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Supply of petrol affected across country

ISLAMABAD: The supply of petroleum products has been seriously affected in many parts of the country as oil marketing companies and the authorities concerned failed to ensure mandatory stocks at designated depots.

The major shortage was witnessed in the supply of motor gasoline, commonly known as petrol, in many cities and towns as smaller stocks were quickly exhausted on the first two days of the month after price revision.

The oil companies were then asked by the authorities in the petroleum division and the Oil and Gas Regulatory Authority (Ogra) to adopt rationing practices to avoid a total dry-out. The retail outlets were then instructed to restrict their sales to Rs500-Rs1,000 per vehicle and still the outlets went dry on Tuesday.

Officials said the shortages were imminent for over 10 days now as oil companies did not order imports and scaled down lifting of local production from refineries in anticipation of declining prices to avoid inventory losses. The situation was clear to Ogra and the directorate general of oil that had been exchanging letters on the low stock positions maintained by major oil marketing companies even in the first and second week of May.

Under the rules, all oil companies and refineries are bound by licensing requirements to ensure a minimum of 21 days of consumption cover of all petroleum products at all times, irrespective of peace or war. Unfortunately, none of the 80 to 90 OMCs and refineries met this mandatory requirement and the country's overall average stocks of petrol and high speed diesel was no more than 11-day cover over the past few days.

Even out of these, most stocks were close to the port or in some cases at major depots upcountry but its movement to retail stations remained erratic and uneven. For example, the stocks of petrol and diesel in Punjab averaged three and four days of consumption respectively on June 2. The average stock of petrol and diesel stood at seven-day and 16-day cover in Sindh and four days each in Khyber Pakhtunkhwa.

Official data showed that total stocks for diesel and petrol in Balochistan were enough for seven and three days, respectively, while the stocks of both products were sufficient for six days in Azad Jammu and Kashmir and Gilgit-Baltistan. The countrywide stocks averaged five to seven days on Tuesday. The stocks with refineries ranged between two and 14 days on Tuesday but none had mandatory storage.

The supply disruptions had started emerging during the Eid holidays and were slightly addressed through enhanced movements by Pakistan State Oil, which too had its own constraints, officials said.

The director general of oil and Ogra started asking the OMCs and refineries to beef up supplies just before Eid and demanded detailed stock positions from all companies in the last week of May though a daily supply position is available to all stakeholders on a regular basis. On May 29, the Hydrocarbon Development Institute of Pakistan was asked to physically verify the retail station wise stock position of all products and all companies that was a time-consuming process and was already late.

As a last-ditch effort, the petroleum division tried through the Economic Coordination Committee (ECC) of the cabinet to keep the prices of petroleum products unchanged for two weeks but it was too late and the ECC declined to get involved in a routine matter at the last moment.

The petroleum division had formally called for putting on hold to allow the oil industry to recoup some of its losses by selling at existing rates. It had warned the ECC that a reduction in petroleum prices would create a major supply disruption, which may take weeks and months to normalise as stocks with most of the OMCs were abnormally low.

The ministry did not mention in its summary that it was mandatory for OMCs and refineries under their licences to maintain stocks sufficient for 21 days. Neither, did it report that oil companies had been earning windfall profits through inventory gains for almost three years when global prices were going up and such gains were never shared with the consumers or the national kitty.

The petroleum division had also proposed that ex-refinery price should be based on the average of fortnightly or monthly Platts price plus premium (average premium based on the tender awarded by PSO), including PSO's incidentals and ocean losses and taxes in keeping with the current practice. This mechanism should be the basis for determining the selling prices for both refineries as well as OMCs.

Interestingly, the state-run PSO has been complaining for almost three months that a few major OMCs were not uplifting the products from local refineries and not maintaining adequate days' cover of the products but no action was taken against them.