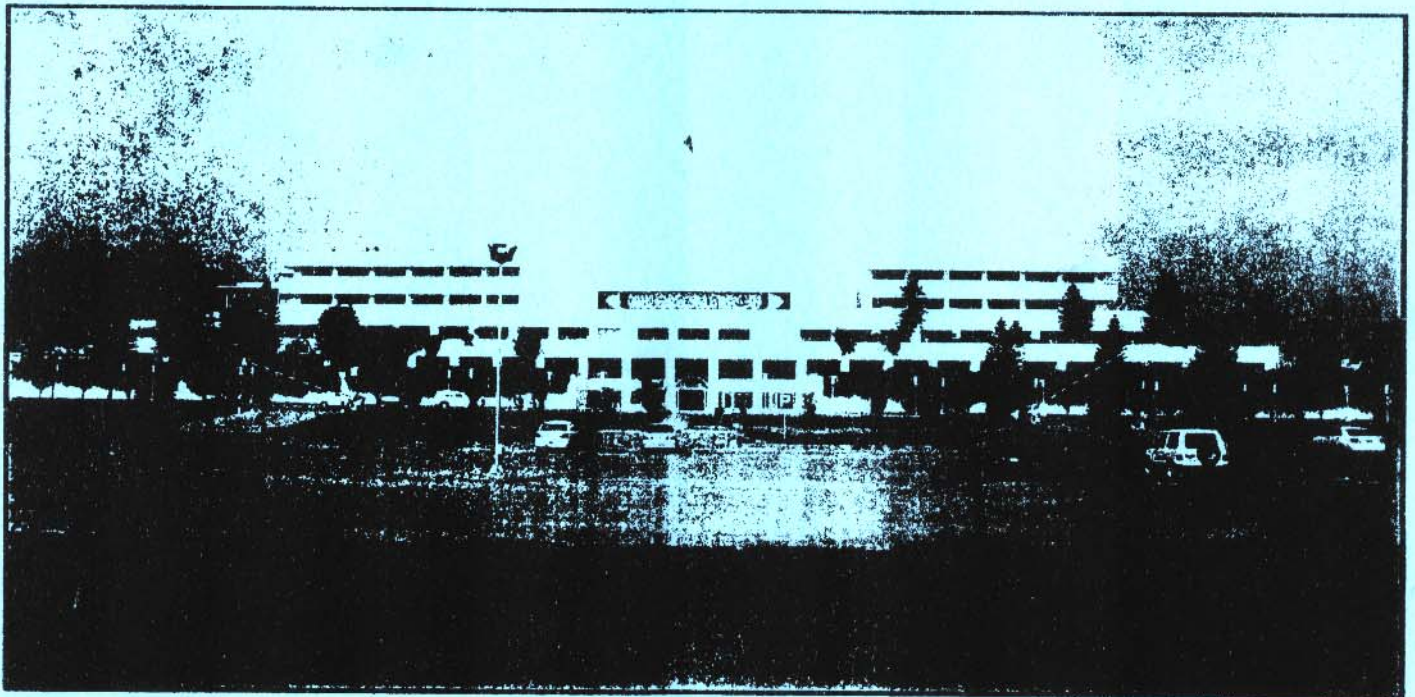


**2nd INTERIM REPORT OF THE SPECIAL
COMMITTEE OF THE SENATE ON CHINA
PAKISTAN ECONOMIC CORRIDOR.**

Translating a myth into reality.



