THE EXPRESS TRIBUNE

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Competition watchdog asks petroleum ministry to end discrimination

Says investment incentives cannot be offset by denying benefits

OUR CORRESPONDENT
ISLAMABAD

The Competition Commission of Pakistan (CCP) has asked the Oil and Gas Regulatory Authority (Ogra) and Ministry of Petroleum and Natural Resources to eliminate discriminatory application of inland freight equalisation margin (IFEM) and create a level playing field for all refineries and oil marketing companies.

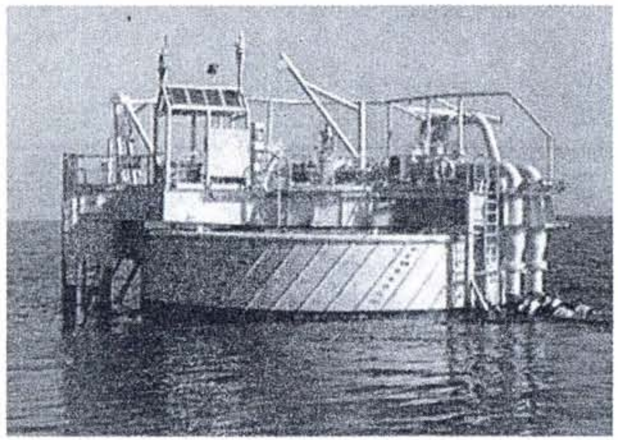
In an opinion issued on Thursday, the CCP took notice of the concerns raised by an oil refinery over denial of IFEM benefits to it, which put it at competitive disadvantage compared to the refineries receiving the freight margin.

The commission held a public hearing on the issue at its headquarters, which was attended by representatives of the petroleum ministry, Ogra, refineries and oil marketing companies.

IFEM is the cost borne by a refinery for transporting crude oil from the source to the refinery and by an oil marketing company for shipping the finished product from the supply point to depots in the country.

The purpose of IFEM is to ensure uniform prices of motor gasoline (petrol), high-speed diesel, light diesel oil and kerosene oil across the country.

According to the CCP, Ogra denied the transport cost of crude oil to the refinery in the wake of decisions taken by the Economic Coordination Committee (ECC). In its first decision, the ECC disallowed crude transport cost to the refinery, but later it gave the go-ahead. However, the petroleum ministry did not seek the ECC's approval for withdrawing the earlier decision.



OBJECTIONS: ECC allowed the refinery reimbursement of the operational cost of its Single Point Mooring (SPM), however Ogra denied it, arguing that the refinery was saving wharfage charges. PHOTO: FILE

The CCP asked which decision should be applied in the case of two conflicting directives and noted that courts had held that the judgment coming later in date and time would prevail. From the available documents, the CCP said, it stood clarified that the ECC had allowed reimbursement of transport cost to the refinery from IFEM.

The CCP observed that investment incentives given to allow players to enter the market or expand their business could not be offset by denying benefits normally offered to existing market players.

Furthermore, the IFEM pool is an indirect subsidy given to residents of the country by covering transport costs of refineries and oil marketing companies to ensure that their products are available to the consumers at a uniform price across the country.

"Denying access to the IFEM pool on the grounds that the refinery has enjoyed investment incentives and is a private sector entity, results in distorting competition in the market," the CCP remarked.

Operational cost

Though the ECC allowed the refinery reimbursement of the operational cost of its Single Point Mooring (SPM), Ogra denied it, arguing that the refinery was saving wharfage charges as it imported crude oil through its own SPM, the CCP said. "Therefore, allowing the operational cost of SPM may lead to double reimbursement to the refinery."

The CCP referred to a letter issued by Ogra to the commission, which stated that in case of local crude, the producers supplied the product to the refineries at their gate, therefore, no freight was incurred by the latter. However, according to the pricing mechanism approved by the federal government, the ex-refinery price allowed to the refineries included wharfage as well.

"This means a refinery situated in a hydrocarbon rich area and using local crude oil, does not have to pay crude oil transport cost, but it is still given ex-refinery price containing wharfage. Inclusion of wharfage in the ex-refinery price and the operational cost of SPM are two different matters," the CCP said.

"Hence, reimbursement of the operational cost of SPM is justified on the same principle by which transport cost is reimbursed to other refineries from the IFEM pool."

BUSINESS RECORDER
Editor-in-chief M.A. Zuberi

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Opinion issued to OGRA, MPNR

CCP for ending discriminatory application of IFEM

ISLAMABAD: The Competition Commission of Pakistan (CCP) has issued an opinion to Oil and Gas Regulatory Authority (OGRA) and Ministry of Petroleum and Natural Resources (MPNR) to eliminate discriminatory application of Inland Freight Equalization Margin (IFEM) and create a level playing field for all refineries and oil marketing companies in crude and refined oil markets.

