SECTOR STUDY . AUGUST 2025

Together. Creating Value.

Distribution | Gas

Research Team

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Distribution | Gas

Distribution | Gas

Global | Natural Gas Reserves

- Natural gas refers to gases found in underground deposits, in either gaseous or liquefied form, composed mainly of methane. It encompasses:
  - Non-associated gas –extracted from gas-only fields.
  - Associated gas – produced alongside crude oil.
  - Methane from coal mines (colliery gas).

- Global proven natural gas reserves stood at ~208,890 bcm in CY24 (CY23: ~206,430 bcm), a YoY increase of ~1.2%.

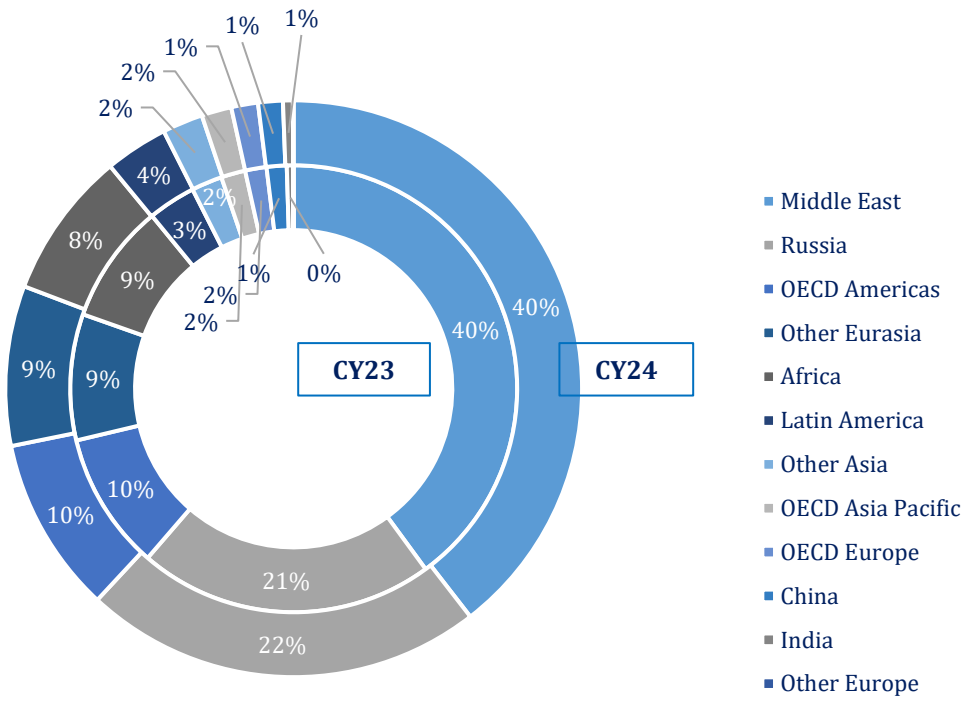
- The Middle East (including Iran, Qatar, and Saudi Arabia, among others) made up the largest share of natural gas reserves (~39.5%), with levels recording at ~82,520 bcm in CY24.

- Meanwhile, Russia accounted for ~22.4% of the total natural gas reserves, with ~46,830 bcm reserves recorded as of CY24.

- Africa, China and India accounted for ~8.2%, ~1.4% and ~0.6% of the global natural gas reserves, with ~17,220 bcm, ~2,890 bcm, and ~1,150 bcm reserves, respectively, as of CY24.

For ease, this sector study has been divided into three broad segments: LNG, LPG, and Terminal Handling (only for Pakistan).

Global | Proven Natural Gas Reserves (%)



OECD Americas: Canada, Chile, Mexico and US.
OECD Eurasia: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.
OECD Asia Pacific: Australia, Japan, Korea, New Zealand and Other OECD Asia Pacific.
OECD Europe: Austria, Belgium, Czech Republic, Denmark, others.
Other Europe: Albania, Bosnia and Herzegovina.