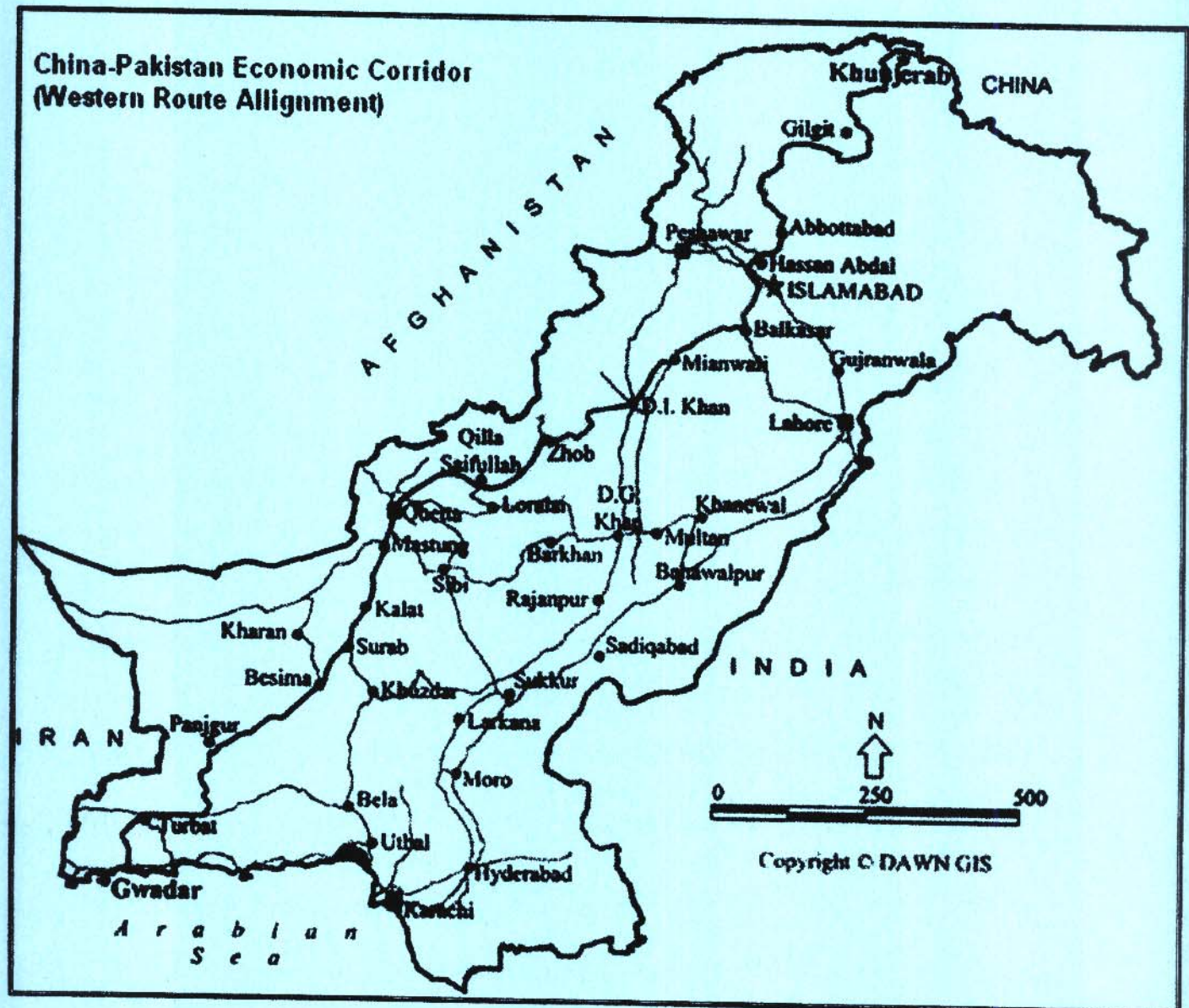
Presented by:
SENATOR TAJ HAIDER
Convener of the Special Committee

2nd INTERIM REPORT OF THE SPECIAL COMMITTEE OF THE SENATE ON CHINA PAKISTAN ECONOMIC CORRIDOR.

Translating a myth into reality.

1. The Special Committee of the Senate on China Pakistan Economic Corridor notes with regret that there are many indications on ground that the Agreed Western Route of CPEC is NOT being given the priority that had been accorded to it by the Honourable Prime Minister of Pakistan in his public announcement of 15th January 2016. While work on the Eastern Route and the Peshawar to Karachi Main Line 1 of the Railways is progressing on a fast pace and construction of a 6 lane Motorway on the Eastern Route is expected to be completed at a very early date, the work on the Agreed Western Route from D.I Khan to Gwadar sections and construction of deep sea berths at the Gwadar port remains a mere eyewash.
2. The agreed Western Route as announced by the Honourable Prime Minister after the All Parties meeting on 15th January 2016 is: **Burhan/Hakla(M-1) – D.I.Khan, Zhob- Quetta- Surab-Besima- Panjgur-Hoshab-Turbat- Gwadar = 1,674Km.** //

MAP OF DIFFERENT PROPOSED ROUTES FOR CONSTRUCTION OF CHINA PAKISTAN ECONOMIC CORRIDOR (CPEC).



- Publicity and propaganda which is based on distortion of facts has always proved counterproductive. The China Pakistan Economic Corridor has already seen a lot of controversy as regards its route. Political consensus on the route for the Corridor was

achieved after a lot of difficulty. It would be a pity if the consensus arrived at by the political leadership of the Country on 15th January 2016 was so blatantly flouted. A perception at the level of the political parties and the people that they had been deceived once again would have serious consequences.

