# Twitter Thread by Zuhair Abbasi

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## This oil crisis inquiry report once public is going to irk quite a few. Although, this will point towards incompetence of authorities, you can't take the credit away from the PM.

OGRA Ordinance was promulgated in 2002. The rules were not made till 2016. 14 Years of running on SROs, having no legal value. #OilinquiryReport

All oil import decisions are based on data provided by a non-statutory body i.e. OCAC. There is no mechanism in place for the government authorities to verify the authenticity of data provided by a representative body of all OMCs.

90% of the OMCs did not maintain requisite 20 day stocks during Jan-Jun 2020. DG Oil remained mum. In cases of some OMCs the stock suddenly jumped from 0 in may to over 100 days in June. Classic case of hoarding.

The authorities failed to lift sufficient stock from refineries in Feb and Marc, and then ban on imports came, a ta time when oil prices were dwindling. All in the name of Keeping the refineries safe from glut. End result: eventual shortage in Jun and potential saving loss

The role of DG Oil is the most dubious. He will be the first one to be shown the door. Allowing unlicensed companies to import. Imports arriving on the EXACT day of license grant and many other examples.

DG Oil is a veterinary doctor and has been at the post for a long time, despite repeated conduct of sheer incompetence. There is also a lesson for those trying to undertake (make new reports) on civil service reforms.

TWENTY FIVE OMCs were granted "provisional" marketing license in the last 15 years. There is no such provision in the rules. You can't start marketing without building requisite storage. But we have 25 such OMCs.

22 of these 25 licenses have been granted under the last chairperson Ms. Uzma. Make what you would of this piece of information.

Currently, more than 2100 retail OMC outlets exist without maintaining the required storage capacity of 40 tons. What did Ogra do? Went for the lowest of fines of PKR 0.1 mn - when it could have levied the maximum penalty of PKR 1 mn per day from the day of non compliance.

All leading OMCs continue to operate joint storages, which is illegal as per the Pakistan Oil Rules 2016. What does Ogra do? Stay mum.

NONE of the oil tankers/lorries have the Form Q License, which is the first requirement to operate oil tankers.

What do the authorities do? Mum.

5 South Asian countries other than Pakistan have 20 OMCs combined. Pakistan has 34, of which 21 were issued licenses in a six month period in 2016. All in the name of competition, and increasing storage capacity.

You decide.

OMCs continue to operate excess outlets.

Example: Puma Energy is allowed (based on storage) 70 outlets. It operates how many? 600!

They get away with minimal fines. How much? Rs 100,000 for each excess outlet.

Who writes these jokes?

Examples of over-supply reported by OMC making the entire OCAC data dubious are aplenty. Millions and millions of litres per month were found over-reported by OMCs.
They showed delivery to Lower Dir in lockdown days when tourism was standstill. Made millions in lieu of IFEM.

A petrol pump in Gujrat was shown to deliver 3 million litres of petrol in April - it has a total capacity of 31,000 liters.

This is just one example. There are plenty more.

Multiple instances of OMCs holding back on petrol.

Several instances where the last 4 days supply of June (when the prices were revised) matched or exceeded the first 26 days supply to petrol pumps by OMCs.

Do your math guys

A vessel carrying almost 80 million liters of petrol was kept at sea for 15 days when oil shortage was at peak - and only offloaded on June 29 once the prices were revised.

Do more math.

There have been instances of OMCs importing petrol despite having no retail outlets. This simply means they were importing to sell it to other OMCS. Which is strictly prohibited. Allowance of import quota without retail outlets is a gross violation. Ogra works hand in gloves.

Inter-related interests among OMCs continue unchecked, despite the law clearly against the practice. Vitol has meaningful shares in Hascol & Pak Gas Oil - being the main supplier of imported products - this carries risk of cartelization & monopolization

In June 2020, all OMCs except PSO showed massive dip in market share, as they chose not to import and/or held back the storage. As a result, PSO had to cover for the demand - leading to losses in billions of rupees, as the selling price was lower than purchase price.