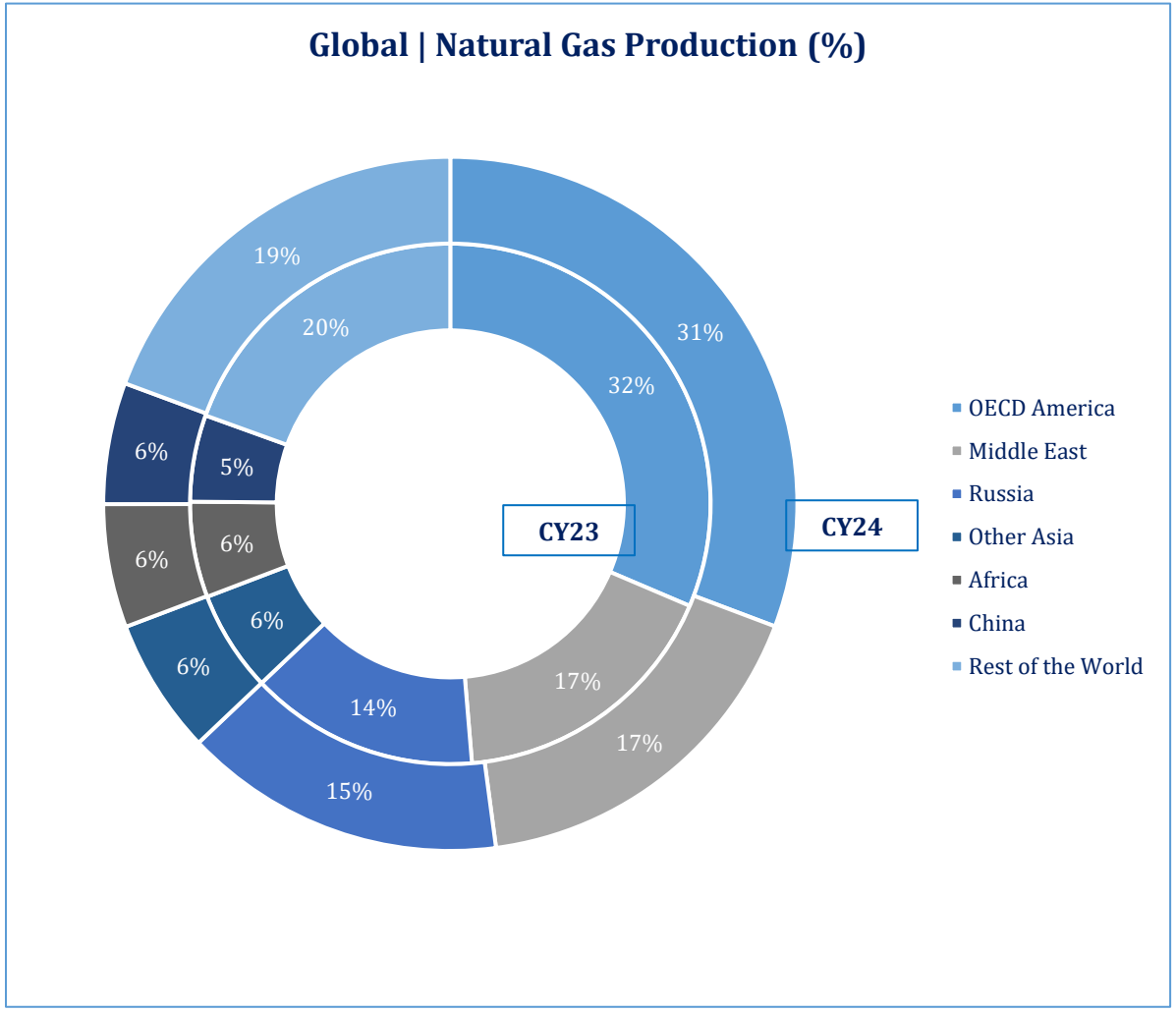
Note: *bcm stands for billion cubic meters.*

Source: OPEC

Distribution | Gas

Global | Production & Consumption

- Global gas production registered an increase of ~1.7% YoY in CY24 (CY23: ~0.3%), recording at ~4,288.0 bcm (CY23: ~4,059.0 bcm).
- OECD America countries (including the USA, Mexico, Canada, etc.) have the highest share in production of natural gas (CY24: ~31.0%), clocking in at ~1,318.0 bcm, marginally down by ~0.5% YoY (CY23: ~1,324.5 bcm).
- The Middle Eastern regions are the second largest producers of natural gas with a production of ~735.6 bcm in CY24, up ~1.1% YoY (CY23: ~727.9 bcm)
- Russia had the largest single year production increase in CY24, rising by ~7.3% clocking in at ~644.2 bcm (CY23: ~600.6 bcm).
- In CY24, global gas demand grew heterogeneously, with emerging Asia leading at ~6.0% on strong gains in China and India. North America (~1.8%) and Latin America (~1.6%) experienced growth driven by power generation needs, while the EU's demand rose by ~1% as renewables reduced gas use in electricity.
- The Middle East region demand grew by ~2.0%, and demand in Africa remained under ~1.0% amid limited supply activity.