4. At the same time the Special Committee wishes to record its deep appreciation of the fact that the Ministry of Railways on its own initiative has undertaken to build a Railway line that would connect Peshawar with Gwadar. From D.I.Khan onwards to Gwadar this planned railway line shall follow the alignment of the Agreed Western Corridor. The Ministry of Railways plans to upgrade the abandoned pre-independence Railway tracks to the required technical standards and to lay new tracks on the sections where these have not existed earlier.
5. The time line given by the Secretary Railways for completing the feasibility and the engineering design is realistic and encouraging. The Special Committee notes that a Railway line along the Agreed Western Route is outside the existing framework of CPEC. However, the Ministry of Railways wants to complete this project with their own resources and financing from financial institutions and prospective partners. In view of the fact that the proposed railway link provides a shorter, quicker, cheaper per ton/per km, environmentally friendly, free from pilferage en-route transportation, the Special Committee strongly recommends that the Pakistan Railways should be fully supported in this bold initiative and the financial and technical resources needed by them from time to time should be arranged expeditiously.
6. The Special Committee also proposes that up-gradation of the ML 1 section of the railway line by the Pakistan Railways should be extended right up to Torkham and a

Dry Port should be constructed at Torkham. This would facilitate the Afghanistan bound cargo to go all the way from Karachi right up to the Afghanistan border. The advantages of this proposal is reduced freight, reduced loading/unloading exercise and eliminating theft and smuggling along the route are obvious.

7. The Special Committee expresses its serious concern that up till now a shroud of secrecy hangs around major decisions taken by the Joint Coordination Committee (JCC) of the two Countries. There are reports that the JCC has excluded the Agreed Western Route from its program. The ground facts brought before the Special Committee (detailed in subsequent paragraphs) further strengthen this apprehension. The Committee has directed the Ministry of Planning and Development that the MOU of JCC and the Minutes of the Joint Coordination Committee meetings should be shared with this Special Committee.
8. The thinking of the Government is well reflected in a line included in the reply to a question of the agenda for the meeting held on the 6th May, 2016. The Government, in its reply to the question regarding time schedule of completion of Agreed Western Route and bringing it to level of the under construction Motorway of the Eastern Route has written, "It may be pointed out that the agreed route will be brought to the level of those under construction on the eastern route in phased manner as and when vehicular traffic warranted." The clear meaning and implication of this statement can be none other than that the priority for early completion has been attached to the Eastern Route and not to the Agreed Western Route. The Agreed Western Route will be brought to the level of Eastern Route 'as and when vehicular traffic warranted.'
9. The Special Committee has been emphasizing from the very beginning that traffic will only flow on the Agreed Western Route all the way to the Gwadar Port, if a

standard six lane Motorway is built on the Route on priority basis. Heavy Vehicular traffic cannot flow on a Motorway that does not even exist and remains a myth. However, the Government continues with its old stand and reasoning of 'in phases' and 'as and when'.

10. Four deep sea berths that are 16 meters deep at low tide have already been built at the Karachi Port. Another six are in advanced stages of construction. With the completion of the six lane Motorway of the Eastern Route all traffic from CHINA and inland Pakistan would naturally flow on the Eastern Route and will use the Deep Sea berths of the Karachi Port. The Agreed Western Route with its narrow two lanes and the Gwadar Port where the construction of deep sea berths is presently only on pre-feasibility stage remains a non-starter. In this situation the 'as and when' stage shall continue to be postponed indefinitely. The clear bias against developing the backward provinces on priority has emerged once again in the shape of the 'Early Harvest' economic concept and appears to have bulldozed political and economic wisdom under its wheels.
11. While the six lane Motorway is being constructed on priority on the Eastern Route, it is disappointing to note that even two lane roads planned years earlier have been included in the answers given to the Committee on questions regarding progress on sections of the Agreed Western Route. During the meeting the Government insisted that these two lane sections should be categorized as Highways. Thank God they did not insist on calling these Motorways.
12. The Committee notes that according to the answers given to the Committee questions regarding progress on the Agreed Western Route, substantial progress has been indicated on the 285Kms long section of M-1 from Burhan/Hakla to D.I.Khan.

ECNEC on 22nd April, 2016 approved construction of this section at a cost of Rupees 124 billion plus. In the same meeting almost 12 billion Rupees were granted for land acquisition on this Section and this entire Section is expected to be completed by June, 2018.

