

OIL AND GAS REGULATORY AUTHORITY

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PRESS RELEASE

Islamabad, May 15, 2006: The Oil and Gas Regulatory Authority (OGRA), has notified that the maximum ex-depot sale prices, effective 16 May, 2006, of the following products, will remain unchanged, as under:

Maximum Ex-Depot Sale Price

Rs. / Litre

Product	Price
Motor Spirit	57.70
HOBC	64.88
Kerosene Oil	35.23
Light Diesel Oil	32.57

These sale prices are, however less than the prices computed on the basis of Government's prescribed formula, which are as under:

Rs. / Litre

Product	Price
Motor Gasoline	58.21
HOBC	65.40
Kerosene	45.33
Light Diesel Oil	41.46

The Federal Government has decided to absorb the difference between the current maximum ex-depot sale price and the computed prices, instead of passing it on to the consumers.

The price determination is carried out by OGRA in accordance with the formula prescribed by the Federal Government. It requires that the price be based on average Arab Gulf prices for the last fortnight for Naphtha, Diesel, Kerosene and HSFO, to which Inland Freight Equalization Margins (IFEM) is added, which

reflect estimated transportation cost of the products to the 29 depots in the country, for the purpose of price equalization. Government levies viz. Excise duty, Sales Tax, Petroleum development levy and sales tax are added, to arrive at the notified prices.

The spokesman said the government is providing a subsidy of Rs.8.49 per litre on kerosene oil to the common man. Similarly, subsidy of Rs. 7.47 on light diesel oil is being given.

In order to ensure the accuracy of the inland freight cost, which is managed by the oil companies themselves, OGRA has directed the 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.

Detailed computations for the above prices, based on the Federal Government formula, are placed at the OGRA website (www.ogra.org.pk).