finalizing the privatization of these entities, the plan for which will offer 26 percent of the shares of SSGCL and SNGPL to strategic investors. In return, investors will acquire operational management of the company, positions on the Board of Directors and will be expected to invest in the modernization and expansion of the existing transmission and distribution system.

While the gas potential in Pakistan looks promising there is still a need for supplemental supplies from offshore. Three proposals are being actively pursued by several consortia for supply of gas from offshore gas fields. The projects are being proposed on an unsolicited basis and contain no GOP involvement other than commitments to purchase the gas supplies. These projects provide further investment opportunities to firms which are willing to invest in Pakistan's existing gas transmission and distribution infrastructure as well as equipment service suppliers.

To renew the flagging interest of investors in the petroleum sector, the GOP announced a modified Petroleum Policy in October 1997 which offers several concessions for offshore exploration, investment in the refining sector and provision of extended LPG supplies. A major departure of the new policy from previous policies is an amendment to the Economic Reforms Act of 1992 to provide legal stability to the provisions of the current Petroleum Policy.

Foreign investors, whether separately or in association with local investors, are recognized under the Private Investment (Promotion and Production) Act 1976, the enforcement of Shariah Act 1991, and the Protection of Economic Reforms Act 1992. The GOP intends to consider the question of amendment of the Direction of Economic Reforms Act of 1997 to include all policy incentives under the Economic Reforms Act 1997, as defined in Section 2 (b) of the Act. For purposes of allocation of concession areas for prospecting, the country has been divided into four zones (versus three zones under the previous policy). Offshore areas are now covered in Zone Zero. Incentives for offshore exploration announced in the policy became effective from January 1, 1998.

The GOP also announced an ordinance to set up a Natural Gas Regulatory Authority (NGRA) and an independent Petroleum Regulatory Board (PRB) which will be funded through collection of an administrative fee. The role of NGRA will include monitoring, issuing of licenses for LPG use and managing the demands of public and private sector firms which apply for LPG distribution. In addition to incentives for offshore exploration companies, the new policy also envisages doubling availability of LPG products and liberalizes infrastructural development of LPG projects by taking away the government guarantees and permissions from the government except the marketing license. Under this new policy, companies are free to develop terminals, storage facilities, inland transportation, storage depots and the retail marketing and distribution of LPG.

The new policy envisages the Oil and Gas Development Corporation (OGDC) to be restructured into a joint stock company by amending the OGDC Ordinance. OGDC restructuring along commercial lines will ensure complete autonomy and authority in administrative, operational and financial matters.

Some of the major incentives in the new Petroleum Policy include:

a) exploration and discoveries will be managed on a production-sharing basis with the GOP. Exploration companies will be entitled to recover their capital costs from production revenues;