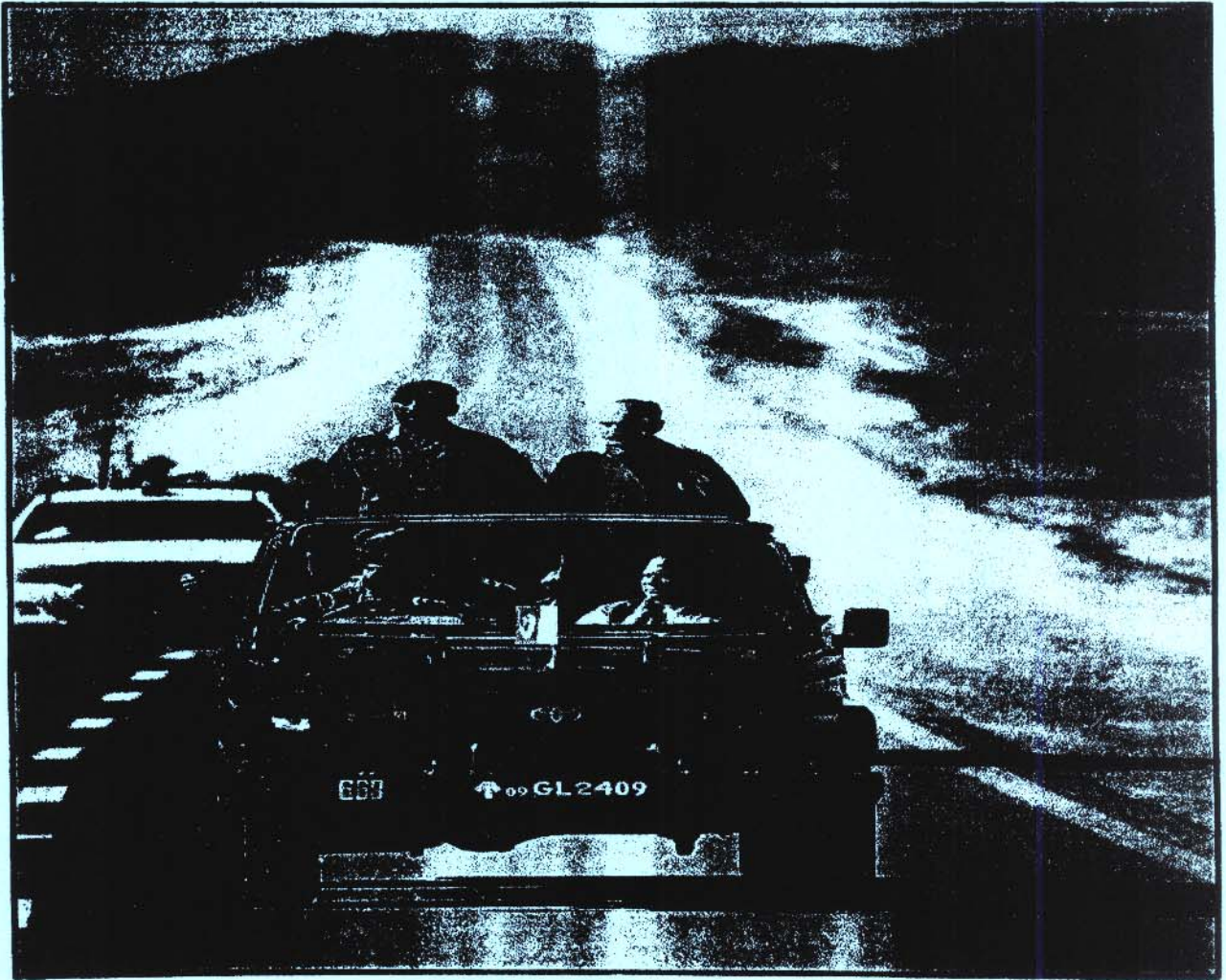
13. The Burhan to D.I.Khan section is a newly planned section and is situated in the province of Punjab. Notwithstanding the fact that this section confirms to the CPEC concept and philosophy of choosing the shortest alignment this section completely bypasses THE PROVINCE OF Khyber Pakhtun Khawa. The CPEC up till Burhan is common to all routes, but from D.I. Khan onwards only around 50 KMs of CPEC would run through Khyber Pakhtun Khawa. There is considerable substance in the complaint that the Province will gain very little from this alignment.
14. An alternate route of going to Attock and then approaching D.I. Khan along the right bank of the Indus River has been proposed at the meeting of the Special Committee. This route may be a little longer than the one agreed upon but it does mitigate the near exclusion of Khyber Pakhtun Khawa from the project and generates a lot of economic activity in this most underdeveloped and terrorism prone area. The proposal deserves serious consideration.
15. The Committee also took notice of the physical obstruction in the shape of Dhana Sar mountain range between D.I. Khan and Zhob. The Committee apprehends that the problem of constructing a Motorway that runs across this obstacle has not been accorded serious consideration by the NHA. What can be the engineering solutions? Does an alternate exist? How long will it take to materialize the most feasible engineering solution? The entire CPEC route cannot be held hostage to one

