muhammad Ahsan, and Saman Zulfiqar, "Iraq-Pakistan Gas Pipeline: Cost-Benefit Analysis," *J. Pol. Stud.* 20 (2013): 1.

project, with the signing of initial agreement with India in February 1999.<sup>13</sup> Multilateral meetings were held to finalize gas price and other related issues among Pakistan, India, and Iran. Subsequently, Iran also showed willingness to include China in the project in April 2008. Bangladesh was also welcomed by Iran to participate in the project. But India withdrew from the project in 2009 because it signed a nuclear deal with the US in 2008, indicating high costs and security concerns.<sup>14</sup> This fluctuation in India's behavior manifests the complex interaction of regional alliances and competitiveness in the broader framework of power dynamics in line with geopolitical theory.<sup>15</sup> However, in 2010 India requested for trilateral talks to be held in Tehran between Pakistan, Iran, and India. The US exert pressure to Pakistan to quit the pipeline project and advanced the favor of assisting in the construction of liquefied terminal of natural gas. It also offered assistance for the import of electricity from Tajikistan by means of Afghanistan's Wakhan Corridor if Pakistan exhibits compliance. But Pakistan and Iran endorsed a decisive agreement on the pipeline in 2010.<sup>16</sup> Under the agreement, both countries agreed to complete their section of project at the end of 2014. On 30th January 2013, Pakistan's government conform to the project. According to this dualistic agreement, Pakistan would be subjected to daily penalty of one million dollars to Iran till the completion of project, if it failed to meet the deadline. In July 2011, Iran announced the completion of its section of the project. Due to

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<sup>13</sup> Dinara Taldybayeva. "Iran-Pakistan-India Gas Pipeline: Implementation Issues." *Eurasian Research Institute*, n.d. <https://www.eurasian-research.org/publication/iran-pakistan-india-gas-pipelineimplementation-issues/>.

<sup>14</sup> "Iran-Pakistan Pipeline," *Global Energy Monitor-GEM.Wiki* (February 27, 2024): [https://www.gem.wiki/Iran-Pakistan\\_Pipeline](https://www.gem.wiki/Iran-Pakistan_Pipeline).

<sup>15</sup> Daniel H. Deudney, "Geopolitics | Political Science." In *Encyclopædia Britannica* (2019): <https://www.britannica.com/topic/geopolitics>.

<sup>16</sup> Arhama Siddiq, "Fueling Progress: The Iran-Pakistan (IP) Gas Pipeline" In *ISSI*, edited by A. Khan, 1–4. Institute of Strategic Studies Islamabad (2024): [https://issi.org.pk/wpcontent/uploads/2024/04/IB\\_Arhama\\_Apr\\_1\\_2024.pdf](https://issi.org.pk/wpcontent/uploads/2024/04/IB_Arhama_Apr_1_2024.pdf).

the insufficient interest from private investors as stated by Pakistan's finance ministry, the government explore government-to-government partnerships with multiple actors as China and Russia for the building of the pipeline demonstrating regional alliances of geopolitical theory.

Pakistan officially commenced its section of pipeline on 11 March 2013. It showed willingness in the continuity of project despite the US opposition. The Iranian portion of the pipeline, stretching over 1,100 km, starts from the par's energy economic area and compass Bushehr and Iranshahr. The passage covers the provinces of Kerman, Hormozghan, Fars, and Sistan-Balochistan. The Pakistan's area includes from border to Nawab Shah, about 780 km long, with approximately 665 km running through Balochistan and 115 km through Sindh. Recently, in 2019 the National Iranian Gas Company (NIGC) of Iran and the Inter State Gas Systems (ISGS) of Pakistan unanimously decides a pragmatic solution for the completion of pipeline at the cost of approximate \$158 million. The pipeline starting from the Iranian border to stretching towards the Southwestern Balochistan, confronted hurdles due to the US sanctions on Iran, and resulting financial limitations. Iran has invested approximately \$2.0 billion in the construction of its portion of pipeline.<sup>17</sup>

On February 23, 2024, Pakistan's Cabinet Committee on Energy permitted the work to commence on IP pipeline, finalizing the proposal. On March 7, 2024, the spokesperson of Pakistan's foreign ministry Mumtaz Zahra Baloch corroborated the project in words "it is advancing in conformity with our commitment to the Iran-Pakistan gas pipeline" despite the US Opposition.<sup>18</sup> The project

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<sup>17</sup> Umair Jamal, "Iran-Pakistan Gas Pipeline: A Case That Deserves Greater Attention." *Business Recorder*, (March 22, 2024): <https://www.brecorder.com/news/40294909>.

