

Record hike in petroleum prices

ISLAMABAD: In an extraordinary and unexpected move, the government on Friday made a hefty increase of up to 66 percent in petroleum product prices by jacking up prices of petrol by Rs25.58/litre, diesel Rs21.31/litre and kerosene by Rs23.50/litre and Light Diesel Oil (LDO) price has been increased by Rs17.84/litre. The increase will be effective from today (27 June).

Finance Division announced the increase through a statement, without giving any reason for this huge jump that will definitely affect every segment of the society. Normally the government takes price decision on last day of every month, but interestingly this time the decision was taken four days before start of new month.

Contrary to the public expectations of reducing petroleum products prices, the government increased petrol prices from existing Rs74.52 to Rs100.10 per litre depicting an increase of 34.32 percent. Diesel prices increased to Rs101.46 from current Rs80.15 with an increase of 26.58 percent. Kerosene price has been jacked up by 66 percent to Rs59.06/litre from current Rs35.56/litre. LDO prices also raised by 46.77 percent to Rs55.98/litre from earlier Rs38.14/litre.

Besides, the government will continue charging Rs30 per litre petroleum levy (PL) on petrol and diesel while Rs6/litre on kerosene and Rs3/litre on LDO will be charged. The government is also charging 17 percent general sales tax (GST) on all petroleum products.

In the budget 2020/21, the government has targeted to collect Rs450 billion as PL on petroleum products against current year's revised estimates of Rs260 billion.

This is the second time in a month the government made changes in POL prices. Earlier, for this month of June, the government had reduced petrol by Rs7.06/litre, kerosene Rs11.88/litre LDO by Rs9.37 per litre for June 2020.

The people are asking why the government in same month made changes when the international crude oil price is almost unchanged for the last one month hovering around \$40/barrel. First the government reduced the prices and now increased it with a huge margin.

Comparing the current prices with the prices when the PTI came into power in August 2018, Brent oil spot price in the international market was \$72.5 per barrel and now it is around \$40 a barrel (a decline of 32.5 dollars).

In August 2018, the local market price of diesel was Rs112.94 per litre, petrol Rs95.24 per litre, kerosene Rs83.96 and Light Diesel Oil (LDO) prices Rs75.37 per litre. Now, when the Brent price is \$40/barrel, petrol price is Rs100.1/litre, diesel Rs101.46, kerosene Rs59.06 and LDO price is Rs55.98/litre.

It is also worth mentioning that since July 2019, Pakistan is also receiving monthly Saudi oil supplies worth \$275 million every month on deferred payment. Under this arrangement, Pakistan would get this oil facility to the tune of \$9.9 billion over the next three years.

Khalid Mustafa adds: The government had adopted an aggressive posture against oil marketing companies (OMCs) for not fully providing the POL products at lower prices, but on Friday totally surrendered before the cartel and increased the prices of petroleum products four days before the end of the month apparently to appease OMCs and to fully cope with the POL supply crisis.

Normally the government under the existing monthly pricing mechanism notifies the POL price for next month on the last day of the prevalent month, but this time the government in a rare development, notified just 4 days before the end of the month the POL prices with massive increase by 34.326 to over 66 percent for 35 days.

The authorities in Petroleum and Finance Division skipped the role of Ogra, which normally calculates the prices of POL products, and they themselves worked out the monthly prices. Though the government managed to restore the supply of POL 70-80 percent in the country but still there are pockets of the country wherein POL products are not available.

OMCs created the artificial POL availability crisis in the country for the last 26 days when the government on May 30 refused to accept the contention of the Petroleum Division seeking no change in POL prices arguing if the POL prices are further lowered down the OMCs will have to face the huge inventory losses and they may create POL supply crisis. However, supply crisis of petroleum products hit the country but Energy Minister Umar Auyb Khan and Petroleum Division remained unmoved till June 8.

On June 8 Energy Minister summoned the meetings of top management of OMCs, refineries, top officials of Ogra and senior officials of Directorate General Oil and constituted an eight-member committee headed by DG Oil Dr Shafi-ur-Rehman Afridi. The committee had recommended punitive actions including termination of licenses against nine OMCs for hoarding and black marketing the POL products which resulted in huge POL supply crisis.

According to the official of Petroleum Division PSO sustained the loss of Rs17 billion by selling the products in its outlets across the country by selling the POL at lower prices, but all private OMCs did not share the loss and kept on hoarding the products. The OMCs which faced some monetary penalties for not keeping POL stocks for 21 days kept on creating the problems for the government.

Opposition leader in the National Assembly and Pakistan Muslim League –Nawaz President Shahbaz Sharif termed the 33 percent historic raise in petroleum prices ‘Sugar Scandal Part-II’. He said that after sugar now the petrol mafia had won and the masses faced a defeat. He said that the incumbent government has proved itself backers of the mafias

The opposition leader said that the PTI government had played a dirty game with the people. When the price was fixed at Rs75 the commodity was not available in the market and no one could buy it.

Meanwhile, Pakistan People's Party (PPP) Chairman Bilawal Bhutto Zardari rejected the increase in petroleum prices and said at a time when people were looking for a relief the government had increased the petroleum prices which prove that this is anti-poor government.

“With robbing the people, the incapable and incompetent government of Imran Khan could not sustain the sinking economy,” he said in a statement.

Chairman PPP Bilawal Bhutto Zardari said that the prime minister first reduce the prices of the petroleum products to create an artificial shortage of the commodity for hoarding, and then increasing the price to benefit mafia to earn more. “The selected prime minister does not care about the poor,” he said.

He said these are people who were used to criticise the rise in petroleum prices in the past. He said the impact of reduce prices of the petroleum was not pass on to the people but now its increase it will further inflation and price hike. “This is New Pakistan,” he said.