The CCP took notice of concerns raised by an oil refinery (hereinafter "the Refinery") in respect of benefits of IFEM denied to it by the OGRA and MPNR, which discriminates against the Refinery and results into competitive disadvantage to it vis-à-vis refineries who are receiving IFEM from OGRA. The Commission held a public hearing in the matter at the Commission's headquarters which was attended by the representatives of MPNR, OGRA, refineries and oil marketing companies and issued an Opinion under Section 29(c) of the Competition Act, 2010.

IFEM is the cost of inland movement incurred by (i) a refinery for transportation of crude oil from source to refinery; and (ii) by an oil marketing company for transportation of finished product from supply point to depots in the country. Purpose of IFEM is to maintain the same prices of Motor Gasoline (Petrol), High Speed Diesel Oil (Diesel), Light Diesel Oil (LDO) and Kerosene Oil across the country.

OGRA has denied the transportation cost of crude oil to the Refinery on two major grounds that two Economic Coordination Committee (ECC) decisions coexist wherein one decision has disallowed crude transportation to the Refinery whereas the other has allowed the same and MPNR did not seek approval of ECC regarding rescinding latter's earlier decision; and the Refinery has availed certain investment incentives, therefore, it cannot be given the benefit of IFEM pool.

The Commission has noted in its opinion that which decision should prevail in the case of two conflicting decisions of a higher forum is a proposition of law that is too well settled to admit any debate. The courts have held that judgment later in date and time shall prevail. From the documents available to the Commission, it stands clarified that an informed decision has been made at the forum of ECC while allowing the Refinery reimbursement of transportation cost from IFEM.

It was observed in the opinion that investment incentives are given to allow players to enter the market/or expand their business. Investment incentives cannot be offset by denying benefits normally given to existing market players. Further, the IFEM pool is an indirect subsidy given to residents of Pakistan by covering the transportation costs of the refineries and oil marketing companies to ensure that their products are available to consumers at a uniform price across the country. Denying access to the Refinery to the IFEM pool on the basis, that it has enjoyed investment incentives and is a private sector entity, results in distorting competition in the relevant market.

Though the ECC has allowed the Refinery reimbursement of operational cost of its Single Mooring Point, OGRA denies to reimburse the same and has taken the stance that the Refinery is saving wharfage charges as it imports crude oil through its own SPM. Therefore, allowing the operational cost of SPM may lead to the double reimbursement to the Refinery. The Commission in its Opinion has referred to a letter issued by OGRA to the Commission whereby it states that in case of local crude, the producers supply the crude to the local refineries at the refinery gate, therefore, no freight is incurred by the refineries, however, as per the pricing mechanism approved by the Federal Government the ex-refinery price allowed to refineries include the wharfage element. This means a refinery situated in hydrocarbon rich area and using local crude oil, does not have to pay crude oil transportation, but it is still given ex-refinery price containing wharfage element. Inclusion of wharfage element in ex-refinery price and operational cost of SPM are two different matters. Hence, reimbursement of operational cost of SPM is justified on the same principle by which transportation cost is reimbursed to other refineries from the IFEM pool.

The Refinery also raised the concern that has not been declared as supply source and therefore, transportation cost incurred by oil marketing companies is not reimbursed from IFEM. This makes oil marketing companies shy of transporting the oil from the Refinery. During the course of the hearing the only reason to oppose declaring the Refinery as supply source given by the MPNR was that giving this status is subject to start of production of a refinery and the second unit of Refinery has not yet started production. The CCP observed in its Opinion that this matter can be resolved on satisfactory inspection of the Refinery.

Discriminatory access to the IFEM pool and denying the status of "supply source" distorts the market conditions for the Refinery and puts it at a competitive disadvantage vis-à-vis its competitors, thereby making it difficult for it to compete in the market. Further, such unequal treatment given to an undertaking discourages new investment and creates barrier to entry in the oil market. Therefore, it was recommended in the opinion that the Refinery be given:

(i) the benefit of IFEM in terms of transportation cost of crude oil;

(ii) the benefit of IFEM in terms of operational cost of SPM; and

(iii) the status of "supply source".—PR

INTERNATIONAL
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Freight equalisation margin

CCP proposes elimination of discriminatory application

By our correspondent

KARACHI: The Competition Commission of Pakistan (CCP) on Thursday suggested the Oil and Gas Regulatory Authority (Ogra) and the Ministry of Petroleum and Natural Resources to eliminate discriminatory application of Inland Freight Equalisation Margin (IFEM).

