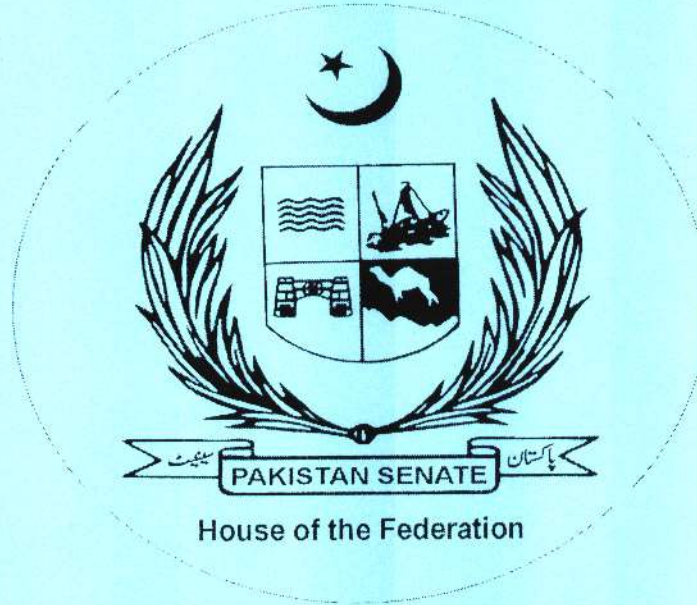


**SENATE SECRETARIAT  
HOUSE OF THE FEDERATION**

**Report No. of 4 of 2017**



**SPECIAL REPORT OF THE STANDING COMMITTEE ON PETROLEUM AND  
NATURAL RESOURCES ON RECOMMENDATION OF ITS SUB-COMMITTEE  
REGARDING PROBLEMS BEING FACED BY THE OIL SECTOR / INDUSTRY IN  
PAKISTAN**

**PRESENTED BY**  
**Senator Mir Israrullah Khan Zehri**  
**Chairman**



# **SENATE SECRETARIAT**

## **SPECIAL REPORT OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL RESOURCES ON RECOMMENDATION OF ITS SUB-COMMITTEE REGARDING PROBLEMS BEING FACED BY THE OIL SECTOR / INDUSTRY IN PAKISTAN**

I, Senator Mir Israrullah Khan Zehri Chairman Standing Committee on Petroleum & Natural Resources have the honor to present special report, on behalf of the committee on the subject matter. The Standing Committee in its meeting held on 9<sup>th</sup> September, 2016 constituted a three (03) Members Sub-Committee with following composition and TORs;

### **COMPOSITION:**

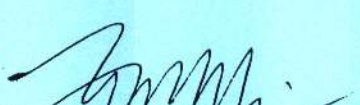
- |      |                                     |           |
|------|-------------------------------------|-----------|
| i.   | Senate Taj Muhammad Afridi.         | Convener. |
| ii.  | Senate Baz Muhammad Khan.           | Member.   |
| iii. | Senator Mir Muhammad Yousaf Badini. | Member.   |

### **TERMS OF REFERENCE.**

**Consideration of a petition filed by Mr. Maqsood Ahmed Awan and Mr. Munawar Khan regarding the problems being faced by the Oil Sector/Industry in Pakistan.**

**(The Petition was forwarded to the Chairman Committee by Senator Taj Muhammad Afridi during meeting of the Committee held on 25.03.2016 for inclusion in agenda of the next meeting).**

02. The Sub-Committee held its meetings on 7<sup>th</sup> – 21<sup>st</sup> October & 5<sup>th</sup> December, 2016 in order to address the issues as per TOR's. The Sub-committee invited all the relevant stakeholders in the aforesaid meetings to obtain briefings/view points on the issue. The prime focus of the Sub-committee was to propose the measures to root out the corruption in the oil sector and to provide early relief to the people associated with petroleum business specially transport sector. The Sub-committee time and again expressed its strong reservations with regard to transparency and to non adherence of government instructions by the oil companies in letter and spirit and prepared its report which was discussed by the committee in its meeting held on 22<sup>nd</sup> December, 2016. The composition of the committee is as under;





