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Our Correspondent

SNGPL to contest OGRA's cut in UFG charges

ISLAMABAD: The Oil and Gas Regulatory Authority (Ogra) and Sui Northern Gas Pipelines Limited (SNGPL) are all set for a legal battle in the wake of a major reduction in unaccounted-for-gas (UFG) charges announced by the regulator for liquefied natural gas (LNG) consumers.

UFG is defined as loss and leakage of gas in systems of gas distribution companies, which are then charged from consumers. However, Ogra recently reduced the UFG rate to 6.3% while notifying LNG prices for November 2020. Earlier, Ogra had allowed 11-17% UFG recovery to the gas utilities on the distribution of LNG to the consumers.

SNGPL's UFG stands at 11% while the UFG for Sui Southern Gas Company (SSGC) is on the higher side at 18%. However, consumers using domestic gas bear a burden of 6.3% UFG. Ogra pointed out that since such gas consumers were being charged 6.3% UFG, it also applied the same rate to LNG consumers.

However, SNGPL has challenged the decision. In a statement on Friday, SNGPL spokesperson highlighted that the recent re-gasified LNG price notification issued by Ogra was in contravention with the Petroleum Levy Ordinance 1961 and against the cabinet's decision of allowing actual UFG for RLNG pricing.

The official said that Ogra had instead imposed a unilateral decision of 6.3% benchmark in isolation for distribution consumers only. He also pointed out that LNG had been declared as a petroleum product in consultation with the regulator while it had been determining prices of RLNG for the last five years, in accordance with a specific formula approved as a policy guideline by the federal government.

"Ogra remains obligated to follow government policy parameters as per the Supreme Court decision, which had clearly held that the federal government policy guidelines are binding on Ogra," said the official. At present, natural gas consumers are subject to a consolidated benchmark of around 7% for both transmission and distribution and no separate benchmark exists for each category of consumers. Instead, for RLNG consumers, Ogra has now assumed separate benchmarks of 0.38% for transmission and 6.3% for distribution.

Ogra has, therefore, effectively reduced the consolidated UFG benchmark for RLNG to 2% only as against around 7% for natural gas consumers. It is pertinent to mention that the above unsolicited intervention by Ogra may render RLNG supply chain unviable and may jeopardise long-term government-to-government LNG supply arrangements. The SNGPL spokesperson highlighted that under the Petroleum Levy Ordinance, the mandate to determine and impose a UFG benchmark in case of RLNG does not rest with Ogra unlike the natural gas pricing, which is done pursuant to the Ogra Ordinance.

"The company is contesting the matter on relevant forums, both factually and legally," the spokesperson added. Ogra officials said that the regulator would hire an international consultant to conduct a study on UFG for LNG consumers.