



July 30, 2019

Clarification

Begins:

**“KEY PORTIONS OF THE PAKISTAN STATE OIL (PSO) AND QATARGAS DEAL
REMAINED REDACTED”**

With reference to a news item that recently appeared in daily Business Recorder, Company would like to clarify few facts directly attributed to PSO.

“The headline of story refers to confidentiality of Long Term Sales Purchase Agreement (SPA) with Qatargas. It is repeatedly stated by PSO that due to confidentiality provisions in the agreement, legally PSO cannot make the agreement public in its full form. Thus a redacted version is available on PSO’s website. However, a copy of the fully executed version is available with the concerned authorities including Ministry of Energy, various parliamentary forum, Superior Courts and NAB etc, after due consent from the Qatargas”.

“As far as allegation of provision of high Brent price in the deal is concerned, the LNG price is linked with international benchmark Brent price and tracks last three month’s average value of Brent built into the formula for calculating LNG price. Because LNG is being used as a replacement of furnace oil (which also tracks Brent prices) for power generation that’s why LNG agreements are linked with Brent prices in many parts of the world and particularly in our region.

“The report claims that long-term LNG contract instead of spot buying will cause loss to the national exchequer. Contrary to the claim, this has been experienced that prices of long term contract between PSO and Qatargas are lower than the spot purchases done by other LNG importer in Pakistan over this time period. This is also clarified that unlike Oil trade, major proportion of LNG is still sold under Long Term Contracts internationally. Our neighbour countries India and Bangladesh have recently signed long term agreements for LNG supply because long term agreement provides security of product and facilitates in maintaining a smooth supply chain for local requirement”.

“Furthermore, as mentioned in the story that PSO illegally signed LNG contract despite being an OMC and despite the fact that LNG is not a petroleum product, the fact is that PSO is an Oil Marketing Company and governed under the Marketing of Petroleum Products (Federal Control) Act 1974, which does not impose any limitation on the company to undertake LNG business. In addition, the Act also does not specifically restrict PSO from entering into new businesses that are allowed by its Object Clause. Under the Companies Ordinance 1984, a company can undertake businesses for which it has the capacity in terms of the object clause of its Memorandum of Association (Object Clause). PSO is a Government designated buyer importing LNG on behalf of SNGPL after due approval of ECC.

Ends.

For further information:

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About Pakistan State Oil Company Limited:

PSO is the nation's largest energy company currently engaged in the marketing and distribution of various POL products including Motor Gasoline (MOGAS), High Speed Diesel (HSD), Furnace Oil (FO), Jet Fuel (JP-1), Kerosene, CNG, LNG, LPG, Petrochemicals and Lubricants.

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