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ECC to take up incentives for oil, gas sector tomorrow

ISLAMABAD: The government has called on Wednesday a meeting of the Economic Coordination Committee (ECC) of the Cabinet to take up massive tax evasion by sugar industry, incentive package for oil and gas exploration and challenges faced by Pakistan State Oil due to over Rs330 billion receivables.

To be presided over by Finance Minister Asad Umar, the ECC would also consider approval of one month salary for the employees of Pakistan Steel Mills, doubling the quantum of Saarc Food Bank Reserve and issues arising out of construction of LNG terminals and price rationalisation of cement.

The ECC would consider amendments to Petroleum (Exploration and Production) Policy 2012 to create a fresh zone for high risk frontier regions with better returns, offering prospects of higher hydrocarbon finds and production.

Under the existing policy, there are three zones for onshore, defined on the basis of risks and investment opportunities. Zone-I covers Western Balochistan, Pishin and Potohar, Zone-II comprises Kirthar, Eastern Balochistan, Punjab and Suleman basins while the Lower Indus Basin is described as Zone-III.
The wellhead prices to investors are offered at the rate of $6 per mmBtu for Zone-III, $6.3 for Zone-II and $6.6 per mmBtu for Zone-I.

Now a new zone is being created to be called Zone-I (F) covering Kharan, Pishin and Fata which are reported to have good potential of hydrocarbons estimated to be over 20 trillion cubic feet (TCF) and yet unexplored so far.

The Petroleum Division has proposed on the request of exploration companies to treat this new zone at par with offshore exploration by offering them $7 per mmBtu wellhead price.

The ECC would be given a briefing on the difficulties faced by PSO in meeting its local and international payment obligations in view of huge receivables now estimated to be close to Rs340bn, including more than Rs290bn to power sector alone.

Sources said the previous government had decided at the ECC level to release Rs50bn by raising it from the banking sector and route through power companies to PSO to ease cash flow constraints. But these funds could not be arranged despite lapse of more than three months.

The committee has now been informed that unless paid Rs100 billion to the PSO, there is a strong risk of disruption of supply chain of petroleum products that could be create problems for the government in view of a crisis that could be more severe than January 2015.

Under the decision of ECC last month, the FBR would submit a report on alleged tax evasion by the sugar industry. The Ministry of Commerce had reported to the ECC early last month that export of sugar was banned under 2016 export policy to ensure sufficient sugar in the local market at affordable rates.

But the last few years witnessed surplus sugar production, necessitating ECC to allow specified quantities of sugar export to provide liquidity to the millers and ultimately ensure timely payments to farmers.

It was reported that the sugar industry was allowed a sales tax rate of eight per cent for domestic production instead of 17pc on other products to facilitate local consumers but some millers even sold out stocks that were paid for by the Trading Corporation of Pakistan, involving tax losses.

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