OGRA — NEWS BRIEF

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OGRA RELATED NEWS

Open letter of Chairman Oil Marketing Association to OGRA

Wail of emerging Oil Marketing Companies FX losses / early settlement of Accumulated foreign exchange losses to ensure financial viability.

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The pitiable conditions of emerging OMCs with no attention of the concerned departments have compelled us to reiterate challenges new OMC's. The current fiscal conditions, rupee devaluation, high cost of doing business and OGRA's wrong calculations based on favoring few big OMCs has worsened the condition.

The Oil Marketing Industry has lost billions of rupees due to rupee depreciation. The industry is in a dire situation due to Letters of Credits (LCs) settled / retired at the new exchange rates even though the related goods have already been imported and sold earlier.

The exchange rate losses passed partially to PSO recently brought to OGRA's attention. The PSO has given to OGRA, the exchange loss adjustment of PMG and HSD @ Rs. 16.21 and Rs. 163.02 per litre, whereas only Rs. 15.74 and Rs. 27.80 per liter were adjusted for current prices notified on March 1, 2023. The OMCs cannot take such losses, and cannot continue operating with such a price anomaly. That also goes against the officially approved price structure. Presently the industry is suffering with PKR 35-40 billion losses.

The exchange losses vary product wise on the OMCs import. Passing partial compensation on exchange rates to OMC's is unfair. Because to this occurrence, those OMCs who sell the local refinery products or with zero imports have unfair and unrealistic advantage.

This unethical activity favors those who engage in the sale of petroleum products that are locally manufactured or procured, yet they manage to receive benefits that are solely intended for petroleum product importers.

Due to this anomaly, emerging OMCs are facing an additional loss of PKR 20 billion, in addition to the above-mentioned loss.

The prime reason for these losses is partial settlement, unfair and unjustified distribution of exchange rate losses, taking PSO as benchmark & wrong calculation of formula by OGRA.

We strongly suggest that any such amount disbursed in unjustified way should immediately be recovered and should be disbursed to real affecters.

Furthermore, emerging OMCs are not being provided even playing field w.r.t to product allocation from refineries. They offer products to emerging OMCs only at the time of low demand and restrict allocations as soon as demand is up.

The OMCs backed up by refineries are availing maximum benefits by getting maximum product allocation from refineries at the time of demand and price again. OGRA also supports them by allowing imports at the time when they can get maximum price benefits as well as exchange rate adjustment.

Emerging OMCs are in disadvantage to import products on regular basis due to their parcel size and most of the time, they cannot get foreign exchange adjustment due to non-availability of local as well as imported products with them. Hence, OGRA should support emerging OMCs in making available local product.

Manipulation of pricing mechanism by OGRA and partial passing on of exchange rate losses is an important factor impacting the workability of emerging OMCs.

By holding prices constant or failing to pass on the full exchange loss to the petroleum industry, the OGRA has been manipulating the pricing of petroleum products for the last many months. The petroleum business is already in serious financial trouble as a result of rising worldwide prices, the rupee's ongoing depreciation, the contraction of LC lines, and the high rate of LC confirmation fees.

It is highly astonishing that the exchange rate adjustment is not truly passed on to its letter & spirit to the actual rightful entities. Exchange rate adjustments are distributed uniformly across all OMCs, i.e., without consideration of who is or is not eligible. Yet, in real sense, it needs to be distributed in accordance with their imports and payments.

Let's take an example, a genuine exchange rate loss might occur if an OMC imported in M months and sold its products in the same month but was unable to make payment in M+1, M+2, or M+3. In such a case, it is suggested to create a pool from which funds are given to OMCs based on their real exchange loss or gain or to let OMCs to recoup their exchange loss or gain in accordance with the payment they made in dollars.

By making a pool a big factor of hoarding will automatically be curbed. Big companies manage quota allocation in PR meeting enjoying favoritism and get undue and unjustified payments, which is causing a big loss to the country & add to the people's misery.

We strongly believe and suggest that creation of a pool for such payments, as narrated above will not only bring a harmony and smoothness in disbursement operations making it justified but also prevent hoarding in an effective manner.

Oil industry warns of major fuel supply disruption

ISLAMABAD: The country's oil industry is reportedly in serious trouble in arranging crude oil and petroleum products owing to foreign exchange constraints and prevailing product pricing, particularly following the recent currency depreciation and increase in the central bank's policy rate.

https://www.dawn.com/news/1741013/oil-industry-warns-of-major-fuel-supply-disruption