Source: OPEC

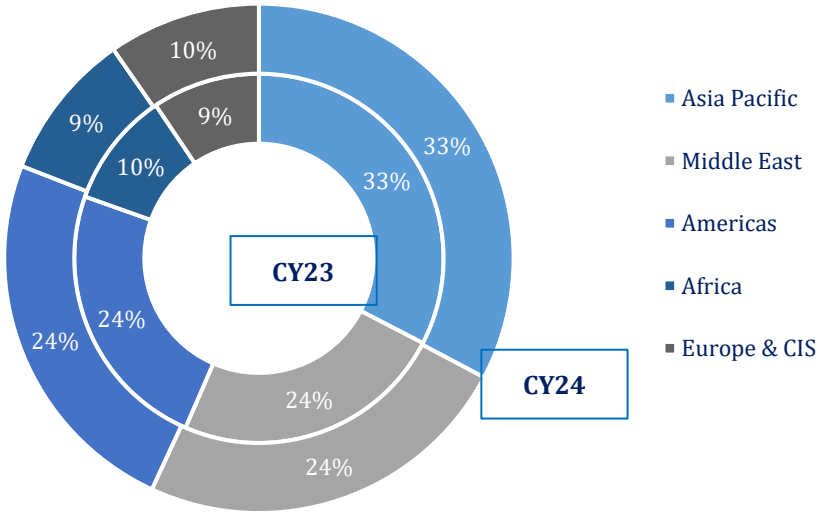
Distribution | Gas

Global | LNG Trade

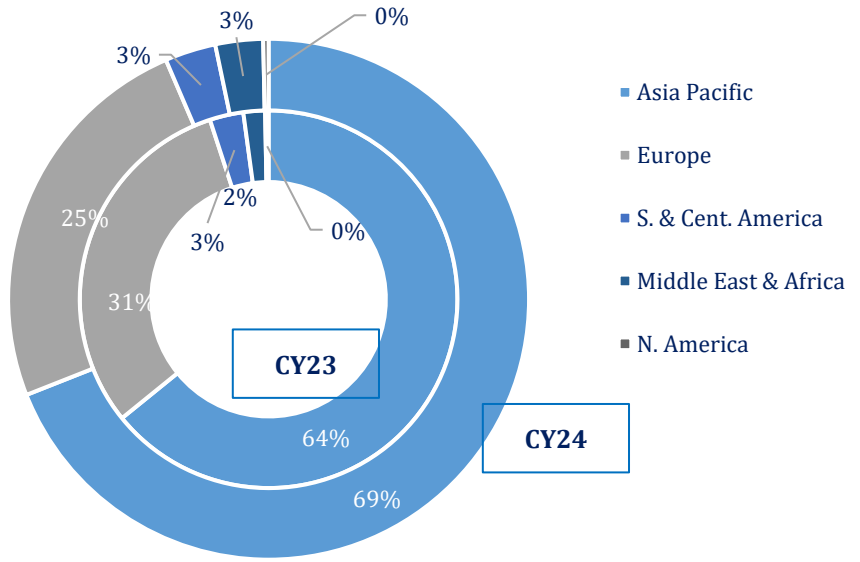
- During CY20-24, the global LNG imports and exports have grown at a CAGR of ~2.0%. During CY24, global exports and imports were down ~1.0%, clocking at ~544.1 bcm (CY23: ~549.2 bcm).

- Asia Pacific imported ~375.5 bcm of LNG, up ~7.0% YoY in CY24 (CY23: ~352.0 bcm) while exports were down ~0.5% clocking at ~178.2 bcm, making it the largest region in terms of imports and exports.

Global | LNG Exporters (%)



Global | LNG Importers (%)