<sup>18</sup> Sarah Zaman, "No Need for US Waiver to Build Gas Pipeline with Iran, Pakistan Says," *Voice of America*, (March 21, 2024): <https://www.voane>

would be administered by the Special Investment Facilitation Council (SIFC) and financed by the Gas Infrastructure Development Cess (GIDC).<sup>19</sup> Under SIFC's administration, the project would improve working by overcoming bureaucratic hurdles.

Islamabad is granted a 180-day extension by Tehran until September 2024 to ensure completion of its 500-mile share of pipeline. The aim of extension is to navigate substantial legal disputes at International Courts. Instead of a full construction of pipeline from Iran to Gwadar, initiative should be taken from shorter segment of the Iran-Pakistan border to navigate the US sanctions. This strategy would secure a 50-mile section to link Gwadar to Iran's main pipeline to help in sanctions waiver. This initiative would enable the receiving of gas to Gwadar from Iran. According to cost-benefit analysis theory, this proposal is instrumental as it would sustain energy supply given the fluctuating LNG prices.<sup>20</sup> As Iran's supply of gas to Azerbaijan shows that such transactions would sustain despite frequent US sanctions. Also, the Saudi-Iran rapprochement in 2023 orchestrated by China also manifests that impediments in project's completion would lessen. There is a need to enhance regional connectivity to meet rising domestic needs and ensure a secure energy linkage.

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[ws.com/a/no-need-for-us-waiver-to-build-gas-pipeline-with-iran-pakistan-says-7537570.html](https://www.a/no-need-for-us-waiver-to-build-gas-pipeline-with-iran-pakistan-says-7537570.html).

<sup>19</sup> Islamuddin Sajid, "Pakistan Approves Work on Long-Awaited Iran-Pakistan Gas Pipeline Project" *Asia Pacific* (February 23, 2024): <https://www.aa.com.tr/en/asia-pacific/pakistan-approves-work-on-long-awaited-iran-pakistan-gas-pipeline-project/3146216>.

<sup>20</sup> Sabena Siddiqui, "Iran-Pakistan Gas Pipeline Gets a Reset, Can It Overcome Sanctions?" *Al-Monitor*, (February 24, 2024): <https://www.al-monitor.com/originals/2024/02/iran-pakistan-gas-pipeline-gets-reset-can-it-overcome-sanctions?>

## **Economic and Strategic Significance of the Iran-Pakistan Gas Pipeline Project**

Energy is used for domestic, industrial, and agricultural motives. Natural gas is the world's fastest developing primary source of energy, whose consumption is estimated to be burgeoned by almost 70% between 2002-2025, mostly due to rising demand of emerging nations. Between 2002 and 2025, the world's annual consumption of natural gas is presumed to rise by 2.3%, outpacing coal consumption that is 2.0% and oil which is 1.9%.<sup>21</sup> Out of this amplification, the electric power industry will account for almost half of it. With 1.3 billion people, South Asia is a major player in the energy markets because of the region's rapidly burgeoning demand, specifically in Pakistan, Bangladesh, and India. South Asia energy consumption intensified between 2006 and 2010. As per Pakistan's energy needs, natural gas provides 49% and the country has ample reserves of fuel – 26.9 trillion cubic feet as of January 2005. For the upcoming electric power production projects, Pakistan is intended to set priorities related to natural gas and Pakistan is ranked as third country in the world for using it as motor fuel. Even though the country aspires to enlarge oil production by international alliances, net oil imports are burgeoning. There have been frequent power outages since 2007, which necessitates the need for excessive energy production, preservation, and lessen transmission losses. The electric generating capacity of Pakistan is 18 GW, of which 70% is manufactured by thermal plants, 28% by hydroelectricity, and about 10% by nuclear power. Pakistan is also delving into multifarious options to increase its rising energy needs, as the exploitation of its own hydro, natural gas and coal resources as well as importing LPG and LNG, buying electricity from Central Asia, and possibly from India through the TAPI project. In this scenario, IP gas pipeline holds immense significance as it holds the capacity to produce

