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Reduction in CNG price, SHC issues notices to federal govt, Ogra

KARACHI: The Sindh High Court (SHC) on Tuesday issued notices to the federal government and the Oil and Gas Regulatory Authority (OGRA) on a petition seeking reduction in prices of CNG in view of the fall in global crude oil prices.

A division bench of the SHC ordered issuing of notices on a petition filed by the Sindh Petroleum and CNG Dealers Association.

The federal government, OGRA and the Sui Southern Gas Company (SSGC) have been made respondents in the petition.

According to the court order, the petitioners sought directions against the federal government and OGRA to initiate proceedings for review of revenue requirements of respondent SSGC in view of the unprecedented fall in the price of crude oil in the international market while reviewing the tariff of gas for the CNG sector.

The counsel for the petitioners also pointed out the plea of the respondents for determination of CNG tariff in which they have taken the plea that the cost of purchased gas is based on projected wellhead prices effective from July 2019 worked out on the estimated average C&F price for crude oil at US\$61.00 per barrel and HSFO US\$351.30 metric per ton.

The counsel argued that now the price of crude oil is about US\$20.00 to US\$25.00 per barrel, therefore, he submitted that commensurate to the crude oil price, directions may be issued to the respondents to reduce the CNG price and OGRA may be directed to initiate review proceedings.

He also referred to Rule 4(1) of the Natural Gas Tariff Rules, 2002 (S.R.O./2002) which provides that any consumer interested in the tariff may file a petition with the Authority by filing it with the registrar.

In the same rule it is further provided that the Authority may also initiate suo moto proceedings in this regard, counsel Mohsin Shahwani argued.

The petitioners stated that the CNG station owners and public transporters also made huge investments running in hundreds of millions of rupees to acquire land, purchase/import their compressors, and convert vehicles to CNG respectively. These steps were taken solely on representation of the government of Pakistan that encouraged such actions and suggested their sustainability.

Therefore the inaction of the respondents by failing to revise and reduce the gas tariff especially after the international crude oil price crash amounts to confiscating the assets and businesses of the petitioners, which is in direct violation of Article 18 of the Constitution, they submitted.

The bench observed that points raised required consideration and ordered issuance of notices to the federal government and OGRA to submit their replies in the next hearing of the case on May 21, 2020.