

Encouraging investment

Competition watchdog issues policy note to OGRA

Recommends regulatory body to decide over pending licence applications

OUR CORRESPONDENT
 ISLAMABAD

The Competition Commission of Pakistan (CCP) has issued a policy note to the Oil and Gas Regulatory Authority, recommending it to exercise its power and encourage investment in the sector.

The CCP, through the note, has recommended that the regulatory body should act under the Ogra ordinance and take a decision regarding its licence applications by potential new entrants, in the flare-gas distribution, at the earliest to remove entry barriers.

The recommendation was made after concerns were raised by potential market entrants for flare-gas storage, distribution and transportation.

New market entrants need to apply for licences to Ogra. However, the CCP was informed by a potential entrant that its application remained pending, although all formal processes were completed. Hence, the CCP decided to

The CCP was informed by a potential entrant that its application remained pending, although all formal processes were completed

assess all possible anti-competitive impacts of such an impediment.

Flare-gas is regarded as a by-product during the extraction of petroleum. Using flare-gas can help in augmenting the gas supply in the country. Until now, flare-gas has not been utilised in Pakistan but it may provide a stepping stone for new entrants that are aspiring to enter the market for the supply of natural gas. Flare-gas can be compressed for easy storage and transportation using gas bowsters.

Ogra responds

Ogra, in its response to the commission's queries,

noted that the monopoly of Sui Northern Gas Pipelines Company Limited (SNGPL) and Sui Southern Gas Pipelines Company Limited (SSGCL) for transmission and distribution of gas ended on June 30, 2010. Ogra stated that the current flare-gas policy issued by the Federal Government did not provide any guidance to determine the producer price for flare-gas, the tariff applicable for future similar cases and the tariff applicable for potential consumers.

The CCP noted that Ogra's mandate was to foster competition and increase investment in the midstream and downstream market for petroleum. However, in the matter of issuing licence for flare-gas distribution where, all the requirements for issuance of licence were met, not taking a decision on the issuance of licences became a hindrance for new entrants in the market.

The CCP believes that the institutional delay in the issu-



PETROLEUM MARKET: Ogra's mandate was to foster competition and increase investment in the midstream and downstream market for petroleum. PHOTO: FILE

ance of licence increases the time for a new entrant to enter the market, thus, benefitting the existing firms and making the market less competitive. It also noted that, at a time when Pakistan was facing an energy crisis, barriers to entry in sectors such as natural gas were a cause for concern as they restricted

the much needed investment. It, therefore, recommended Ogra to take a decision on the issuances of licences at the earliest as it will not only help attract investment but also push incumbent service providers to be more efficient and innovative, which will in turn benefit the consumers.

3 January 2014

Page # 3

CCP issues policy note to Ogra

ISLAMABAD: The Competition Commission of Pakistan (CCP) has issued a policy note to Oil and Gas Regulator, Authority (Ogra) recommending it to exercise its powers under the Ogra Ordinance and take a decision regarding license applications by potential new entrants, in the flare-gas distribution, at the earliest to remove entry barriers and encourage new investment in the sector.

The CCP made the recommendation after receiving concerns from potential market entrants in the market for flare-gas storage, distribution and transportation.

Market entrants need to apply for license to Ogra, however, CCP was told by a potential entrant that its application remains pending although all formal processes were completed. The CCP, therefore, decided to assess possible anti-competitive impacts of such an impediment. Flare-gas is regarded as a by-product during the extraction of petroleum.

Using flare-gas can help in augmenting the supply of gas in the country. Till now flare-gas has not been utilized in Pakistan but it may provide a stepping stone for new entrants that are aspiring to enter the market for supply of natural gas. Flare-gas can be compressed for easy storage and transportation using gas blowers.

Ogra, in its response to the CCP's queries, noted that the monopoly of Sui Northern Gas Pipelines Company Limited (SNGPL) and Sui Southern Gas Pipelines Company Ltd. (SSGCL) for transmission and distribution of gas ended on 30th June, 2010.