1.	Senator Mir Israrullah Khan Zehri.	Chairman
2	Senator Baz Muhammad Khan	Member
3	Senator Mir Muhammad Yousaf Badini	Member
4	Senator Taj Muhammad Afridi	Member
5	Senator Muhammad Talha Mehmood	Member
6	Senator Sardar Muhammad Azam Khan Musakhel	Member
7	Senator Mrs. Rubina Irfan	Member
8	Senator Hamza	Member
9	Senator Nisar Muhammad	Member
10	Senator Sardar Fateh Muhammad Muhammad Hassani	Member
11	Senator Muhammad Yousaf	Member
12	Senator Mohsin Aziz	Member
13	Minister for P&NR	Ex-Officio Member

The following Members attended the meeting.

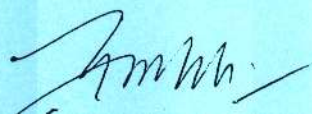
(i)	<b>Senator Mir Israrullah Khan Zehri</b>	<b>Chairman</b>
(ii)	Senator Baz Muhammad Khan	Member
(iii)	Senator Taj Muhammad Afridi	Member
(iv)	Senator Sardar Muhammad Azam Khan Musakhel.	Member
(v)	Senator Mir Muhammad Yousaf Badini	Member
(vi)	Senator Hamza	Member
(vii)	Senator Nisar Muhammad	Member
(viii)	Senator Sardar Fateh Muhammad Muhammad Hassani.	Member
(ix)	Senator Mohsin Aziz.	Member
(x)	Minister for Petroleum and Natural Resources.	Ex- officio Member

03. The report of Sub-committee was discussed and adopted by the committee as follows;

- A) The Sub-Committee recommended that malpractices of kickbacks and rebates in the furnace oil business initiated by Nishat Power, Nishat Chunian, Liberty Power, Atlas and Lal Pir need to be stopped immediately as it was causing huge losses to the industry and people attached with the transport business. It is directed that OCAC should use its power to compel all the OMCs to curb such malpractices thus providing relief to the people involved in transportation of the furnace oil products.




- B) Original Agreements in furnace business between IPPs, OMCs with NEPRA are not followed properly. It is strongly recommended that the original agreements should be followed in letter and spirit. Invoices should be checked by NEPRA as per the spirit of original agreement.
- C) It is necessary for all the OMCs that have their petrol pumps and sites in hilly/special areas to deploy branded tanker lorries with proper tracking system. OGRA should monitor the deployment of well-equipped lorries in hilly and other special areas to avoid malpractices within one month. The outdated lorries should be immediately banned.
- D) The practice of Self collection / buyer's own are totally illegal and all the OMCs must stop this practice within one month time frame. In this regard, OGRA using its authority should observe the situation to stop this practice.
- E) Primary freight as agreed and implemented by the OGRA (IFEM) should be paid to the oil tankers / carriage contractors. OGRA and OCAC should play their role to provide due right to the people.
- F) The Formula of 2005 for freight control that was developed in presence of all OMCs, OCAC, and OTCA with OGRA should be upgraded keeping in view all the dynamics which affect the freight.
- G) PSO, APL and any other OMC should review SOPs / policies and agreements with carriage contractor about the hidden chambers in the bowzers. The bowser should only be fined for that particular trip during which the incident of hidden chamber is reported instead of charging all trips since the date of calibration. OGRA and OCAC should also play their role to abolish such clauses from the agreements / policies of the OMCs.
- H) OGRA should monitor the OMCs for maintaining quality and quantity of products at petrol pumps all over Pakistan.
- I) OGRA should play its effective role in monitoring the outlets of OMCs for charging excess amount per litter.
- J. OGRA as a regulator should use its authority and should take strict action against OMCs that are selling substandard products. Committee may send letters to all the Chief Secretaries of four provinces to eliminate fake brands.