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<sup>21</sup> Muhammad Munir, Muhammad Ahsan, and Saman Zulfiqar, "Iraq-Pakistan Gas Pipeline: Cost-Benefit Analysis," *J. Pol. Stud.* 20 (2013): 3-4.

presumably 4,000 MW of electricity. Right now, the country faces a power deficit of 5000-6000 MW, culminating at around 7,000 MW previous year.<sup>22</sup> According to the realist perspective, national interest is paramount and conveyance of gas from Iran via the IP pipeline could help ameliorate the energy shortfall and lessen the generation costs compared to the current reliance on furnace oil and diesel.

The proposed IP gas pipeline would ensure the energy security and strengthen economic ties to both Iran and Pakistan according to the realist perspective. It holds the potential to lessen Pakistan's energy crisis with the presumed output of 750 million cubic feet of gas per day.<sup>23</sup> This project upon completion will reduce Pakistan's dependence on the Gulf states and the west employing the energy dependency theory as it is a step towards advancement of energy security. It is a more viable option as compared to other potential resources. The project would be a savior of one billion dollars annually by substituting costly furnace oil with economical Iranian gas as per economic promises of cost-benefit analysis.<sup>24</sup> Also, the pipeline brings forth safe passage to gas supply reinforcing Pakistan's bargaining position for LNG imports. The project has also the potential to create employment opportunities in Balochistan and Sindh enhancing socioeconomic development for these regions. The Iran will conquer economic isolation with this project, and it will utilize its natural gas reserves in the best way as the cost-benefit analysis indicate that sanctions effect will be lessen with the economic gains by exporting gas to Pakistan. There are also chances of expedite discussions on Free Trade Agreement (FTA) between

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<sup>22</sup> Sajjad Ashraf, "The Iran-Pakistan Gas Pipeline: Pakistan's Energy Lifeline" *East Asia Forum* (March 27, 2013): <https://eastasiaforum.org/2013/03/27/the-iran-pakistan-gas-pipeline-pakistans-energy-lifeline/>.

<sup>23</sup> A.Siddiqua, *Fueling Progress*, 2.

<sup>24</sup> Tim Stobierski, "How to Do a Cost-Benefit Analysis." *Harvard Business School Online*, Harvard Business School (September 5, 2019): <https://online.hbs.edu/blog/post/cost-benefit-analysis>.

Iran and Pakistan. It will also provide opportunities for bilateral political ties amidst the shifting regional geopolitics. It has an impact on climate resilience as the natural gas being purifier than oil and coal, will improve air quality and mitigate the carbon emissions. The natural gas will reduce Pakistan's carbon footprint as it promotes environment sustainability. This aspect is aligned with sustainable development of energy security theory as the pipeline addresses environmental concerns. Hence, the IP gas pipeline is a viable and significant option for Pakistan. Pakistan must prioritize this project despite international opposition.

## **Economic Significance**

### ***Energy Security and Cost Efficiency***

The project is cost effective and ensures secure and reliable sources of natural gas, which is a crucial step towards alleviating the persistent energy deficits in line with energy independence aspect of energy security theory. These shortfalls in the energy sector are hindering industrial expansion and raising the cost of daily living. The continuous flow of gas would ensure the stability of the national grid, prevent load shedding and accelerate industrial output. It is cost effective as the LNG imports are expensive compared to importing natural gas via pipeline, abasing the total import expenditure of energy imports.<sup>25</sup>

### ***Industrial Growth and Economic Development***

Industrial growth will accelerate with the assistance of reliable energy supply, particularly in energy-intensive industries, for instance textiles, manufacturing and chemicals. Resultantly, it would create employment opportunities, boost exports and add to the national GDP. It will also attract Foreign Direct Investment

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<sup>25</sup> Faraz Ahmed, "Iran-Pakistan Pipeline: A Much-Needed Lifeline" *The Express Tribune* (April 8, 2024): <https://tribune.com.pk/story/2462022/iran-pakistan-pipeline-a-much-needed-lifeline>.