Ogra stated that the current flare-gas policy issued by the federal government did not provide any guidance to determine: (i) producer price for flare-gas; (ii) tariff applicable for future similar cases; and (iii) tariff applicable for potential consumers.

The CCP noted that Ogra's mandate was to foster competition and increase investment in the midstream and downstream

market for petroleum. However, in the matter of issuing license for flare-gas distribution where prima facie all the requirements for issuance of license were met, not taking a decision on the issuance of license created a barrier to entry in the market.

The CCP was of the view that institutional delay in the issuance of license lengthened the time for a new entrant to enter the market thus benefitting the existing firms and making the market less competitive. It also noted that, at a time when Pakistan was facing an energy crisis, barriers to entry in sectors such as natural gas were a cause for concern as they restricted much needed investment.

It, therefore, recommended Ogra to take a decision on the issuance of license at the earliest as doing so would not only help in attracting much needed investment but would also incentivize incumbent service providers to be more efficient and innovative, which would in turn benefit consumers.—PR

3 January 2014

Page # 10

CCP for issuance of flare-gas licences

By Kalbe Ali

ISLAMABAD: The Competition Commission of Pakistan (CCP) has suggested to Oil and Gas Regulatory Authority (Ogra) to exercise its powers and take a decision regarding issuance of licences for flare-gas distribution which would also help reduce ongoing energy crisis in the country.

The CCP made the recommendation after receiving concerns from potential market entrants in the market for flare-gas storage, distribution and transportation.

"Market entrants need to apply for licence to Ogra, but potential entrants have claimed their applications remain pending with the oil and gas regulator," the CCP said.

Flare-gas is regarded as a by-product at the oil and gas production fields, and using flare-gas can help augment supply of gas in the country.

Till now flare-gas has not been utilised in Pakistan, but it may provide a stepping stone for new entrants that are aspiring to enter the market for supply of natural gas.

Flare-gas can be compressed for easy storage and transportation using gas bowzers. In its policy note, the CCP assessed the possible anti-competitive impacts of such an impediment.

The CCP said that the institutional delay in issuance of licences lengthened the time for a new entrant to enter the market, and it was benefiting the existing firms and making the market less competitive.

Responding to CCP policy note, Ogra said that the monopoly of Sui Northern Gas Pipelines Company Limited (SNGPL) and Sui Southern Gas Pipelines Company Ltd (SSGCL) for transmission and

Continued on Page 12

Ogra urged to issue flare gas licences

By our correspondent

ISLAMABAD: The Competition Commission of Pakistan (CCP) has recommended the Oil and Gas Regulatory Authority (Ogra) to take immediate decision on the licence applications filed by new entrants for storage, distribution and transportation of flare gas – regarded as a byproduct obtained during the extraction of petroleum.

In a policy note to the OGRA, it recommended the authority to exercise its power under the OGRA Ordinance to expedite the licence granting process to remove entry barriers and encourage new investment in the sector.

The recommendations came after the commission received a complaint from a potential applicant willing to store, distribute and transport flare gas that its application for a licence was pending with the Ogra, although all the formal procedures had been completed.

∴ Presently, flare gas is not being in use in Pakistan. It can be compressed for easy storage and transportation through a gas bowser/fuel

tanker.

In its response, the Ogra said the current flare gas policy issued by the federal government does not provide any guidance to determine producer's price for flare gas and tariff applicable for future similar cases and for consumers.

It noted that the monopoly of Sui Northern Gas Pipelines Company Limited and Sui Southern Gas Company Ltd for gas transmission and distribution had ended on 30 June, 2010.

The CCP noted that Ogra's mandate was to foster competition and increase investment in the midstream and downstream market for petroleum.

Non-issuance of licence, despite that all requirements have been met, is creating a barrier to entry in the market.

It stated that the institutional delay in the issuance of licence was benefiting the existing firms and making the market less competitive.

The early issuance of licences would motivate service providers to be more efficient and innovative, which would benefit consumers.