single obstacle, on agreed alignment and the Committee directs the NHA to submit a clear cut plan to build a Motorway through this obstacle at the earliest.

16. One really wonders at the speed at which approvals and allocations of required funds were granted for the Burhan-D.I.Khan section by the Government. This speed is in sharp contrast to the inordinate delays being experienced in approvals and allocations of funds on sections of the Agreed Western Route beyond D.I. Khan. Replies given to the Special Committee about sections beyond D.I Khan are as under:

- i. D.I.Khan to Mughal Kot 50 KMs existing section is merely being improved. Work will start soon.
- ii. Mughal Kot to Zhob (81 KMs) existing section is also only being improved. The cost of improving 81 KMs of road is merely 8.80 billion.
- iii. 331 KMs long Zhob to Quetta existing road is stated to be in good condition by the Government. The Government also plans to upgrade it by 2020 and calls the period up to 2020 short term.
- iv. Existing 431 KMs long (N-25) Chaman-Quetta-Khuzdar two lane carriageway has also been included in the reply from the Government. A consultant is being procured for constructing an additional carriageway. One wonders why the Quetta-Chaman section has been included in the CPEC Agreed Western Route and how a carriageway can be called a Motorway.
- v. The Besima-Panjgur-Hoshab Section (449 KMs) on which 60% completion is claimed in the reply from the Government and Hoshab-Turbat-Gwadar (436 Km) section, which according to Government reply has been completed are in //

fact two lane sections. The entire nation saw Honourable Prime Minister driving in a jeep on TV and Print Media on the same section, which consisted of two narrow lanes.



17. As pointed out earlier it is yet another irony that most of these two lane sections had already been approved in pre-CPEC days and were merely being delayed. As a result

of the protest on CPEC routing and the so called consensus of 15th January 2016 on constructing the Agreed Western Route 'on priority', these schemes approved years ago are being completed in a hurry.

18. Honourable Mr. Abdur Rahim Ziaratwal, Minister for Education, Government of Baluchistan giving a report on behalf of his Provincial Government stated before the Special Committee in the meeting of the Committee of 6th May 2015, that no request for land acquisition for CPEC Motorway had been received by the Government of Baluchistan. The Federal Government responded by saying that requests for land acquisition would be subsequent to the preparation of feasibility and completion of engineering designs. The question arises that if the different sections are already well defined then why a request for land acquisition is being delayed? Also why a speedy procedure similar to that of the Burhan to D.I.Khan section is not being adopted in the case of the sections of the Agreed Western Route between D.I Khan and Gwadar?
19. The Special Committee wants to record its concern on the fact that no new power plants have been planned along the Agreed Western Route. There is the Suki Kinari Hydropower project of 870MW on the one end and then almost after 1700KMs there is the Thermal 300MW Gwadar Power Plant. Power plants of high generation capacity are included in CPEC, but these are situated at places far away from the Agreed Western Route.

(List with capacity and costs of CEPEC power plants)

720MW Karot Hydropower project, cost: \$1.5b.	1320 MW Sahiwal, cost: \$1.6b.	UEPL 100MW. Cost: \$260m	Bahawalpur, 900MW, Cost: \$1.33 b
Dawood 50MW Cost: \$130m	1320 MW MuzaffarGarh Cost: \$1.9 b approx	Sachal 50MW Cost: \$130m	
870MW SukiKinari Cost: \$1.8b	1320 MW Rahim Yar Khan Cost: \$1.9 b	Sunec 50MW Cost: \$130m	
	660MW Thar coal power plant. Cost: \$900m		
	1320 MW, Thar Power Sindh. Cost: \$1.9b		
	1320 MW, Port Qasim Cost: \$1.8b		
	2x150MW coal fired power plant. Gwadar Cost: \$360m		

20. No electricity transmission lines have been planned along the Agreed Western Route or ones that links some points on the Agreed Western Route with the power plants that are being built under the CPEC program.

