

Zafar Bhutta

Fortnightly oil price revision to begin from Sept

ISLAMABAD: The government has decided to establish a fortnightly pricing mechanism for petroleum products and shift from the price benchmark based on Pakistan State Oil (PSO) oil imports to Platts indexes from September 1 this year.

The switch from monthly to fortnightly review of petroleum product prices comes in the wake of a demand of the oil industry and in order to shield it from inventory losses.

In June this year, the oil industry restricted fuel supplies to retail outlets because of a significant reduction in prices. This triggered a petrol crisis across the country and put almost the entire burden of supplies on state-owned oil marketing company PSO.

An eight-member committee, headed by Director General Oil Shafiur Rehman Afridi and comprising Petroleum Division officials, has blamed nine oil marketing companies (OMCs) for the petrol shortage.

"I am directed to convey that ECC (Economic Coordination Committee) of the cabinet, vide its decision ECC - 307/34/2020 dated July 28, 2020, has approved the subject summary submitted by the Ministry of Energy (Petroleum Division) regarding fortnightly pricing of petroleum products and shifting of PSO's price benchmark to Platts indexes," the Petroleum Division said in a letter sent to the oil industry.

OMCs and refineries would determine ex-refinery prices of motor gasoline (petrol) and high-speed diesel as per policy parameters and prices of other petroleum products would be determined under the current practice on a fortnightly basis effective from September 1, 2020, the Petroleum Division said.

Prices will be based on the Gulf Arab Platts' daily free-on-board (fob) average for the number of days in the pricing period and the premium above Platts, freight and incidentals will be taken as average of PSO's procurements for the pricing period, and added to the average base commodity price as per existing practice.

Taxes and levies will be imposed at applicable rates and the exchange rate will be used as provisionally available to PSO but it will be converted to actual rate after retiring the letter of credit (LC) - not later than 60 days from the Bill of Lading date.

Meanwhile, an inquiry commission, headed by the additional director general of Federal Investigation Agency (FIA), is currently investigating the recent petroleum product shortages.

The commission's report has been delayed as two of its members have quit. The government has inducted two new members to continue the probe into alleged involvement of OMCs in the oil crisis.

Former DG Oil Rashid Farooq, a member of the inquiry commission, conveyed his inability to join the panel due to his acute health issues. Another member, Asim Murtaza, CEO of Petroleum Institute of Pakistan, did not join the commission.

The government has approved the inclusion of two new members - ex-DG oil Sabar Hussain and former DG oil Malik Amjed Salim - in the commission to probe the oil shortage.