The Nation

Page # 9

3 Jan 2014

OGRA ASKED TO EXERCISE ITS POWERS ON LICENCE APPLICATIONS



OUR STAFF REPORTER
ISLAMABAD

The Competition Commission of Pakistan (CCP) has issued a Policy Note to Oil & Gas Regulatory Authority (OGRA) recommending it to exercise its powers under the OGRA Ordinance and take a decision regarding licence applications by potential new entrants, in the flare-gas distribution, at the earliest to remove entry barriers and encourage new investment in the sector.

The CCP made the recommendation after receiving concerns from potential market entrants in the market for flare-

gas storage, distribution and transportation. Market entrants need to apply for licence to OGRA, however, CCP was informed by a potential entrant that its application remains pending although all formal processes were completed. The CCP therefore decided to assess possible anti-competitive impacts of such an impediment.

Flare-gas is regarded as a by-product during the extraction of petroleum. Using flare-gas can help in augmenting the supply of gas in the country.

Till now flare-gas has not been utilised in Pakistan but it may provide a stepping stone for new entrants that are aspiring to enter the

market for supply of natural gas.

OGRA, in its response to the CCPs queries, noted that the monopoly of Sui Northern Gas Pipelines Company Limited (SNGPL) and Sui Southern Gas Pipelines Company Ltd. (SSGCL) for transmission and distribution of gas ended on 30th June, 2010. OGRA stated that the current flare-gas policy issued by the Federal Government did not provide any guidance to determine: (i) producer price for flare-gas; (ii) tariff applicable for future similar cases; and (iii) tariff applicable for potential consumers.

The CCP noted that OGRA's mandate was to foster competition and increase

investment in the midstream and downstream market for petroleum. However, in the matter of issuing license for flare-gas distribution where prima facie all the requirements for issuance of license were met, not taking a decision on the issuance of license created a barrier to entry in the market. It therefore recommended OGRA to take a decision on the issuance of licence at the earliest as doing so would not only help in attracting much needed investment but would also incentivise incumbent service providers to be more efficient and innovative which would in turn benefit consumers.

Page #13 Economy Watch
3 January 2014

OGRA to remove entry barriers in flare-gas distribution

ISLAMABAD—The Competition Commission of Pakistan (CCP) has issued a Policy Note to Oil & Gas Regulatory Authority (OGRA) recommending it to exercise its powers under the OGRA Ordinance and take a decision regarding license applications by potential new entrants, in the flare-gas distribution, at the earliest to remove entry barriers and encourage new investment in the sector.

The CCP made the recommendation after receiving concerns from potential market entrants in the market for flare-gas storage, distribution and transportation. Market entrants need to apply for license to OGRA, however, CCP was informed by a potential entrant that its application remains pending although all formal

processes were completed. The CCP therefore decided to assess possible anti-competitive impacts of such an impediment. Flare-gas is regarded as a by-product during the extraction of petroleum.

Using flare-gas can help in augmenting the supply of gas in the country. Till now flare-gas has not been utilized in Pakistan but it may provide a stepping stone for new entrants that are aspiring to enter the market for supply of natural gas. Flare-gas can be compressed for easy storage and transportation using gas bowsters.

OGRA, in its response to the CCPs queries, noted that the monopoly of Sui Northern Gas Pipelines Company Limited (SNGPL) and Sui Southern Gas Pipelines Company Ltd.

(SSGCL) for transmission and distribution of gas ended on 30th June, 2010. OGRA stated that the current flare-gas policy issued by the Federal Government did not provide any guidance to determine: (i) producer price for flare-gas; (ii) tariff applicable for future similar cases; and (iii) tariff applicable for potential consumers.

The CCP noted that OGRA's mandate was to foster competition and increase investment in the midstream and downstream market for petroleum. However, in the matter of issuing license for flare-gas distribution where prima facie all the requirements for issuance of license were met, not taking a decision on the issuance of license created a barrier to entry in the market.