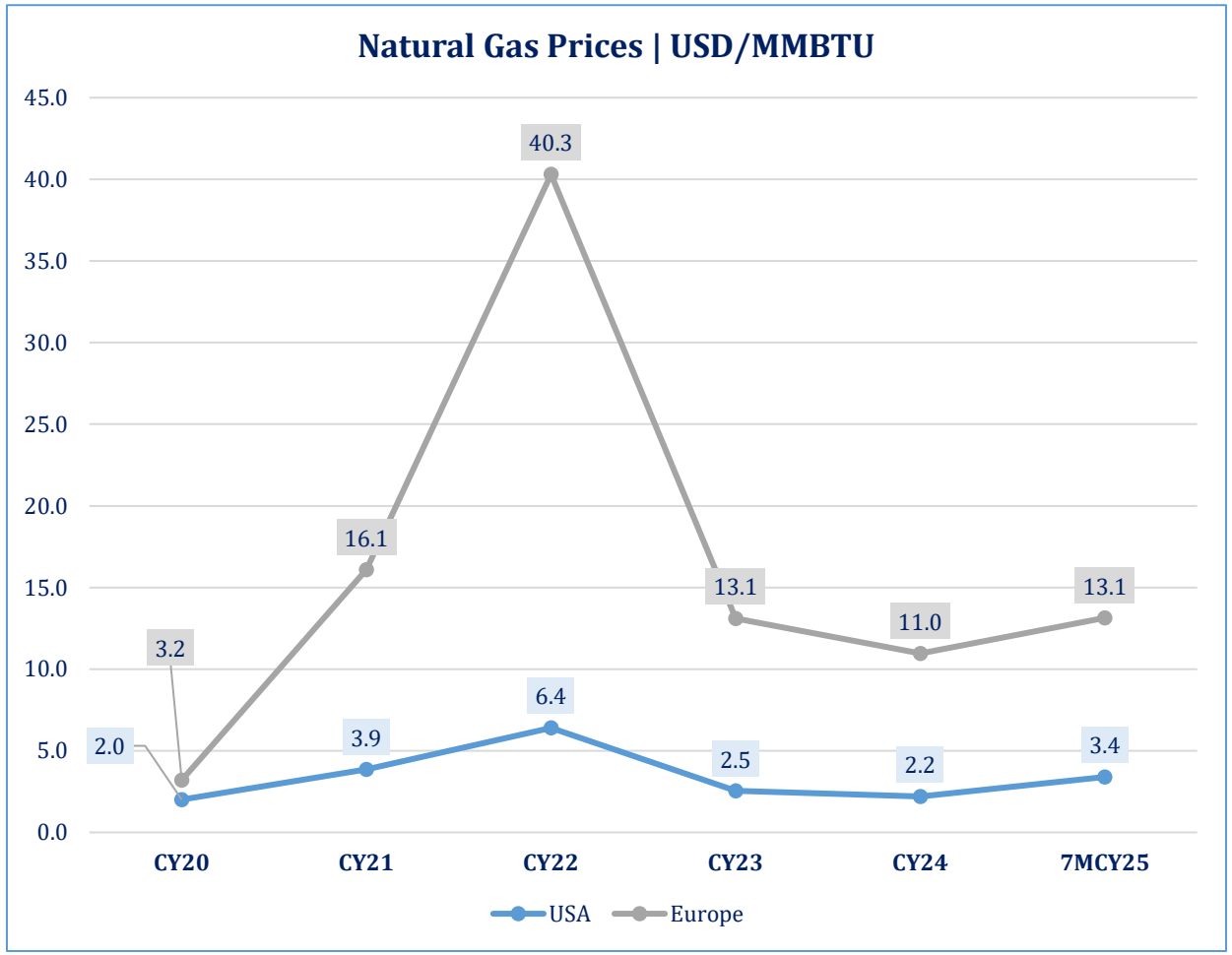


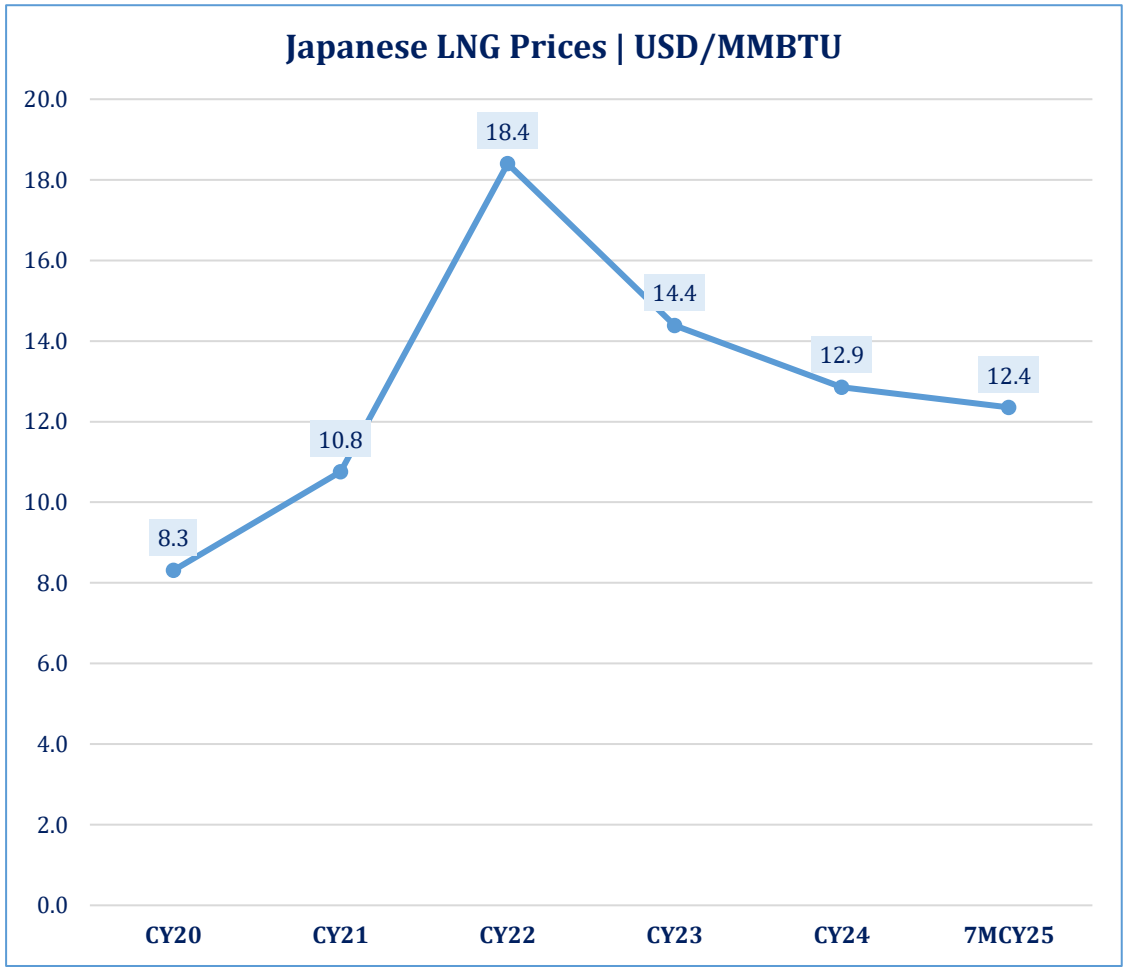
***Note**: Americas include: Canada, Mexico and USA.*

