DAWN

# Stakeholders discuss measures to bring down LPG prices

**Page NO.10 Col NO.01**

**ISLAMABAD: Amid 20 per cent increase in local Liquefied Petroleum Gas (LPG) prices during the last few months, the governemnt on Wednesday proposed tax reduction and even exemptions on import of the fuel. However, the measures were rejected by wholesalers and retailers.**

The proposals were suggested in a meeting presided by Secretary In-charge of Petroleum Division Mian Asad Hayauddin and was attended by representatives from the public sector companies and private stakeholders. LPG distributors asked government representatives to bring down taxes and bonuses charged by the government and its companies on local LPG production.

Despite the disagreements, the two sides agreed to meet again within a week. Both sides concurred to bring detailed working papers in the next meeting in order to take steps for cutting down the prices of LNG — the poor man's fuel.

Around 70pc of the demand in LPG sector is met by domestic producers. Major share of these supplies come from public sector and private sector which includes OGDC, PPL, SSGC and SNGPL and Jamshoro Joint Venture Ltd.

Official LPG prices announced by the Oil and Gas Regulatory Authority (Ogra) have jumped from Rs1,332 —Rs112,922 per tonne — per 11kg cylinder in Feb to Rs1,612 — Rs132,732 per tonne — as of Sep 4; a rise of 21pc. Ogra finalises prices for the commodity under a formula notified by the government. However, end consumers are paying Rs1,700 per cylinder in the market higher than the notified price.

A working paper prepared by the SSGC which was subsequently shared by the government with stakeholders during the meeting proposed reduction in withholding tax from existing final 5.5pc to 2.5pc adjustable in the income tax return.

It also proposed get rid of the regulatory duty currently applicable at the rate of Rs4,669 per tonne at import stage and also to charge import levies only on Saudi Aramco's Contract Price (CP) instead of existing practice of charging it on CP plus freight charges.

SSGC representatives said the measures would reduce import cost by about Rs12,000 per tonne or close to 9pc. It also proposed doing away with 17pc sales tax at import stage.

The government is expected to incur revenue loss of Rs6.7 billion if all stakeholders agree to go ahead with measures proposed by SSGC. In order to compensate for these losses, the company suggested an increase in duty on local product at the rate of about Rs8,000 per tonne.

However, these suggestions were rebutted by the LPG distributors who asked for steps to be taken regarding the "unscrupulously high" signature bonuses on local production.

They said the government's objective to reduce local prices would not succeed with one-sided action of import facilitation showing their displeasure at the proposed high taxes and charges on domestic production.

The distributors said it was unfair to allow local producers to seek international price for domestic production and hence unacceptable.

They said that the producers — oil refineries, oilfields of public sector companies and LPG extraction by JJVL — were charging Rs77,000-80,000 per tonne as signature bonuses, whereas, their average production cost was not more than Rs25,000 per tonne.

The distributors also set forth their list of demands including delinking of CP price setting formula, abolishing petroleum development levy, reducing government sales tax on LPG and fixing price for local producers by giving them reasonable margins which would mean the per kg LPG price would come down to Rs75 instead of existing rate of about Rs145.

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