21. In Para 4 and 5 of this Report the initiative taken by the Pakistan Railways to lay a railway line along the Agreed Western Route has been welcomed by the Special

Committee. The modern, cheap and efficient mode of traction in railroad transportation is that of electric traction. The question is that whether there are any power plants close by that can supply electricity to run electric locomotives on this route? This is a very serious problem that needs immediate consideration and resolution.

22. The Special Committee observes that there is considerable variation in installation costs per MW of different power plants. While higher per MW installation costs of Hydropower, Wind and Solar power projects have a valid justification in view of the zero cost of fuel during the operation of such plants, the variation of prices in coal fired plants of similar capacity and using similar technology have to be closely looked at. For example the 1320 MW plant at Sahiwal at the total cost of 1.6 billion dollars is much cheaper than the similar 1320 MW plants of Muzaffar Garh and Rahim Yar Khan priced at 1.9 billion dollars each.
23. The 300 MW coal fired plant at Gwadar priced at 360 million dollars is low priced at 1.2 million dollar per MW. One reason may be its proximity with the sea. But Port Qasim 1320 MW plant is also at sea shore. Why should it be priced at 1.8 billion dollars giving a per MW installation cost of almost 1.37 million dollars?
24. By far the most economical power plant included in CPEC list appears to be the 900 MW Bahawalpur Solar Plant priced at only 1.33 billion dollars. In view of the fact that the operational fuel cost of the plant is zero the installation cost of per MW of 1.45 million dollar appears to be a good bargain. (The installation costs of solar plants have come down to 1 million dollars per MW as is reflected in the announcement of DEWA to build 3 GW generation capacity in their Solar Park at the cost of 3 billion dollars.)

25. It is obvious that higher installation costs would lead to higher debt servicing costs, resulting in higher tariffs for the ultimate consumers.
26. An important criteria while deciding on technology to be used for a power plant should be whether the fuel to be used is imported or indigenous. Plants running on imported coal or imported furnace oil result in a continuous drain on our foreign exchange. The Special Committee is of the opinion that the power projects included in CPEC should be reviewed from the point of view of final cost/KWH to the consumer, recurring drain of foreign exchange for import of fuel, impact on environment, connectivity with the grid etc.
27. Great technological advances are being seen in electricity generation all over the world. These are mainly in the field of the environment friendly renewable energy. The CPEC electricity generation program with a huge financial allocation of 36 billion dollars should be looked at once again in the background of these new and rapid technological advances.
28. The Special Committee is grateful to its member Honourable Senator Nauman Wazir, who in the meeting of the Committee on the 6th May, 2015, informed us that in a tender for 800 MW solar project of Dubai Electricity and Water Authority (DEWA) opened on the 1st May 2015 an electricity tariff as low as 3 cents per KWH had been quoted. Convener of the Special Committee collected more information about this tender and found that while rates quoted by the lowest bidder were 2.99 cents/KWH there were seven other international companies who had quoted per KWH rates that were below 5 cents/KWH. DEWA has also announced that it will raise its solar

park's capacity to 3 GW with a total investment of 3 billion dollars. This means that the anticipated investment cost is 1 million dollars per MW.

(Information and tender details annexed)

29. Solar plants can be installed within a very short time. The fuel does not have to be imported and is free. These plants do not pollute the environment. Such plants can be installed at the most isolated places, hundreds of kilometers away from the electricity grid, i.e. At any place where demand for electricity exists and the sun shines.
30. If the electricity tariffs quoted in Dubai are less than half and even one fourth of the tariffs prevalent in Pakistan, then the solar power option deserves serious consideration. Can the billions of dollars proposed to be invested in thermal plants using imported coal be diverted towards installation of similar capacity solar plants at indicated sites? Can the energy vacuum on the Agreed Western Route be quickly and effectively filled up by installing solar energy plants at different sites en-route? Can we run trains along the Agreed Western Route on very cheap electricity of solar plants built along the 1600KMs Route?
31. The Committee strongly recommends that an integrated and comprehensive plan of providing electricity all along the Agreed Western Route should be taken up. The Committee also observes that large deposits of good quality coal are also available in Baluchistan that can be used for generating electricity. Once electricity is made available projects based on natural resources in the area are bound to come up creating large scale employment for the residents of this under developed area and adding substantially to national wealth and country's exports. The Committee

recommends that solar and thermal plants on indigenous coal of 1000 MW each should be built in every division along the Agreed Western Route.

