

Clarification – Transparency in RLNG Pricing Needed to Pass On Real Benefits

April 8th, 2016: Apropos the news article titled “Transparency in RLNG Pricing Needed to Pass On Real Benefits” published in “The News” on 24th March, 2016; Pakistan State Oil (PSO) categorically refutes the false statements and assumptions present in this article and outlines the actual facts of the matter below.

At the outset, it is clearly stated that that PSO issues the final price of RLNG based on the guidelines of the Federal Government and provisional price determined by OGRA. All pricing components are fixed by the regulatory body OGRA which automatically precludes any possibility of overcharging in RLNG pricing. In addition, the Long Term Sales Purchase Agreement (SPA) signed with Qatar gas came into effect on 1st March, 2016 with the delivery of the 1st cargo of LNG and not in Feb, 2016 as given in the article.

The February LNG supplies quoted in the article were not under the long term agreement; rather they were based on spot tenders by PSO. Two vessels were procured by PSO in the month of February, leading to a weighted average Delivered Ex Ship (DES) price of USD 7.20685 per MMBTU for the month of February rather than USD 5.34800 as quoted in the article. The same can be verified from RLNG price circular issued on PSO website in February_2016

http://www.psopk.com/files/product_and_services/product_price/rlng_price_effective_from_1st_feb_till_29th_feb_2016.pdf

With respect to the price identified in February, 2016 by OGRA; PSOs incidental cost component was USD 0.00884/MMBTU as fixed by OGRA through its provisional price determination dated October 7, 2015. Moreover a margin of 1.82% of DES price is allowed to PSO by OGRA which is USD 0.13116/MMBTU for the month of February 2016. The other cost components (Terminal Charges, Retainage and Transmission losses) are not applicable to PSO and collectively stood at USD 0.7551/MMBTU leading to a final RLNG price of USD 9.47928/MMBTU (including GST).

As far as tariff determination in March, 2016 is concerned; it is clearly highlighted that Intercontinental Exchange i.e ICE Brent rates are used for price computation of RLNG cargoes based on last 3 months average was Dec 2015 was USD 38.9132, Jan 2016 was USD 31.9805 and in Feb 2016 was USD 33.5271. Therefore the Brent for the month of March is USD 34.8165/barrel rather than USD 36.26/barrel as stated by the author. As a result the DES price of LNG for the month of March 2016 is USD 4.84800/ MMBTU (including Port Charges) whereas the final price of RLNG is USD 6.68967/MMBTU. Each and every figure quoted here is available for public review through our website

http://www.psopk.com/files/product_and_services/product_price/rlng_price_notification_1st_to_31st_mar_16.pdf. Moreover the allowed transmission losses by OGRA are 0.5% of DES price rather than 10.33 percent as claimed by the author

The above given facts clearly disprove any contention of charging higher price of RLNG from the public/industries.

The Company calls upon the journalist and the newspaper to be more thorough and responsible before publishing unsubstantiated statements which misleads the public and negatively impacts the business prospects of the company and the country.

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