(FDI) by providing a functional and secure environment for enterprises ensuring benefits of economic theory.<sup>26</sup>

### ***Reduction in Fuel Import Dependency***

Currently, Pakistan's energy demands are catered by importing expensive LNG and oil due to which the nation is vulnerable to fluctuating global prices and discontinuity in supply. The pipeline will reduce the dependence on other regional powers enhancing its influence and prioritizing its national interest in keeping with geopolitical theory, boosting economic stability and resistance to changes in global markets trends.

### ***Savings on Capacity Payments***

The pipeline will reduce the burden on national purse foisted by capacity payments given to IPPs.<sup>27</sup> Pakistan can initiate bargaining with IPPs once the supply of cheaper gas is ensured via the pipeline. It will also provide the platform to invest in more cost-effective energy projects. It will reduce burden on economic strain thrust by the capacity payments.

### **Strategic Significance**

#### ***Strengthening Bilateral Relations with Iran***

Pakistan-Iran bilateral relations are the hallmark of pipeline project, aims at strengthening cooperation and interdependence for the good cause of energy supply. Pakistan needs a valuable ally in the dynamics of shifting geopolitical change in the South Asia and Iran would prove to be one as per game theory where the pipeline provides comprehensive framework for understanding the strategic interactions of different stakeholders. This project would strengthen dualistic relations through political, economic, and strategic

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<sup>26</sup> Victor Beker, *Economic Theory for the Real World* (2023): <https://doi.org/10.4324/9781003395799>.

<sup>27</sup> Siddiqui and Kemal, "IPPs: The Real Issues [with Comments]."

dimensions between Pakistan and Iran. The pipeline is regarded as embodiment of economic collaboration between Iran and Pakistan and a total calculated cost of project is \$7.5 billion.<sup>28</sup>

This project has the potential to strengthen economic interconnectedness by creating new avenues for trade agreements between two countries other than the energy sector. The pipeline has the potential to harness Pakistan's geopolitical independence in keeping with energy security theory and through bilateral trade, Pakistan can sustain this independence by diversifying its economy. Both countries will also build confidence in each other by resisting mutual suspicions. This activity is fruitful for regional stability and connectivity. The involvement of major players like China and India can be a step towards the advancement of strategic partnership where strategic interests of different actors can be analyzed through game theory, identifying their preferences and anticipating the action of other actors. This strategic interaction of various actors will serve the purpose of regional autonomy. South Asia also has the potential to enhance autonomy amongst regional countries by resisting pressure from external forces. The pipeline can also serve the purpose of strategic interaction in the context of broader regional integration projects like the China-Pakistan Economic Corridor (CPEC) because integration with mega projects like CPEC would sustain a relation of cooperation amongst countries like China, Iran, and Pakistan and the CPEC project also is in parallel with Pakistan's diversification strategies of energy fostering regional alliance of geopolitical theory.<sup>29</sup>

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<sup>28</sup> Kamal, "The Benefits of Iran-Pakistan Gas Pipeline Project" *Pakistan & Gulf Economist*. *Pakistan & Gulf Economist* (October 20, 2019): <https://www.pakistangulfeconomist.com/2019/10/21/the-benefits-of-iran-pakistan-gas-pipeline-project/>.

<sup>29</sup> Daniel Deudney, "Geopolitics | Political Science" In *Encyclopedia Britannica*. <https://www.britannica.com/topic/geopolitics>.

### ***Geopolitical Leverage***

In the regional energy dynamics, Pakistan can be a key negotiator with the victorious execution of the IP pipeline. The project will significantly elevate the geopolitical leverage of Pakistan as it can strengthen its geopolitical position aligning with geopolitical theory, with the inclusivity of actors interested in the stability of and progression of region. Pakistan can substantively boost geopolitical leverage by reducing reliance on traditional energy suppliers and by diversifying its energy resources, supplementing the geopolitical independence of energy security theory. This diversification of energy will assist Pakistan to maneuver global politics on energy with greater flexibility by reducing dependence on oil and gas from middle east. This independence will reduce external influence on domestic policies, eluding the geopolitical interests of major powers. Like Pakistan pursue its energy interests in 2013 despite international sanctions on Iran. This progression also portrays the commitment of Pakistan to project. This move also leads towards an independent and autonomous foreign policy without any external influence. Regarding energy-exporting nations, Pakistan influences as negotiating power will also enhance. According to geopolitical theory, this influence will increase because Pakistan will no longer be susceptible to supply inconsistencies from single source or region priming geopolitical interests.