Source: BP Energy

Distribution | Gas

Global | Prices





***Note**: Data is latest available till July'25.*

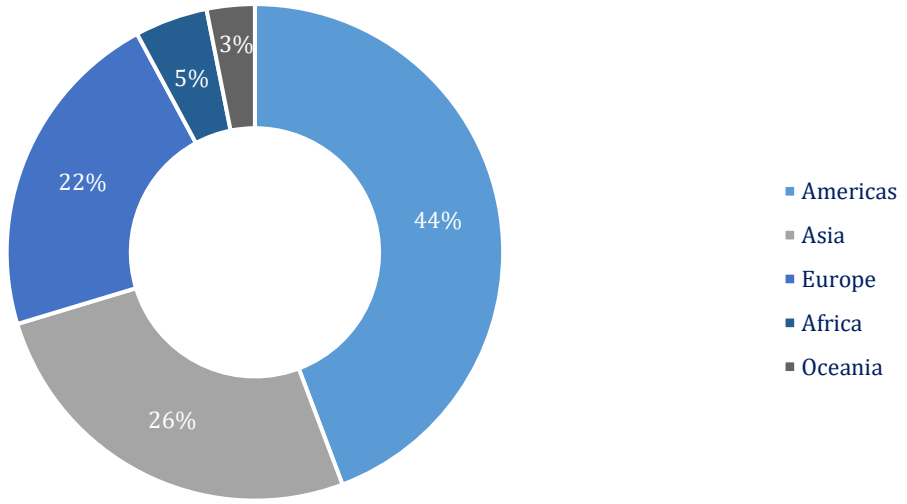
Source: World Bank

Distribution | Gas

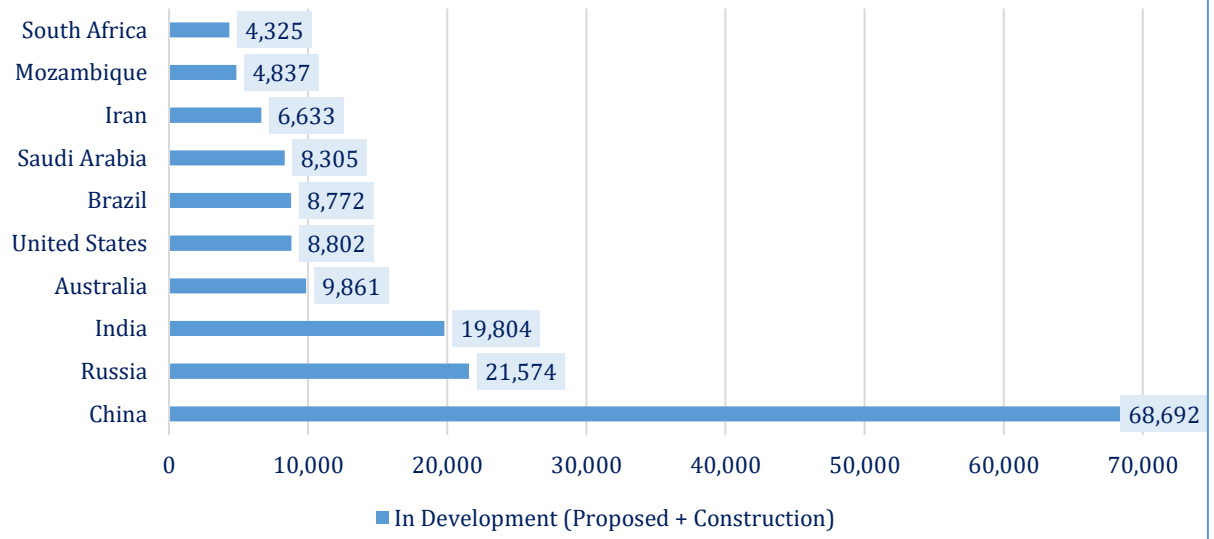
Global | Pipelines Network

- The total length of the operating gas pipeline network was recorded at ~1,046,146 km during CY24 (CY23: ~1,000,294 km), with the USA and China having the most extensive pipeline networks.
- Regionally, the Americas made up the longest gas transmission pipeline network spanning ~463,025 km, followed by Asia (~235,361 km) and Europe (~227,943 km) during CY24.
- Global In-Progress gas pipeline networks (proposed and under construction) stood at ~238,260 km in CY24. China leads in-progress and proposed pipelines spanning ~68,692 km, followed by Russia and India with ~21,574 km and ~19,804 km, either in-progress or proposed for CY24.
- Pakistan's operating gas pipeline network is recorded at ~13,526 km long as of CY24.

% Share in Region-wise Gas pipeline | CY24



Country-wise | In-Progress Gas Pipelines (Km)