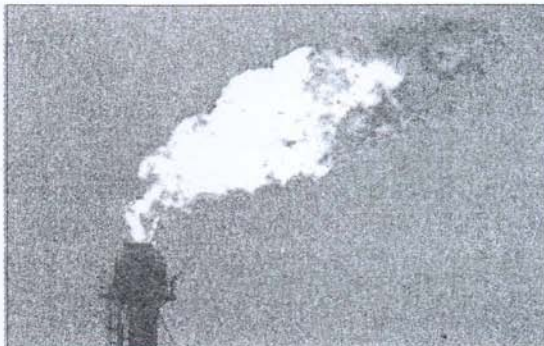
Flare gas distribution

CCP recommends OGRA to remove entry barriers

ISLAMABAD: The Competition Commission of Pakistan (CCP) on Thursday issued a policy note to Oil and Gas Regulatory Authority (OGRA) recommending it to exercise its powers under the OGRA Ordinance and take a decision regarding licence applications by potential new entrants in the flare gas distribution at the earliest to remove entry barriers and encourage new investment in the sector.

The CCP made the recommendation after receiving concerns from potential market entrants in the market for flare gas storage, distribution and transportation. Market entrants need to apply for licence to OGRA, however, CCP was informed by a potential entrant that its application remains pending although all formal processes were completed. The CCP therefore decided to assess possible anti-competitive impacts of such an impediment. Flare gas is regarded as a by-product during the extraction of petroleum.

Using flare gas can help in



augmenting the supply of gas in the country. Till now flare gas has not been utilised in Pakistan but it may provide a stepping stone for new entrants that are aspiring to enter the market for supply of natural gas. Flare gas can be compressed for easy storage and transportation using gas bowsers.

OGRA, in its response to the CCP's queries, noted that the monopoly of Sui Northern Gas Pipelines Company Ltd (SNGPL) and Sui Southern Gas Pipelines

Company Ltd (SSGCL) for transmission and distribution of gas ended on June 30, 2010. OGRA said that the current flare gas policy issued by the federal government did not provide any guidance to determine (i) producer price for flare gas, (ii) tariff applicable for future similar cases, and (iii) tariff applicable for potential consumers. The CCP noted that OGRA's mandate was to foster competition and increase investment in the midstream and down-

stream market for petroleum. However, in the matter of issuing licence for flare gas distribution where prima facie all the requirements for issuance of licence were met, not taking a decision on the issuance of licence created a barrier to entry in the market.

The CCP was of the view that institutional delay in the issuance of licence lengthened the time for a new entrant to enter the market thus benefiting the existing firms and making the market less competitive. It also noted that, at a time when Pakistan was facing an energy crisis, barriers to entry in sectors such as natural gas were a cause for concern as they restricted much needed investment.

It therefore recommended OGRA to take a decision on the issuance of licence at the earliest as doing so would not only help in attracting much needed investment but would also incentivise incumbent service providers to be more efficient and innovative which would in turn benefit consumers. **STAFF REPORT**

”فلئیر گیس“ کی تقسیم کیلئے ٹینڈر اوپن کیا

جائے، مسابقتی کمیشن کو اوگرا کی ہدایت

اسلام آباد (عاطف شیرازی) مسابقتی کمیشن نے آئل اینڈ گیس ریگولیشن اتھارٹی (اوگرا) کو ہدایت جاری کی ہے کہ ”فلئیر گیس“ کی ڈسٹری بیوشن کیلئے تمام رکاوٹیں دور کر کے ٹینڈر اوپن کیا جائے، تاکہ مقابلہ بازی کا ماحول سازگار ہونے کے ساتھ ساتھ ملک میں توانائی بحران کم ہونے میں مدد مل سکے۔ ذرائع کے مطابق مسابقتی کمیشن کو درخواست ملی تھی کہ سوئی نادرن گیس پائپ لائن کمپنی لمیٹڈ اور سوئی سدرن گیس پائپ لائن کمپنی کے فلئیر گیس کی ڈسٹری بیوشن کا معاہدہ 30 جون 2010 سے ختم ہو گیا ہے لیکن تاحال اوگرا نے فلئیر گیس کی ڈسٹری بیوشن کیلئے نئے ٹینڈر کو جاری نہیں کیا ہے۔ فلئیر گیس خام گیس کی ایک شکل ہے جس کو قابل استعمال گیس میں تبدیل کیا جاتا ہے۔