The pipeline will also serve the purpose of strategic counterbalance as IP connectivity with CPEC will reinforce a cooperative network including Pakistan, China, and Iran. This way, the India's influence in the region will be neutralized with trilateral cooperation of Iran, China, and Pakistan. Hence, the strategic position of Pakistan will elevate. Also, Pakistan's role as a key energy transit hub will potentially be increased through the extension of pipeline project to other regional countries. Pakistan can also secure its position as key arbitrator or mediator in the region by establishing closer ties with Iran such as Saudia Arabia and Iran

rapprochement, highlighting Pakistan's strategic interests by employing game theory. Pakistan's position in the international stature will increase with this balancing act by acting as a key player in the Middle East and in the politics of South Asia.

### **Regional Stability and Economic Integration**

The IP pipeline project will create more avenues for collaborative proposals in South Asia and stretching far beyond. These collaborative efforts will prove productive for regional stability by nurturing economic interdependence and trade for mutual interests. Integrating CPEC with IP pipeline is a win-win situation for regional stability as it will boost regional connectivity and integrity resisting any chance of conflict.<sup>30</sup> The facilitation of economic cooperation through the IP project by mutual development across south and central Asia can increase Pakistan's position as decisive player in regional energy trade and energy diplomacy, focusing on geopolitical interests of Pakistan considering geopolitical theory.<sup>31</sup>

### **Energy Diplomacy**

By substantive undertaking in energy trade with neighboring countries like India and China in the future has the potential to raise its energy diplomacy.<sup>32</sup> Integrating regional partners will boost Pakistan's economy and its strategic importance in the region. Pakistan is navigating international pressures to pursue its unwavering commitment to IP project for the greater purpose of securing the reliability of energy and its energy future independently fostering the aspect of energy security theory. Additionally, the CPEC, a multi-billion-dollar project for infrastructural

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<sup>30</sup> Muhammad Munir, Muhammad Ahsan, and Saman Zulfiqar, "Iraq-Pakistan Gas Pipeline: Cost-Benefit Analysis" *J. Pol. Stud.* 20 (2013): 5-6.

<sup>31</sup> Faraz Ahmad, "Iran-Pakistan Pipeline: A Much-Needed Lifeline" *The Express Tribune* (April 8, 2024): <https://tribune.com.pk/story/2462022/iran-pakistan-pipeline-a-much-needed-lifeline>.

<sup>32</sup> Khurshid Khan, "Energy security in Pakistan-the case of IPI and TAPI," *Journal of Contemporary Studies* 1, no. 2 (2012): 8.

development, by linking it with IP can facilitate in trade and economic cooperation, making Pakistan a determining player in the region.<sup>33</sup> If India joins the project in the future, it will facilitate regional cooperation and stability, and it will position Pakistan as transit route for central energy in South Asia.

## **Geopolitical Challenges**

### ***US Sanctions on Iran***

The major geopolitical hindrance confronted by IP gas pipeline has been the imposition of US sanctions on Iran. These sanctions indicate the strategic interactions of game theory by analyzing how America aimed at isolating Iran economically and influencing Pakistan through these sanctions. These US sanctions are imposed with the primary purpose of restraining the nuclear program of Iran by controlling its economic activities, particularly in the sector where Iran holds the largest reserves including oil and gas. Iran is not alone who is threatened by the sanctions. Pakistan also confronts external pressure including threatened by potential sanctions for pursuing energy trade with Iran.<sup>34</sup> Due to US pressure, international and financial institutions are reluctant to participate in the project.

### **Regional Rivalries**

The convoluted framework of regional politics, significantly the Saudi Arabia and Iran conflict impacts the pipeline project reflecting the complex interchange of regional alliances and rivalries of geopolitical theory. Saudi Arabia having rivalry with Iran, restricts

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<sup>33</sup> Tufail Abbas, "The Iran-Pakistan Gas Pipeline Project: Diplomacy and Pakistan's Options," *Paradigm Shift* (April 15, 2024): <https://www.paradigmshift.com.pk/iran-pakistan-gas-pipeline/>.