Note: *Americas include, Latin America & Caribbean, Northern America.*

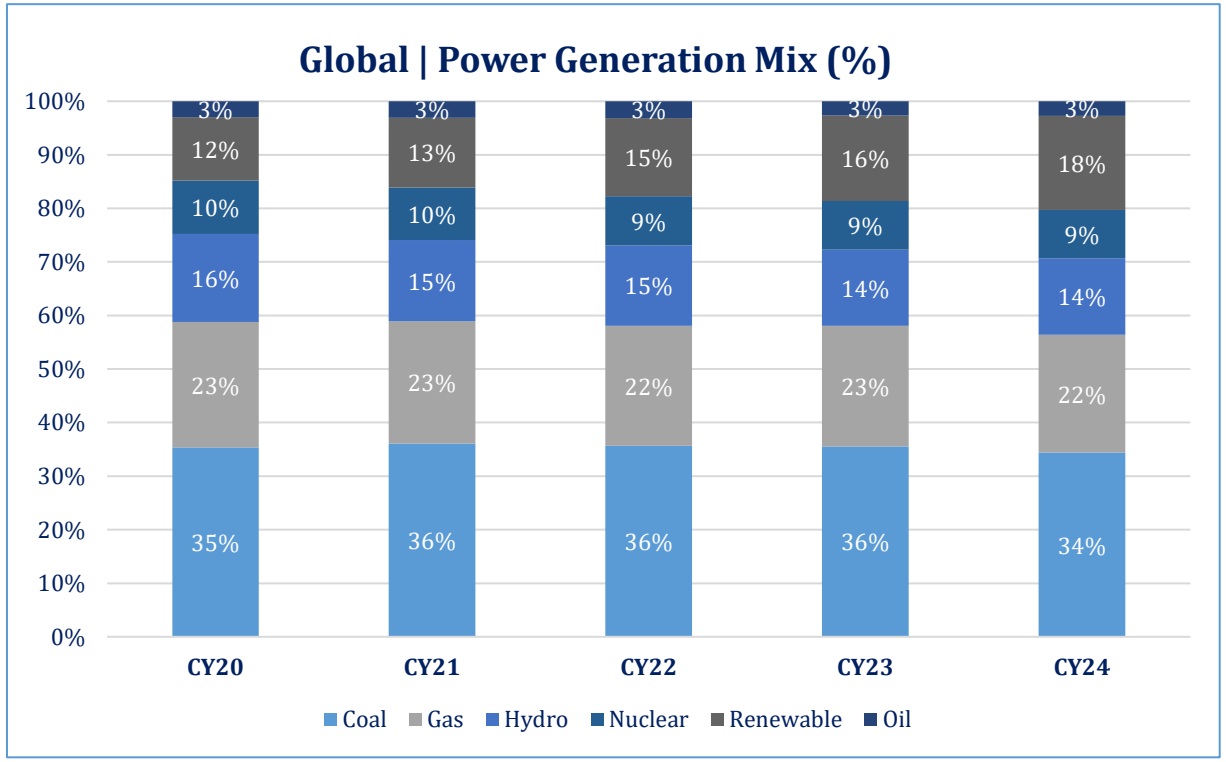
Source: GGIT

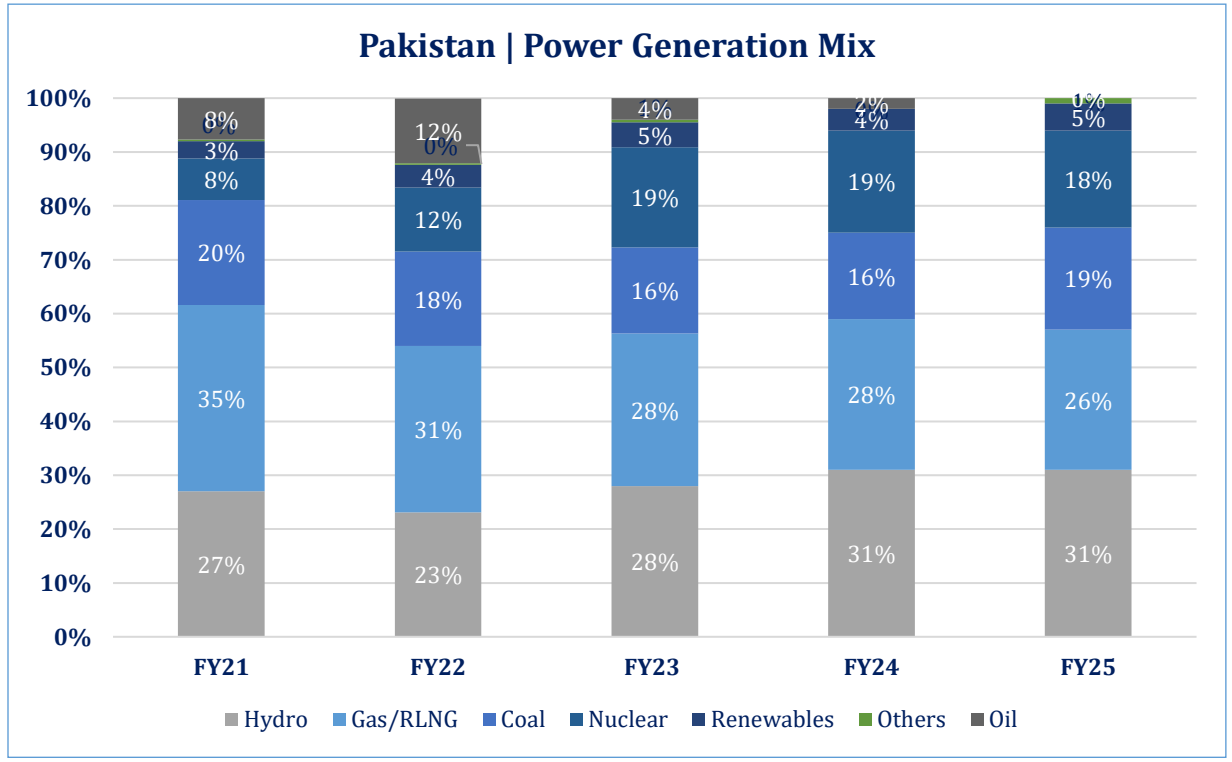
Distribution | Gas

Global | Power Generation Mix

- Global generation of electricity was recorded at ~31,513 TWh in CY24 up ~5.4% YoY (CY23: ~29,897 TWh). Coal generation remained the leading source of power generation in CY24 with a share of ~34.0% followed by gas (~22.0%) and hydropower (~14.0%).

- Total power generation in Pakistan stood at ~127,148 GWh in FY25 down ~0.5% YoY (FY24: ~127,839 GWh). The share of thermal power is the highest, serving as the primary source of power generation, generating ~45.0% of the total electricity, while the hydro power share clocks at ~31.0% in FY25.





