

# **OIL AND GAS REGULATORY AUTHORITY**

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## **PRESS RELEASE**

Islamabad, April 30, 2006: The Oil and Gas Regulatory Authority (OGRA) has announced new prices of petroleum products for the next fortnight w.e.f. May 01, 2006. The prices of petroleum products in the international market showed a record surge during the last fortnight which has compelled the GoP to pass on partial increase to consumers. However, in order to share the burden of the masses, the government would absorb half of the increase in the prices of petroleum products by providing the petroleum products on subsidized rates.

As per the OGRA announcement on Sunday, the petrol price has been raised from Rs.56.29 to Rs.57.70 per litre. The rate of kerosene oil has been increased from Rs.32.87 to Rs.35.23 per litre, while the diesel rate has been raised from Rs.37.18 per litre to Rs.38.73 per litre.

The spokesman said that Pakistan imports 82 percent of its oil requirement and the record rise in prices in the international market is the main cause of increase in the domestic prices.

According to the OGRA spokesman, the government of Pakistan has already suffered revenue losses of around Rs.66 billion due to capping of prices from May 2004 to December 2004 and again in October 2005 till to date. The government would now share a burden of Rs.2 billion in order to soften the effect of this increase on the masses.

The spokesman said the government is providing the kerosene oil on subsidized rates to the common man. He said the government is now providing a subsidy of Rs.8.94 per litre in the head of kerosene oil. The subsidy on light diesel rate is now Rs.8.06 while on diesel it is Rs.4.43 per litre.

The spokesman said the international market saw increase in the petroleum prices 81 percent during the recent two years while Pakistan government raised the prices 52 percent. The increase in kerosene oil in the international market was recorded at 113 percent while Pakistan increased the rates only 37 percent while the rise in the prices of diesel in the international market was recorded 122 percent while Pakistan government introduced the rise at only 53 percent.

The spokesman further said Pakistan also introduced lesser increase in the prices of the petroleum within the region as the petroleum prices in India were still higher than that of Pakistan. In India, the spokesman said, the petroleum rate is Rs.65 per litre (as per Pakistani currency) while Pakistan was providing the petroleum at Rs.57.70 even after the recent increase. The diesel rates in India stand at Rs.46.78 while Pakistan is providing the diesel at subsidized rates of Rs.38.73 after the recent price fluctuation.

It is pertinent to mention here that OGRA has changed the petroleum rates for the first time after it was given the task. Previously, the advisory committee of the oil companies used to decide the petroleum prices. OGRA is calculating the prices of petroleum products in accordance with the parameters prescribed by the formula approved by the Government which include ex-refinery price, excise duty, company and dealers margin, inland freight equalization margin, petroleum development levy and sales tax. In order to ensure the accuracy of the inland freight cost managed by the companies, OGRA has directed all Chief Executives of the oil companies to certify the actual transportation cost which would be subsequently audited by OGRA to check the veracity of their claims under the self managed freight pool system.