The move is likely to provide a level-playing field for all refineries and oil marketing companies in crude and refined oil markets.

The CCP took notice of the concerns raised by an oil refinery in respect of benefits of IFEM denied to it by Ogra and the ministry, which discriminates against the refinery and results into competitive disadvantage to it vis-à-vis refineries who are receiving IFEM from Ogra.

The commission held a public hearing in the matter at the commission's headquarters, which was attended by the representatives of the ministry, Ogra, refineries and oil marketing companies and issued an opinion under Section 29 (c) of the Competition Act, 2010.

IFEM is the cost of inland movement incurred by a refinery for transportation of crude oil from the source to refinery; and by an oil marketing company for transportation of finished products from supply point to depots in the country.

The purpose of IFEM is to maintain the same prices of motor gasoline (petrol), high-speed diesel (diesel), light diesel oil (LDO) and kerosene across the country.

Ogra has denied the transportation cost of crude oil to the refinery on two major grounds that the two Economic Coordination Committee (ECC) decisions coexist.

According to one decision, crude transportation to the refinery has been disallowed, while the other has allowed the same and the ministry did not seek approval of the ECC regarding rescinding latter's earlier decision; and the refinery had availed certain investment incentives, therefore, it cannot be given the benefit of IFEM pool.

The commission said from the documents available with the commission, it is clarified that an informed decision has been made at the forum of the ECC, while allowing the refinery reimbursement of transportation cost from IFEM.

It was observed that the investment incentives are given to allow players to enter the market / or expand their business. Investment incentives cannot be offset by denying benefits normally given to the existing market players, it said.

Furthermore, the IFEM pool is an indirect subsidy given to the residents of Pakistan by covering the transportation costs of the refineries and oil marketing companies and to ensure that their products are available to the consumers at a uniform price across the country.

Denying access to the IFEM pool on the basis, that it has enjoyed investment incentives and is a private sector entity, results in distorting competition in the relevant market.

Though the ECC has allowed the refinery reimbursement of operational costs of its Single Mooring Point (SPM), Ogra denies to reimburse the same and has taken the stance that the refinery is saving wharfage charges, as it imports crude oil through its own SPM. Therefore, allowing the operational costs of SPM may lead to the double reimbursement to the refinery.

The commission in its opinion referred to a letter issued by Ogra to the commission, whereby it states that in case of local crude, the producers supply the crude to the local refineries at the refinery gate; therefore, no freight is incurred by the refineries.

However, as per the pricing mechanism approved by the federal government, the ex-refinery price allowed to the refineries includes the wharfage charges.

This means a refinery situated in hydrocarbon rich area and using local crude oil does not have to pay crude oil transportation, but it is still given ex-refinery price containing wharfage charges.

Inclusion of wharfage charges in ex-refinery price and operational costs of SPM are two different matters. Hence, reimbursement of operational costs of SPM is justified on the same principle by which the transportation cost is reimbursed to other refineries from the IFEM pool.

The refinery also raised the concern that has not been declared as supply source and; therefore, transportation cost incurred by the oil marketing companies is not reimbursed from IFEM. This makes oil marketing companies shy of transporting the oil from the refinery.

Daily Times
Your right to know · A new voice for a new Pakistan

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CCP issues opinion to OGRA, MPNR to eliminate IFEM

Staff Report

KARACHI: Competition Commission of Pakistan (CCP) has issued opinion to Oil and Gas Regulatory Authority (OGRA) and Ministry of Petroleum and Natural Resources (MPNR) to eliminate discriminatory application of Inland Freight Equalisation Margin (IFEM) and create a level playing field for all refineries and oil marketing companies (OMCs) in crude and refined oil trade.

CCP took notice of concerns raised by an oil refinery (hereinafter 'Refinery') in respect of benefits of IFEM denied to it by the OGRA and MPNR, which discriminated against the Refinery and results into competitive disadvantage to it vis-à-vis refineries who are receiving IFEM from OGRA.

The Commission held a public hearing in the matter attended by the representatives of MPNR, OGRA, refineries and OMCs and issued an opinion under Section 29(c) of the Competition Act, 2010.

CCP observed this matter could be resolved on satisfactory inspection of the Refinery.

Therefore, it was recommended in the opinion the Refinery be given the benefit of IFEM in terms of transportation cost of crude oil, benefit of IFEM in terms of operational cost of SPM and the status of 'supply source'.