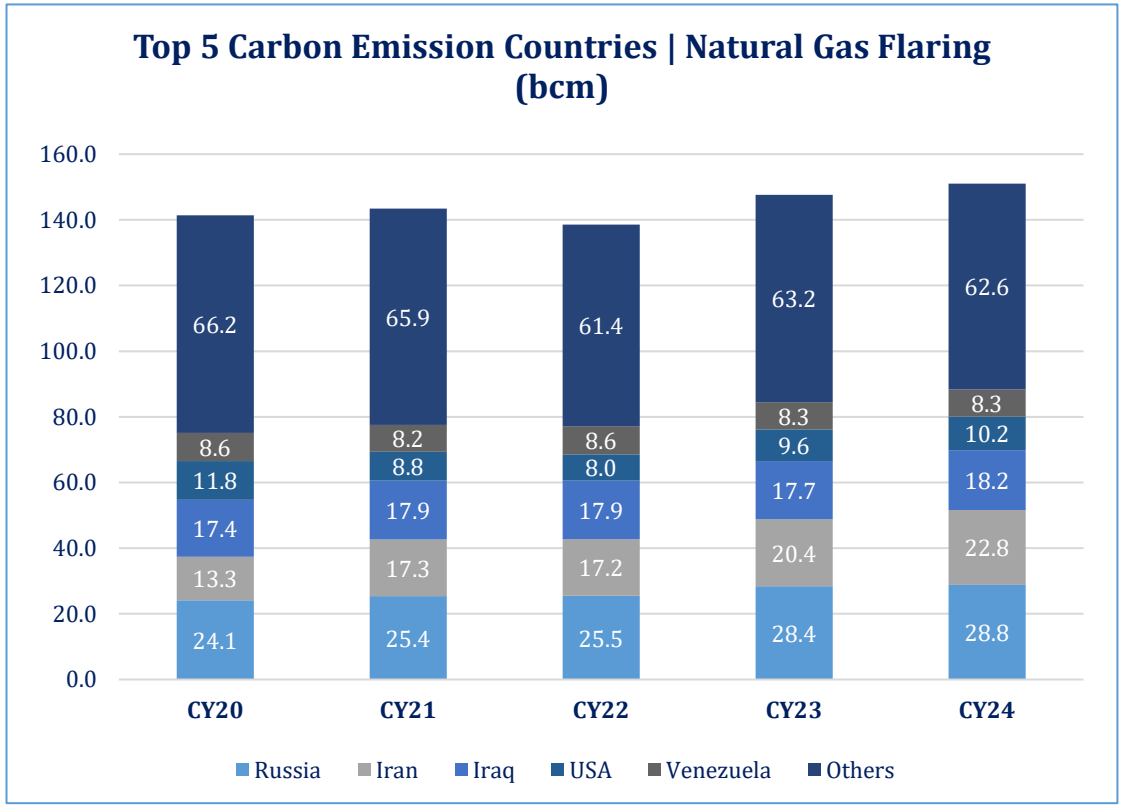
Source: SBP

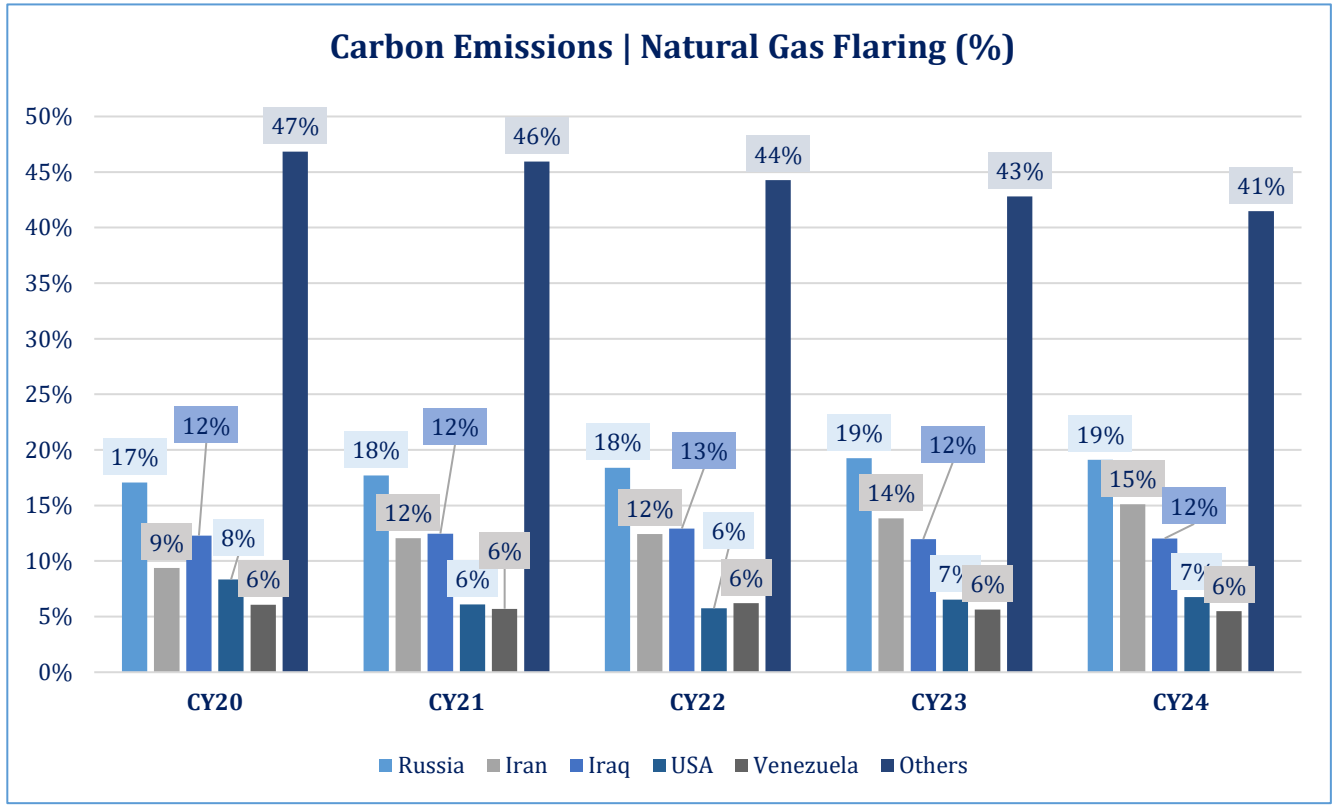
Distribution | Gas

Global | Carbon Emissions

- Global gas flaring from upstream gas operations increased by ~3.0 bcm in CY24, reaching ~151.0 bcm from ~148.0 bcm in CY23, up ~2.0%.

- Flaring intensity levels have remained largely unchanged since CY10. The top nine flaring countries in CY24 include Russia, Iran, Iraq, the United States, Venezuela, Algeria, Nigeria, Libya, and Mexico. The top 5 countries were collectively responsible for over ~58.0% of total global gas flaring in CY24.