<sup>34</sup> Ariba Shahid, "Iran-Pakistan Gas Pipeline Remains Stalled under Cloud of Sanctions," *Reuters* (April 24, 2024): <https://www.reuters.com/business/energy/iran-pakistan-gas-pipeline-remains-stalled-under-cloudsanctions-2024-04-24/>.

the Pakistan's capability to engage cordially with Iran. This factor impedes Pakistan performance related to IP pipeline project.<sup>35</sup>

### **Economic Challenges: Funding and Investment Issues**

Financial constraints are a major hurdle in the passage of the IP project. Fearing geopolitical repercussions like sanctions, international investors and financial institutions are cautious of investing in IP projects. Since the initiation of project, Pakistan has showed eagerness to start the construction of its portion, but the project has been hampered multiple times due to insufficient funding or lacking financial backing. Pakistan in 2013 was eager to pursue the project but faced difficulties from fear of sanctions reflecting the US geopolitical interest in the region. Initiating mega projects like IP for economically strained countries like Pakistan posed significant economic challenges. Donald Lu, the US assistant secretary of state for South and central Asia, showed suspicion regarding the Pakistan's credibility to locked funding for the project. Lu stated: "Honestly, I don't know where the financing for such a project would come from. I doubt many international donors will be interested in supporting it."<sup>36</sup>

### **Technical and Logistic Challenges: Infrastructure Development**

The construction of this pipeline requires technical and logistic work. It entails comprehensive infrastructural development. Also, the pipeline requires safe passage in areas particularly Balochistan. This necessitates a heavy investment in technical and security areas

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<sup>35</sup> Zafar Iqbal, "Review of The Significance of Iran-Pakistan Gas Pipeline," *Republic Policy* (April 27, 2024): <https://republicpolicy.com/the-significance-of-iran-pakistan-gas-pipeline/>.

<sup>36</sup> Sarah Zaman, "No Need for US Waiver to Build Gas Pipeline with Iran, Pakistan Says," *Voice of America* (March 21, 2024):<https://www.voanews.com/a/no-need-for-us-waiver-to-build-gas-pipeline-with-iran-pakistan-says-/7537570.html>.

for risky and rugged routes to make sure safe and reliable construction and operation.

### **Maintenance and Operational Issues**

The persistent maintenance of pipeline with efficacy is another hurdle. This can intensify regional instability. What requires is a robust and efficient system to manage the substantive havoc. So, the continuous operation of pipeline is necessary for smooth working.

### **Security Challenges: Insurgency and Terrorism**

The route through which the pipeline will pass may not be fully considered to be safe and secure, specifically from some parts of Balochistan. These areas pose major threats to the pipeline. The Southern part of Balochistan is mired with terrorism and insurgency.<sup>37</sup> This bleak situation has the potential to disrupt the operation and construction of pipelines. The attack on the Chinese consulate in Karachi is a case in point.<sup>38</sup> And in recent years, numerous examples are evident of increasing Baloch insurgents while demonstrating their aggression on energy infrastructural projects.

### **Policy Options for Pakistan**

The successful execution of the IP pipeline requires utilization of multi-functional strategies to address the geopolitical, technical, and financial constraints confronted by pipeline. The following are the measures that can be adopted for achieving the purpose of pipeline:

First, Pakistan should utilize its diplomatic channels to engage US for navigation of possible sanctions waiver for the

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<sup>37</sup> Nadeem Zaman, Safia Bano, and Muhammad Shafiq, Accessed March 13, 2022. <https://nacta.gov.pk/wp-content/uploads/2021/09/Terrorism-in-Balochistan.pdf>.

<sup>38</sup> *BBC News*, “Pakistan Hotel Bomb: Deadly Blast Hits Luxury Venue in Quetta” (April 22, 2021): <https://www.bbc.com/news/world-asia-56834937>.

successful implementation of pipeline.<sup>39</sup> Pakistan should use diplomatic platforms to communicate the role of pipeline in Pakistan's energy security and its role in economic stability. According to International Atomic Energy Agency (IAEA): almost 30% of gas is imported to Pakistan because natural gas amounts to a substantial portion of Pakistan's energy mix. Also, the role of strengthening allies cannot be neglected. Those countries having influence on US such as China and Russia can help in advocating Pakistan's stance on economic collaboration with Iran. Pakistan needs to develop stronger ties with these countries having influence on US.