IFEM is the cost of inland movement incurred by a refinery for transportation of crude oil from source to refinery and by an OMC for transportation of finished product from supply point to depots in the country. Purpose of IFEM is to maintain the same prices of Motor Gasoline (Petrol), High Speed Diesel Oil (Diesel), Light Diesel Oil (LDO) and Kerosene Oil across the country.

OGRA has denied the transportation cost of crude oil to the Refinery on two major grounds Economic Coordination Committee (ECC) decisions coexist wherein one decision has disallowed crude transportation to the Refinery whereas the other has allowed the same and MPNR did not seek approval of ECC regarding rescinding latter's earlier decision and the Refinery has availed certain investment incentives, therefore, it cannot be given the benefit of IFEM pool.

The Commission in its opinion which decision should prevail in the case of two conflicting decisions of a higher forum is a proposition of law that is too well settled to admit any debate. The courts have held judgment later in date and time shall prevail. From the documents available to the Commission, it stands clarified an informed decision has been made at the forum of ECC while allowing the Refinery reimbursement of transportation cost from IFEM.

Investments incentives are given to allow players to enter the market/or expand their business. Denying benefits normally given to existing market players cannot offset investments incentives. IFEM pool is an indirect subsidy given to residents of Pakistan by covering the transportation costs of the refineries and OMCs to ensure that their products are available to consumers at a uniform price across the country.

Though the ECC has allowed the Refinery reimbursement of operational cost of its Single Mooring Point (SMP), OGRA denies to reimburse the same and has taken the stance the Refinery was saving wharfage charges as it imports crude oil through its own SPM.

Therefore, allowing the operational cost of SMP may lead to the double reimbursement to the Refinery. The Commission in its opinion referred to a letter issued by OGRA to the Commission whereby it stated in case of local crude, the producers supply the crude to the local refineries at the refinery gate, therefore, no freight is incurred by the refineries, however, as per the pricing mechanism approved by the federal government the ex-refinery price allowed to refineries include the wharfage element.

This means a refinery situated in hydrocarbon rich area and using local crude oil, does not have to pay crude oil transportation, but it is still given ex-refinery price containing wharfage element.

Inclusion of wharfage element in ex-refinery price and operational cost of SMP are two different matters. Hence, reimbursement of operational cost of SMP is justified on the same principle by which transportation cost is reimbursed to other refineries from the IFEM pool.

The Refinery also raised the concern that has not been declared as supply source and therefore, transportation cost incurred by OMCs is not reimbursed from IFEM. This makes OMCs shy of transporting the oil from the Refinery. During the course of the hearing the only reason to oppose declaring the Refinery as supply source given by the MPNR was giving this status was subject to start of production of a refinery and the second unit of Refinery has not yet started production.

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CCP for level playing field for all OMCs, refineries

OUR STAFF REPORTER
ISLAMABAD

The CCP has issued an opinion to OGRA and Ministry of Petroleum and Natural Resources (MPNR) to eliminate discriminatory application of Inland Freight Equalization Margin (IFEM) and create a level playing field for all refineries and oil marketing companies (OMCs) in crude and refined oil markets.

CCP took notice of concerns raised by an oil refinery (hereinafter "the Refinery") in respect of benefits of IFEM denied to it by the OGRA and MPNR, which discriminates against the Refinery and results into competitive disadvantage to it vis-à-vis refineries who are receiving IFEM from OGRA. The Commission held a public hearing in the matter at the Commission's headquarters which was attended by the representatives of MPNR, OGRA, refineries and oil marketing companies and issued an Opinion under Section 29(c) of the Competition Act, 2010.

IFEM is the cost of inland movement incurred by (i) a refinery for transportation of crude oil from source to refinery; and (ii) by an oil marketing company for transportation of finished product from supply point to depots in the country. Purpose of IFEM is to maintain the same prices of Motor Gasoline (Petrol), High Speed Diesel Oil (Diesel), LDO and Kerosene Oil across the country. OGRA has denied the transportation cost of crude oil to the Refinery on two major grounds that two ECC decisions coexist wherein one decision has disallowed crude transportation to the Refinery whereas the other has allowed the same and MPNR did not seek approval of ECC regarding rescinding latter's earlier decision; and the Refinery has availed certain investment incentives, therefore, it cannot be given the benefit of IFEM pool.

FOUNDED BY QUAID-I-AZAM MOHAMMAD ALI JINNAH

DAWN

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Ogra asked to end inland freight margin for refineries

By Kalbe Ali

ISLAMABAD: The Competition Commission of Pakistan (CCP) has suggested to the Oil and Gas Regulatory Authority (Ogra) and the petroleum ministry to eliminate Inland Freight Equalisation Margin (IFEM) and create a level-playing field for all refineries and oil-marketing companies.