- K. OGRA and OMCs should also monitor petrol pumps strictly for quality, quantity and prices. Mobile units should check petrol pumps on all major roads and highways. OMCs not having mobile units should take steps to build such capacity for effective check and balance.
- L. It is directed that all unjust clauses in the secondary freight agreements should be abolished. All the OMCs involved in paying less amounts to oil tankers / carriage contractors since 2012 should pay the entire amount to them within one month. OGRA should monitor the process of payment and in case of non-payment, the matter should be referred to NAB for recoveries.
- M. All those OMCs that have not internal Queue system for loading of vehicle should develop this system as per market norms to promote fair system in business. OGRA may monitor all OMCs for state of the art queue system.
- N. The loading and unloading should be done on the same formula. The dip chart approved by Weight & Measurement department should be followed and implemented strictly under supervision of OGRA and OCAC.
- O. Since 2011, OMCs providing furnace oil to the IPPs including Nishat power, Nishat Chunian, Liberty, Lal Pir and Atlas have received full payments of freights from government exchequer but have paid less to the oil tanker/ carriage contractors. It is directed that NAB should recover the billions of rupees grabbed by the IPPs and OMCs and return them to the government exchequer.
- P. Those OMCs which are not clearing freight bills and delaying the payment should immediately pay all the withheld/delayed bills. In future bills should be cleared within 30 days.
- Q. All OMCs must ensure that lorries are not detained for a long duration. Lorries be compensated if they are detained for a longer time to avoid losses to the lorry owners / carriage contractors.
- R. OGRA and OMCs must ensure P to P (Depot to Depot) supply and strengthen the monitoring mechanism in this regard.





S. Proposal for OMC license and Penalties: OGRA and Ministry agreed that the current policy of granting license to the OMCs and imposing penalties on the OMCs in case of violations is too small which is useless exercise. The petitioner also highlighted same issues in his application to the committee. In view of the deliberation, the sub-committee further recommended that:

- i. Current license condition should be reviewed and enhanced
  - a) Instead of 100 million , the upfront equity should be enhanced to 1000 million.
  - b) The paid up capital should be at least 1000 million instead of 100 million

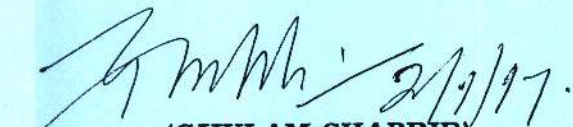
4. The Companies which have been granted provisional licenses should also comply with the new proposed license procedure and Ministry of Petroleum should review the policy of granting license in light of the recommendations of the subcommittee.

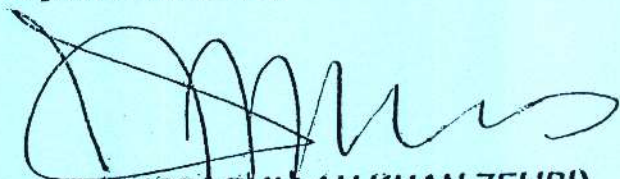
- ii. OGRA should strictly monitor policies under which licenses are granted to OMCs.
- iii. In case of violation, licenses should be suspended till the time OMC fulfills the licensing conditions.
- iv. The OMCs involved in malpractices need to be fined heavily. As pointed out during the meeting by PSO, the fines are too low so the amount of penalty needs to be enhanced 100% from its current value.
- v. OGRA may monitor the OMCs for developing the storage capacity and cancel the licenses of those OMCs which fail to comply with the set procedures.
- vi. OGRA should ensure that OMCs do not involve in giving its products to other OMCs petrol pumps. Proper tracking system can point out where the tanker decanted. Heavy fines should be imposed in case of violations.
- vii. OGRA should discourage freight (IFEM) to the OMC having no depots.



- viii. OGRA should not give permission to the OMCs to establish petrol pumps till the time OMCs have storage facility and maintain stocks as per rules.
- ix. Only if an OMC builds storage depots in a particular area should petrol pumps of that OMC then be allowed to operate in that geographical area.
- x. OMCs which are not fulfilling the standards of road transportation of fuel should not be allowed to operate till the time they improve their tanker standards, as per specifications of OGRA and their licenses be revoked in case of non-compliance.

5. The sub-committee suggests that a proper follow up of the recommendations be maintained to ensure effective parliamentary oversight and to provide early relief to the people associated with the petroleum business specially the transportation sector.

  
(GHULAM SHABBIR)  
Secretary Committee

  
(MIR ISRARULLAH KHAN ZEHRI)  
Chairman (Committee)