Freight margin collection

Byco accuses government of anti-competitive practices

Petroleum ministry, OGRA dismiss refinery's claims

ZAFAR BHUTTA
ISLAMABAD

In an attempt to put pressure on the regulator, the management of Byco Petroleum has approached the Competition Commission of Pakistan (CCP), alleging that the government is involved in anti-competitive practices as it allows certain refineries to collect freight charges from oil consumers.

Speaking at a public hearing held by the CCP here on Tuesday, Byco representative Wasi Khan said the Economic Coordination Committee (ECC) had allowed the refinery to charge inland freight equalisation margin (IFEM) for transporting crude oil from its single point mooring (SPM) facility but the Oil and Gas Regulatory Authority (Ogra) opposed its implementation.

According to Khan, the government has granted Byco only seven-and-a-half-year tax holiday compared to the 20-year holiday for refineries that would be set up in the coastal area of Hub.

Byco Chief Executive Officer Amir Abbassciy pointed out that they had laid a 14.5km pipeline on the seabed to pump crude oil from the SPM after the petroleum ministry refused to set up a strategic facility like that for other refineries.

However, the Ministry of Petroleum and Natural Resources and Ogra dismissed the claims made by Byco.

The CCP categorically said its function was not to implement government decisions and it would rather examine anti-competitive practices, if any.

During the tenure of the previous Pakistan Peoples Party government, the ECC had allowed Byco to collect Rs0.10 as IFEM on per litre of petrol. This was aimed at recovering the cost of SPM established to pump crude oil to Byco refinery's unit-2 located at Hub, Balochistan.

However, Ogra resisted, saying it could not allow IFEM collection and proposed that the federal government should allocate funds out of the budget.

Ogra – the oil and gas industry regulator – was of the view that refineries were already receiving Rs0.10 on per litre of petrol and Rs0.04 on high-speed diesel as wharfage (port) charges and Byco would also be enjoying the same at the SPM. If an additional Rs0.10 was allowed as freight, the refinery would be getting a double amount, it said.

The Byco representative cited cases of Attock Refinery and Pak Arab Refinery Limited (Parco), saying they had received freight on the transport of crude oil and denying the same to Byco would be discriminatory.

In reply, the director general oil said Attock Refinery charged IFEM for transporting crude oil from the country's south and the petroleum and finance ministries were on board. Now, the refinery has enough crude oil and the facility was discontinued last year.

About Parco – a joint venture between the governments of Pakistan and UAE, he said the refinery was given incentives under the Petroleum Policy of 1994 and the two countries had an implementation agreement in this regard.

There was no discrimination against Byco, but rather consumers might be discriminated against, he remarked.

According to the DG, Byco was granted seven-and-a-half-year tax holiday on the condition that crude oil transport would not be the responsibility of the government. In contrast, National Refinery and Pakistan Refinery have no such incentives and they could claim being discriminated against.

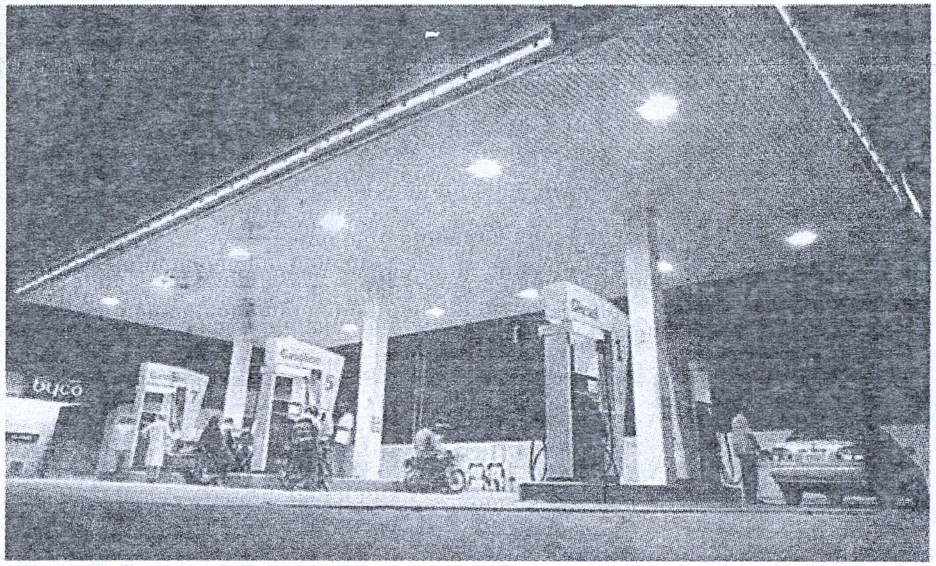
He said Byco had not started commercial operations and before entering into competition with the industry, it was leveling allegation of discrimination.

Ogra representative also dismissed the charge of discrimination, saying Parco had an 867km pipeline and this caused the difference between economics of the two refineries.

However, if Byco got transportation charges, this would put National Refinery and Pakistan Refinery at a disadvantage, he said.

"Byco will be receiving Rs325 million on the transport of crude oil on account of wharfage charges at ex-refinery prices and they are now claiming $3.5 per ton, though other refineries are charging Rs48 per ton," he said.

"How will it establish competition among the refineries, it will rather put more burden on the consumers," he added.



DEMAND: Byco will be receiving Rs325 million on the transport of crude oil on account of wharfage charges at ex-refinery prices and they are now claiming $3.5 per ton. PHOTO: FILE

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CCP conducts public hearing on discriminatory access to IFEM

ISLAMABAD: The Competition Commission of Pakistan (CCP) here on Tuesday conducted a public hearing on concerns raised by petroleum companies regarding discriminatory access to Inland Freight Equalization Margin (IFEM) pool which may distort conditions of competition in crude and refined oil markets.

The hearing was chaired by Dr Joseph Wilson, Chairman CCP. On the bench with the Chairman were Dr Shahzad Ansar and Mueen Batlay, members of the CCP. The hearing saw a large turnout of stakeholders, including high level officials from the Ministry of Petroleum and Natural Resources, Oil and Gas Regulatory Authority (OGRA), oil refineries and oils marketing companies. All the interested parties presented their point of views on the issues raised which will be taken into account by the Commission in formulation of its opinion in the matter.

This public hearing was conducted pursuant to Sections 29 of the Competition Act, 2010 which entrusts CCP with the responsibility to "promote competition through advocacy which includes holding open hearing on any matter affecting the state of competition in Pakistan or affecting the country's commercial activities and expressing publicly an opinion with respect to the issues."

At the conclusion of the hearing Dr Wilson thanked the participants for their time, and noted that the high level participation shows the confidence which the Commission commands in the public and private sectors alike.—PR

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