

BRIEF ON POL PRODUCTS PRICING

1. Oil and Gas Regulatory Authority (OGRA) was mandated by the Federal Government vide Cabinet's decision No. 41/03/2006, dated March 02, 2006, to fix prices of petroleum products w.e.f. April 01, 2006, **in accordance with the Government's prescribed formula**, under Section 6(2)(r) (relating to power and functions of OGRA) and Section 21(2)(b) (relating to policy guidelines) of Oil and Gas Regulatory Authority Ordinance 2002.

2. Under the above mentioned **Cabinet decision**, OGRA is required to compute and notify the ex-depot sale prices of MS 87 RON, HOBC, Kerosene Oil, Light Diesel Oil, JP - 1, JP - 8 and JP - 4 **in accordance with the prescribed formula, given below:**

Ex-refinery import parity price, computed **per formula approved by ECC** on Dec 23, 2000 and subsequent modifications made from time to time.

Plus Inland Freight Equalization Margin (IFEM) **as determined by OGRA**

Plus 4% Distribution Margin and 5% Dealer Commission subject to minimum of USD 45 and maximum of USD 80 of Arab Light crude oil per barrel.

Plus Petroleum Levy, **as notified by Ministry of Petroleum & Natural Resources (MPNR)** from time to time.

Plus General Sales Tax @ 16% of depot price on the amount included all above elements **payable under the Sales Tax law.**

3. The Federal Government has linked the local prices with the developments in the international oil market. Accordingly, local ex-depot prices vary in line with the international prices.

4. The Arab Gulf petroleum product prices decreased during the month of May 2010 as evident from the data placed at **Annex-I**. Accordingly, OGRA in line with the international trend notified the revised price of petrol, HOBC, kerosene oil and LDO which were decreased by 8%, 8%, 5% and 5% respectively w.e.f June 01, 2010 (**Annex-II**). It is highlighted that US \$ exchange rate increased to Rs. 84.40 in the month of May 2010 as compared to rate of Rs. 84.03 in April 2010. The increase in exchange rate has affected the decrease in the international prices to some extent. Average Arab Light Crude Oil price during the month was US \$ 77.73 / bbl, therefore, OMC's and dealer's margins are 4 % and 5% of ex-refinery plus IFEM. Detailed computation for the month effective June 01, 2010 is placed at **Annex-III**.

5. The Arab Gulf petroleum product prices increased significantly during the month of April 2010 as evident from the data placed at **Annex-I**. Accordingly, OGRA in line with the international trend notified the revised price of petrol, HOBC, kerosene oil

and LDO which were increased by 3%, 2%, 6% and 6% respectively w.e.f May 01, 2010 (**Annex-II**). Detailed computation for the month effective May 01, 2010 is placed at **Annex-III**.

6. It is worth mentioning that Government has capped the OMCs' margin and Dealers' commission at 4% and 5% respectively with lower and upper limit of \$ 45-80 per barrel average price of Arab Light Crude oil on MS, HOBC, Kerosene Oil and LDO w.e.f February 2009. As the average Arab Light during the month of April 2010 was \$82.60 / bbl, therefore, the margins were capped at US \$ 80/bbl . The capping reduced the OMCs' margin by Rs. 0.05, Rs. 0.06, Rs. 0.07, Rs. 0.06 per liter on MS, HOBC, Kerosene Oil and LDO respectively and Dealers' margin by Rs. 0.07, Rs. 0.08 per liter on MS and HOBC respectively.

7. The Arab Gulf petroleum product prices witnessed a reasonable increase during the month of March 2010 as evident from the data placed at **Annex-I**. Accordingly, OGRA notified the revised price of petrol, HOBC, kerosene oil and LDO which were increased by 4%, 2%, 5% and 5% respectively w.e.f April 01, 2010.

8. The Arab Gulf petroleum product prices showed slight decline during the month of February 2010 as evident from the data placed at **Annex-I**. Accordingly, OGRA notified the revised price of petrol, HOBC, kerosene oil and LDO which were declined by 1%, 1%, 4% and 3% respectively w.e.f March 01, 2010.

9. It is to be noted that HSD is a deregulated product under GoP Policy therefore, its local ex-depot price is notified by Oil Marketing Companies (OMCs) themselves and not by OGRA.