Kamran Bokhari, a security affairs expert in Washington told in an interview on the Voice of America that for obtaining a sanctions waiver from Washington can be presented by Pakistan with the purpose to acquire energy from Iran, a strong negotiating position is required, and Pakistan lacks that navigation. Bokhari commented: Pakistan's bargaining position is very limited due to financial and economic crisis. Pakistan is looking for the 24th bailout from the International Monetary Fund (IMF) due to the precarious economy brimmed with external and internal debt. Bokhari recommended that the United States would be unwilling to accommodate any assistance involving Iran. This stringent behavior is attributed to US and Iran strategic rivalry. The US wanted Iran to remain under the influence with pressure on economy. The potential of trade with Iran is further inhibited with the Countering America's Adversaries Through Sanctions Act (CAATSA) in Iran.<sup>40</sup> The US Assistant Secretary of State for South and Central Asia stated in a congressional hearing about Pakistan not even approaching US for

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<sup>39</sup> Faraz Ahmad, "Iran-Pakistan Pipeline: A Much-Needed Lifeline," *The Express Tribune* (April 8, 2024) <https://tribune.com.pk/story/2462022/iran-pakistan-pipeline-a-much-needed-lifeline>.

<sup>40</sup> Namita Barthwal, "Iran and Pakistan's Peace Pipeline Conundrum," *The Diplomat* (April 26, 2024): <https://thediplomat.com/2024/04/iran-and-pakistans-peace-pipeline-conundrum/>.

sanctions waiver for IP pipeline.<sup>41</sup> So, the bargaining and navigation tools should be utilized in its true essence for Pakistan to secure its energy security via IP pipeline.

Second, Pakistan should engage with Iran through bilateral relations by trade cooperation, in the context of security dynamics, and cultural exchanges. With these diplomatic and cordial initiatives, Pakistan can secure the supply of energy and economic development. Pakistan can initiate diplomatic engagements through the Economic Cooperation Organization (ECO) framework to gather support from the organizational member countries for the continuance of pipeline. In 2017, Pakistan hosted the 13th Summit of ECO at Islamabad.<sup>42</sup> In the summit, different member countries including Iran discussed regional connectivity and economic integration. Pakistan should utilize such platforms to advocate from member countries for the cause of its pipeline by underscoring energy security as vital for geopolitical independence. The diplomatic efforts facilitated by the ECO platform could gather support from member countries for commitment to pipeline. Also, using the ECO platform for diplomatic engagements can provide opportunities for investment and for backing up the project through financial means as ECO primarily focuses on economic cooperation. A collaborative financial mechanism would assist best for the pipeline. A regional infrastructural fund should be established to finance projects such as the IP gas pipeline.

Pakistan also has the option to cast round for Chinese banks via the Belt and Road Initiative (BRI). Through this avenue, Pakistan can maximize the financial investment required for project. For instance, the integration of CPEC with the IP pipeline project

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<sup>41</sup> Faraz Ahmad, "Iran-Pakistan Pipeline: A Much-Needed Lifeline," *The Express Tribune* (April 8, 2024): <https://tribune.com.pk/story/2462022/iran-pakistan-pipeline-a-much-needed-lifeline>

<sup>42</sup> "13th ECO Summit (Islamabad, March 2017)": <https://eco.int/13th-eco-summit-islamabad-march-2017/>.

can serve the purpose for successful implementation. Another option is to seek partnerships with international energy companies. These international companies can provide premium expertise and high technology as Russia's Gazprom and China's CNPC involvement can boost the performance of pipeline with their high-tech skills and potential expertise. The "Gazprom" Russian gas company also exhibit willingness in assisting the pipeline project through financial and technological capabilities. Russian companies with large accumulation of revenues aspires to invest in countries with ample oil and gas reserves to boost their economy.<sup>43</sup> The role of local engineers should not be neglected as investment for their training and capacity development will ensure smooth working operation.<sup>44</sup> Pakistan needs to improve its infrastructure for the pipeline to efficiently manage the administration of imported gas from Iran, inclusive of distribution networks and storage capacity is vital. A detailed and scrutinized security system should be implemented for the protection of this pipeline from troublemakers, specifically in volatile areas.