All leading OMCs except PSO, indulged in hoarding and at the same time overreporting sales numbers. Ground checked confirmed the actual supply was 44% lower than reported. All volume was in market the day prices were revised - potential gain on GST was made as well

The June 2020 hoarding alone led to the OMCs making excess profit of Rs5.5 billion.

The impact of hoarding by keeping the vessel at sea amounts to Rs2 billion.

Forget sugar and wheat - the real mafia is the oil lot. From the regulator to the players. Sickening to the core.

Hascol pocketed Rs400 million by simply hoarding petrol in one of its private storage in Karachi and not releasing it. In June alone.

The Ministry's blanket ban on import of oil was grossly miscalculated move and without any analysis carried out. It led to an immediate closure of 3 refineries for various periods ranging from 12-31 days.

No less than 359 illegal OMC outlets were identified in Punjab alone. Till 2019, Ogra had regularized no less than 753 illegal retail outlets. Most of them were built w/o any regard for storage requirements.

Fine imposed for regularization of 753 retail outlets? PKR 138 million.

OCAC's data is the basis of all decisions taken at the demand assessment and procurement and import quota decision meeting.

OCAC meanwhile, assumes no responsibility for the authenticity or verification of the same data.

Cool?

OCAC- the representative body of all OMCs and refineries with the primary role of a consultative body - undertakes and decides all berthing decisions on behalf of OMCs. It has absolute control if it wants to delay berthing and/or cause profit/loss to a particular OMC if it wishes

OCAC has a total staff of 12.

It takes all decisions from data collection to deciding IFEM rates across the country, to berthing management. It represents Pakistan's biggest industry - yes bigger than power, gas or even textile.

Cooler?

Byco had the refinery non-operational in June upon inspection. Ministry of maritime, Customs, and other relevant authorities were found absent at the port - it was all unregulated.

Byco imported crude oil vessel containing 0.55 million barrels - upon testing it was declared Iranian oil. Customs did not check at port. It was checked later on leaked info. Byco reached Sindh High court. The case is pending.

126 mn L of HSD+petrol were seized which was being smuggled in FY20. This amounts to a net revenue loss of a staggering RS48 bn. Report states that the reported smuggling is only 20% of the entire amount. Actual loss to the exchequer runs north of PKR200 bn yearly.

Mind you, Byco's import from Iran is more serious than simply the cheap quality and forged documents. It raises the money laundering issue and becomes an international embarrassment

Almost 500 retail outlets procure zero HSD from OMCs, while procuring sizeable quantities of petrol.

This points to rampant HSD smuggling in the country, of which only a miniscule has been spotted & countered.

The ease with which smuggled petroleum products from Iran make their way into Pakistan with the connivance of Pakistan Customs and FC - is mind boggling.

It does not stop there, it then gets transported across all provinces, with varying degree of transportation premiums.

Adulteration in petrol is rampant. Magnesium is added to gasoline - which takes the quality to as low as RON82. Also mix Naphtha - which can't be used in Pakistan. The numbers show an unexplained difference of 0.15 mn tons b/w production & exports. Likely being used for fraud.

Chemicals commonly used in adulteration of fuel get imported in massive quantities by few OMCs (Hascol) and also by leading storage providers (Al-Rahim) which provide storage to a number of OMCs. These chemicals are toxic for human health. The import is in sizable numbers.

Ogra's quality checks have revealed sub-standard products by almost all major MCS in last 5 years. Result?

A penalty of Rs65 million in FIVE years, where the product should ideally have been confiscated. The incentive to adulterate is right there in these petty penalties.

Barring PSO and Shell, all OMCs held on to the stocks (in Jun) in clear anticipation of rise in prices. The price mechanism needed no Einstein to know how the prices will go up from next month, and OMCs shamelessly sat on millions of liters of petrol and HSD.

Both Ogra and MoE stand responsible for the June shortage episode. They never took stock of the situation when the storage was never up to the mark in the six preceding months to June. Ogra was confined with imposing fine of Rs25 M to a scam that ran into billions.