32. In the light of the recent developments in the field of solar energy, the Special Committee is of the opinion that a possibility of a changeover to solar energy power plants does exist. If the solar mode of generation of electricity replaces the imported coal thermal mode of generating electricity and is adopted for new plants the whole program can be completed in a shorter time. The tariffs will go down. There will be huge savings of foreign exchange and the impact on environment shall be positive. This is something towards which the attention of our prospective investors from abroad needs to be invited.

33. On the question of economic zones the Special Committee endorses the view expressed by Dr. Kaiser Bengali in the Committee meeting held on 18th January 2016. Dr. Bengali was of the opinion that it was not necessary to make economic zones right next to the CPEC Motorway. Projects should be located where these are most feasible economically and then these should be linked to the main CPEC Motorway through Feeder routes. One can easily visualize increased prosperity all along the Feeder routes. This would be in sharp contrast to many existing industrial zones, where no one comes to put up an industry, simply because locating a factory in the zone is not economically feasible. The Committee also realizes the need of giving special incentives by the Government establishing new industries in the under developed regions of the country including those near the CPEC Agreed Western Route.

34. The Special Committee has taken due note of the apprehension expressed with regard to demographic changes that the construction of CPEC is likely to bring about in

Baluchistan. The Committee also notes that Article 15(Freedom of movement) and Article 23 (Provision as to property) of the Constitution are not without safeguards. Both of these Articles stipulate that these Fundamental Rights are 'subject to any reasonable restrictions imposed by law in the public interest'. The Committee is also informed that laws providing protection from anticipated demographic changes have been enacted in People's Republic of China and some other countries as well. The Committee is of the opinion that laws to mitigate the apprehension of demographic changes should also be considered and enacted.

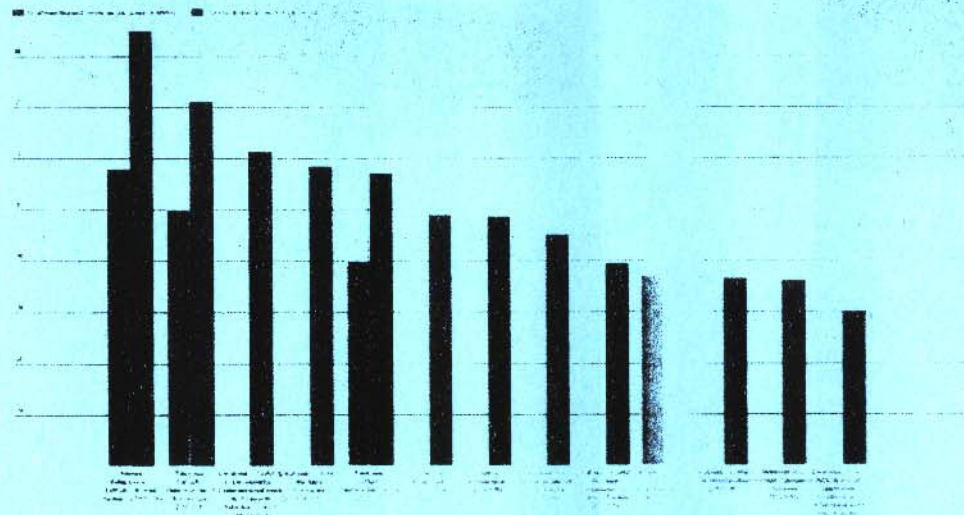
35. Lastly, the Committee wishes to draw the attention of the Senate of Pakistan towards a news item "Chinese Leader outlines difficulties being faced" which has originated from Beijing and has been printed in our newspapers on 25th May 2016. Chinese leader Dr. Zhao Baige, Vice Chairman of Foreign Affairs Committee of National People's Congress (NPC) speaking at CPEC Media Forum has said, "Dreams and plans remain myths unless you take pragmatic steps to translate them into realities and it is true with the CPEC". Dr. Baige has cautioned against failure of CPEC and has urged that there was a strong need of consensus on the Project within Pakistan. The Special Committee endorsing the views of the respected Chinese leader urges the Government to protect and preserve the consensus on giving priority to the Agreed Western Route of CPEC and to take urgent pragmatic steps to transform this most important project from a myth to reality.

ANNEXURES

Dubai Gets Record-Low Bid Of 2.99¢/kWh For 800 MW Solar PV Project

May 2nd, 2016 by [RenewableSource.com](#)

Dubai Electricity and Water Authority has received yet another record-breaking bid for expansion of the iconic Mohammed bin Rashid Al Maktoum Solar Park, the lowest solar price bid in history, for an 800 MW solar PV project that expands on 13 MW.