Comparison of Arab Gulf Prices and Exchange Rate

Annex-I

Product	Unit	Effective February 01, 2010	Effective March 01, 2010	Effective April 01, 2010	Difference inc/(dec)	%age	Effective May 01, 2010	Difference inc/(dec)	%age	Effective June 01, 2010	Difference inc/(dec)	%age
		A	B	C	B-A		D	D-C		E	E-D	
Furnace Oil	\$ / MT	496.19	473.20	478.47	(22.99)	-5%	496.68	18.21	4%	471.24	(25.44)	-5.1%
Kerosene Oil	\$ / BBL	85.06	81.25	86.98	(3.81)	-4%	93.85	6.87	8%	88.48	(5.37)	-5.7%
HSD	\$ / BBL	83.18	81.10	87.19	(2.08)	-3%	93.71	6.52	7%	88.18	(5.53)	-5.9%
Motor Spirit 95 RON	\$ / BBL	86.39	85.32	90.20	(1.07)	-1%	93.29	3.09	3%	85.27	(8.02)	-8.6%
Arab Light Crude Oil	FOB \$ / BBL	77.64	73.66	77.12	(3.98)	-5%	82.60	5.48	7%	77.73	(4.87)	-5.9%
Exchange Rate	Rs/US\$	84.69	85.06	84.60	0.36	0.4%	84.07	(0.53)	-0.6%	84.40	0.33	0.4%

Comparison of Local POL product Prices

Annex-II

Product	Unit	Effective February 01, 2010	Effective March 01, 2010	Difference Inc/(dec)	%age	Effective April 01, 2010	Difference Inc/(dec)	%age	Effective May 01, 2010	Difference Inc/(dec)	%age	Effective June 01, 2010	Difference Inc/(dec)	%age
		A	B	B-A		C	C-B		D	D-C		E	E-D	
Petrol	Rs/Litre	71.21	70.57	(0.64)	-1%	73.14	2.57	4%	75.08	1.94	3%	69.04	(6.04)	-8.0%
HOBC	Rs/Litre	86.84	86.06	(0.78)	-1%	87.56	1.50	2%	89.19	1.63	2%	82.04	(7.15)	-8.0%
Kero	Rs/Litre	64.06	61.50	(2.56)	-4%	64.81	3.31	5%	68.89	4.08	6%	65.49	(3.40)	-4.9%
LDO	Rs/Litre	61.07	59.47	(1.60)	-3%	62.20	2.73	5%	65.76	3.56	6%	62.61	(3.15)	-4.8%

OIL AND GAS REGULATORY AUTHORITY**Ex - Depot Sale Price Calculation****with effect from June 01, 2010**

	MOTOR GASOLINE			H. O. B. C.			KEROSENE		L. D. O.		I.P.-4	I.P.-8		I. P. - 1		
	Retail	Rail/Def	Direct	Retail	Rail/Def	Direct	Direct	Rail/Def	Direct	Rail/Def	Defence	Defence		Domestic	Foreign	Technical
												Ex-Parco	Other			
Ex-refinery	42.05	42.05	42.05	46.77	46.77	46.77	47.48	47.48	46.72	46.72	45.37	47.48	47.48	47.70	47.70	47.70
IFEM *	3.38		3.38	5.27		5.27	1.04		2.29			2.70	-	-	-	-
	45.43	42.05	45.43	52.04	46.77	52.04	48.52	47.48	49.01	46.72	45.37	50.18	47.48	47.70	47.70	47.70
Dist margin	1.82	-	1.82	2.08	-	2.08	1.94	-	1.96	-	-	-	-	0.02	0.02	0.02
Dealer margin	2.27	-	-	2.60	-	-	-	-	-	-	-	-	-	-	-	-
Petroleum Levy	10.00	12.27	12.27	14.00	16.60	16.60	6.00	6.00	3.00	3.00	-	-	-	-	-	-
Price before Sales tax	59.52	54.32	59.52	70.72	63.37	70.72	56.46	53.48	53.97	49.72	45.37	50.18	47.48	47.72	47.72	47.72
Sales tax	9.52	8.69	9.52	11.32	10.14	11.32	9.03	8.56	8.64	7.96	7.26	8.03	7.60	7.64	-	-
Max. ex-depot sale price	69.04	63.01	69.04	82.04	73.51	82.04	65.49	62.04	62.61	57.68	52.63	58.21	55.08	55.36	47.72	47.72
Max. ex-depot sale price	69.04		69.04	82.04		82.04	65.49		62.61		52.63	58.21	55.08	55.36	47.72	47.72
Price buildup of JP1																
Domestic																
IPP price	47.70															
Foreign	\$/gallon	Per bbl	Per ton	Per liter												
Ex Refinery	2.13908											2.13908				
Distributor margin	0.12000											0.10000				
Into plane price	in US \$	2.25908	94.881	767.002	0.597							2.23908	94.041	760.212	0.592	
	US cents	225.91										223.91				
Into plane price	in Pak Rs.	190.67	8,008.23	64,737.20	50.37							188.985	7,937.33	64,164.11	49.93	
Exchange rate	84.40															
* IFEM as determined by OGRA subject to adjustment on the basis of actual monthly freight computation. In case of JP8, Ex-Parco, inland freight cost has been included per MPNR's advice.																