

ECC okays petroleum levy cushion plan

ISLAMABAD: The Economic Coordination Committee (ECC) of the cabinet has approved a plan of creating cushion of Rs5-10 per litre on account of petroleum levy to address the volatility in petroleum product prices.

The government had hiked the price of petrol by Rs25.58 per litre and diesel by Rs21.31 per litre for July in line with the spike in global crude oil prices, which sparked controversy.

The government is charging Rs30 per litre each in petroleum levy on petrol and high-speed diesel. In addition to that, it is receiving 17% general sales tax on petroleum products. The government had made a massive increase in prices of petroleum products for July, which led to criticism from political parties. It had the option of passing on a reduced impact of oil prices by making adjustments in rates of petroleum levy. But it did not do that in a bid to make more revenue on account of petroleum levy from oil consumers.

Sources said the Petroleum Division proposed in a recent ECC meeting that the Finance Division may consider creating a cushion of Rs5-10 per litre on account of petroleum levy to address the volatility in petroleum prices. The ECC approved it and the decision would be ratified by the cabinet.

According to industry sources, the diesel price will go up by about Rs8.5 per litre and petrol price by Rs5.1 per litre. Now, it is up to the government how much it reduces the petroleum levy. An official said following the decision of the economic decision-making body, the government was unlikely to increase prices of petrol and diesel before Eid.

The ECC also approved a fortnightly petroleum pricing mechanism based on Platts average. The mechanism will not only lead to fair competition in the industry with all companies competing equally but it will also provide several other benefits. An ECC sub-committee, in its report, said margins would be closely aligned with the international pricing trend and smooth out volatility and distortions because of Pakistan State Oil (PSO)'s purchasing dates.

The ECC body said it would also lead to complete transparency and visibility of prices as well as reduced dependence on an OMC.