Dubai Electricity and Water Authority (DEWA) had floated tenders for expansion of the Dubai solar power park. The third phase of this project will see addition of 800 MW capacity, to the existing 13 MW (phase I) and under-development 200 MW (phase II) capacity.

DEWA has [reported](#) that it received 5 final bids, but did not disclose the names of the participating companies. The lowest bid among them is at a record-breaking 2.99¢/kWh, which makes the project the cheapest-ever in the world.

Initially, the Authority received as many as [100 bids](#). Many prospective bidders are believed to have [dropped out](#) for the subsequent rounds of bidding, with around 20 left in the fray at the end of last year. These included biggies like SunEdison, ACWA Power, JinkoSolar-RWE, REC Solar, and Engie.

The first phase of the solar park involved the installation of 13 MW worth of capacity and was executed by First Solar, and through the second phase tender, 200 MW capacity was auctioned to Saudi Arabia's ACWA Power-TSK consortium at a [record price](#).

[Reports](#) state that Abdul Latif Jameel (Saudi Arabia) + Fotowatio Renewable Ventures (Spain) + Masdar (UAE) formed a consortium for the low solar price bid of 2.99¢/kWh. JinkoSolar was next at 3.65¢/kWh, and a consortium of First Solar & ACWA Power was next at 3.95¢/kWh.

The initial installed capacity target for Mohammed bin Rashid Al Maktoum Solar Park was set at 1 GW by 2019. However, last year, DEWA announced that it would [expand](#) the park, with a total estimated investment of \$3 billion.

The solar power park is central to DEWA's target to source 7% of Dubai's total power output from renewable energy sources by 2020, and 15% by 2030.

Recently, the Abu Dhabi Water & Electricity Authority (ADWEA) also announced that [it had](#) for the development of a 350 MW solar power project. The 8 companies competing for the role of main project developers include First Solar, EDF, Enel, Engie, RWE-Belectric, Solar Reserve, and Total-SunPower.

CPEC Media Forum: Chinese leader outlines difficulties being faced

By Peer Muhammad Published: May 25, 2016



Dr Zhao Baige there is general lack of knowledge on Pakistani laws. PHOTO: REUTERS

BEIJING: The China-Pakistan Economic Corridor Project (CPEC) would remain a distant reality unless concrete steps are taken and political words are translated into actions.

This was the overall impression exuded by the Chinese at the CPEC Media Forum held in Beijing last week.

"Dreams and plans remain myths unless you take pragmatic steps to translate them into realities and it is true with the CPEC," said Dr Zhao Baige, Vice Chairman of Foreign Affairs Committee of National Peoples Congress (NPC).

"CPEC is a crucial flagship project and if it fails then other projects will also face the same fate," warned Zhao.

She urged that there was a strong need of consensus on the project within Pakistan so that it could smoothly sail through to the logical end. She said that both countries have had to work hard to make CPEC a successful initiative so that it could benefit millions of people.

Zhao, however, highlighted that there were certain challenges being faced by Chinese firms in the execution of CPEC-related projects. These include a lack of knowledge about labour-, land- and corporate-specific laws in Pakistan.

Additionally, she stressed that Chinese companies were facing technical challenges in finding the right partners who were familiar with the Chinese corporate culture.

Meanwhile, chairman of the Parliamentary Committee on CPEC, Senator Mushahid Hussain Sayed, said that strong relations between Pakistan and China are most crucial.

"Pakistan has been extending its unwavering support to China's core interest and in return China has stood by Pakistan," said Sayed.

Pakistan Ambassador to China Masood Khalid said the two countries are at the defining moment of their bilateral relations, adding that successful implementation of CPEC will bridge the gap between the two countries.

He also reiterated that there is strong consensus among all stakeholders on CPEC in Pakistan due to its multi-dimensional advantages.

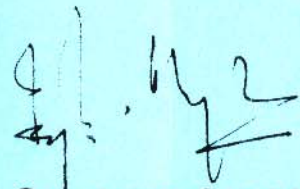
Published in The Express Tribune, May 25th, 2016.

Annexure-1 Article about the bidding in Dubai, titled "Dubai Gets Record-Low Bid of 2.99c/kWh for 800MW Solar PV Projects" at Page No. 17

Annexure-2 Express Tribune article titled "CPEC Media Forum: Chinese Leader outlines difficulties being faced" at Page No. 18



Masror Hausen
Secretary Committee



Senator Taj Haider
Convener