The opinion was formed after a public hearing by the CCP, which was attended by representatives of the petroleum ministry, the Ogra, refineries and oil-marketing companies.

The CCP also took notice of concerns raised by an oil refinery in respect of benefits of IFEM denied to it by Ogra and the petroleum ministry, which discriminate against one refinery.

IFEM is the cost of inland movement incurred by a refinery for transportation of crude oil from source to refinery; and by an oil-marketing company for transportation of finished product from supply point to depots in the country.

The purpose of IFEM is to maintain the prices of petroleum products, including petrol, high-speed diesel, light diesel oil and kerosene across the country.

Ogra has denied transportation cost of crude oil to the refinery as there are two conflicting decisions of the Economic Coordination Committee (ECC). One decision disallowed crude transportation to the refinery while the other has allowed the same, but the petroleum ministry did not seek approval of the ECC regarding rescinding its earlier decision.

From the documents available to the commission, it stands clarified that an informed decision has been made at the forum of ECC while allowing the refinery reimbursement of transportation cost from IFEM. The CCP has observed that investment incentives are given to allow players to enter the market/ or expand their businesses.

"Investment incentives cannot be offset by denying benefits normally given to existing market players, besides the IFEM is an indirect subsidy given to residents of Pakistan by covering the transportation costs of the refineries and oil-marketing companies to ensure that their products are available to consumers at a uniform price across the country," the CCP opinion said.

جنگ

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مسابقتی کمیشن کی پٹرولیم مصنوعات

پر امتیازی ان لینڈ فریٹ

ایکولائزیشن مارجن ختم کرنیکی سفارش

اسلام آباد (خبر نگار خصوصی) مسابقتی کمیشن آف پاکستان (سی سی پی) نے پٹرولیم مصنوعات پر آئل مارکیٹنگ کمپنیوں اور ریفائنریوں کی طرف سے صارفین

باقی صفحہ 5 نمبر 27

27 سفارش بقیہ

سے وصول کئے جانے والا امتیازی ان لینڈ فریٹ ایکولائزیشن مارجن (آئی ایف ای ایم) پر اپنی رائے دیتے ہوئے وزارت پٹرولیم اور آئل اینڈ گیس ریگولیٹری اتھارٹی (اوگرا) کو اسے ختم کرنے کی سفارش کردی۔ سی سی پی کی جانب سے جمعرات کو جاری کردہ اعلامیہ کے مطابق اس مسئلے پر ایک عوامی بحث کا انعقاد کیا گیا جس میں وزارت پٹرولیم، اوگرا، ریفائنریوں اور او ایم سی کے نمائندوں نے شرکت کی۔ آئی ایف ای ایم کے نفاذ کا مقصد پٹرولیم مصنوعات کی قیمتوں کو پورے ملک میں یکساں طور پر نافذ کرنا ہے۔ سی سی پی کے مطابق اوگرا نے ریفائنریوں کو خام تیل کی ترسیلی لاگت دینے سے انکار کردیا تھا اور کمیشن نے اپنے نوٹ میں یہ تجویز کیا کہ ریفائنریوں کو خام تیل کی ترسیل اور آپریشنل لاگت کی مد میں آئی ایف ای ایم کا فائدہ جانا چاہئے اور سپلائی سورس بھی واضح ہونا چاہئے۔

روزنامہ دنیا

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پٹرولیم مصنوعات پر ان لینڈ فریٹ ایکولائزیشن مارجن ختم کرنیکی سفارش

اسلام آباد (وقائع نگار خصوصی) مسابقتی کمیشن نے پٹرولیم مصنوعات پر آئل مارکیٹنگ کمپنیوں اور ریفائنریوں کی طرف سے صارفین سے وصول (باقی صفحہ 6 نمبر 4)

بقیہ نمبر 4 سفارش

کئے جانے والا ان لینڈ فریٹ ایکولائزیشن مارجن (آئی ایف ای ایم) کو ناجائز قرار دیتے ہوئے اوگرا اور وزارت پٹرولیم کو اسے ختم کرنے کی سفارش کی ہے۔ کمیشن کی طرف سے جاری اعلامیہ کے مطابق کمیشن نے ہیڈکوارٹرز میں اس مسئلے پر ایک عوامی بحث منعقد کی جس میں وزارت پٹرولیم، اوگرا، ریفائنریوں اور او ایم سی کے نمائندوں نے شرکت کی۔