Pakistan can circumvent US banking sanctions by initiating bilateral trade agreements with Iran through direct trading of goods and services. This hack can cope with the financial constraints. Both countries should pursue mutual interests in sectors like textiles, agriculture, and pharmaceuticals, to integrate economic collaboration. Naeem Yahya Mir, the former Managing Director of Pakistan State Oil, said to the VOA that Pakistan can escape the US banking restrictions by refusing dollar as a price for gas from Iran. He also said that Iran had used this deal earlier and it would benefit both Iran and Pakistan. Pakistan, in 2013, had also opted for bilateral

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<sup>43</sup> Pepe Escobar and Asia Times, "Russia and Iran Lead the New Energy Game" *Asia Times Online* 14 (2006): 1-2.

<sup>44</sup> Paul Woodward, "The 'Peace Pipeline,'" *The National*, (May 28, 2009): <https://www.thenationalnews.com/uae/the-peace-pipeline-1.484985>.

trade due to its stalled foreign exchange reserves.<sup>45</sup> Pakistan can diversify its trade partners to lessen dependency on western markets. With reducing dependency for economic purposes, Pakistan can be a shock absorber against potential sanctions. Pakistan should steer its foreign policy towards countries having neutral or amicable attitude toward Iran. Such as, Malaysia, Turkey and the Central Asian states that can assist in IP pipeline. Pakistan should update its energy policy to attract foreign investment and for infrastructural support for the pipeline. Incentives like tax breaks and subsidies for pipeline projects should be made to attract investment in the private sector. These incentives will encourage investments for projects like IP pipeline.

Transparency in the pipeline project should be ensured by implementing anti-corruption measures. This will boost investor confidence. A specific task force should be established to elude bureaucratic hurdles and to speed up the decision-making process. Naeem Yahya Mir held the bureaucracy responsible for delays in construction of pipeline. He condemned the government of Pakistan for not getting a waiver from the US for the import of gas from Iran. Public backing for the pipeline should be increased and creating awareness by conducting campaigns for public support. The participation of industry stakeholders and local communities should be fetched to reach a consensus on pipeline. International media platforms should be used to promote the project, and negative narratives should be countered through the same platforms.

## **Conclusion**

The Iran-Pakistan gas pipeline is potentially a revolutionary project for Pakistan's energy security. Although the pipeline is confronted

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<sup>45</sup> Sarah Zaman, "No Need for US Waiver to Build Gas Pipeline with Iran, Pakistan Says" *Voice of America*, (March 21, 2024): <https://www.voanews.com/a/no-need-for-us-waiver-to-build-gas-pipeline-with-iran-pakistan-says-/7537570.html>

with numerous challenges at multiple levels. This complex web can be analyzed by employing different theories like geopolitical, energy security, and economic theory. The pipeline holds immense potential as it will provide a reliable source of energy supply, critical for addressing Pakistan's energy scarcity issues and the project will also advance economic expansion as per economic theory. In keeping with the geopolitical theory, the participation of other regional actors fostering regional alliances as India and China through integration with multi-billion dollars project like the BRI have the potential to significantly boost Pakistan's strategic position as the hub of energy transit trade route. Pakistan should materialize the full potential of project by conquering challenges like budgetary limitations, geopolitical pressures from influential powers, and security concerns. The persistence of regional conflicts and security concerns like rugged and insecure route through the volatile regions of Balochistan complicated the effective execution of the project. What Pakistan possess in its pocket is to make best use of diplomatic platforms for the promotion of projects like the IP pipeline to reinforce its geopolitical position. These diplomatic ties will mitigate geopolitical concerns. Pakistan should develop closer ties with Iran and China for financial and technical backing for the project. Pakistan should use renewable energy resources as a diversification strategy, one of the key aspects of energy security theory, to complement the pipeline. This will also reduce dependency on a single source of energy.<sup>46</sup> To conclude, the IP pipeline project offers significant insights into strategic and economic benefits but for the materialization of project, careful navigation of regional geopolitics with pragmatic financial and security policies are crucial.

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<sup>46</sup> Faraz Ahmad, "Iran-Pakistan Pipeline: A Much-Needed Lifeline," *The Express Tribune* (April 8, 2024):<https://tribune.com.pk/story/2462022/iran-pakistan-pipeline-a-much-needed-lifeline>.