Source: WB

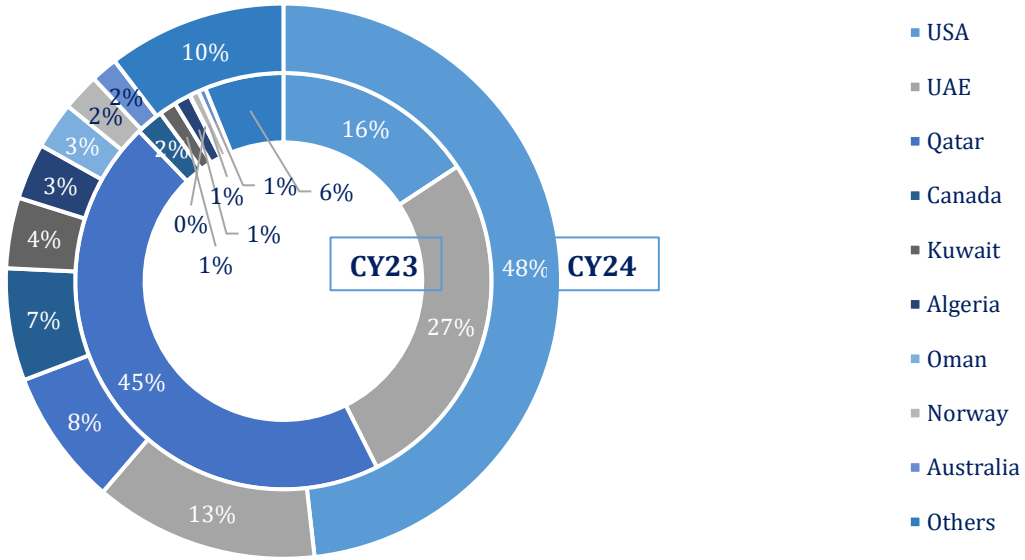
Distribution | Gas

Global | LPG Trade

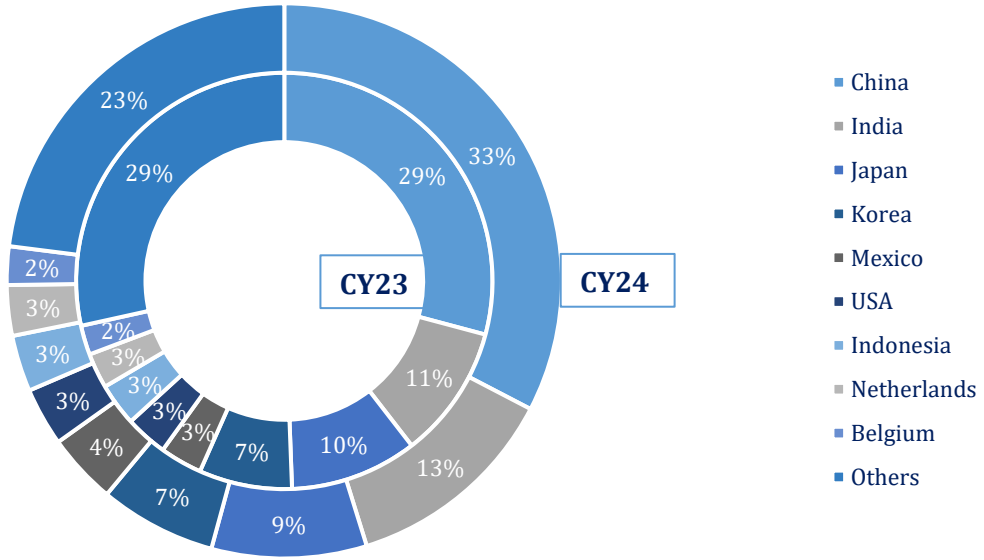
- During CY24, global LPG trade was recorded at USD~57.3bln (CY23: USD~54.4bln), up ~5.0% YoY. In CY24, the USA led the export market with ~48.0% of the LPG exported, followed by the UAE with ~13.0% and Qatar accounting for ~8.0% of the global exports in CY24.

- Top importers of LPG during CY24 included China (USD~18.7bln), India (USD~7.2bln), Japan (USD~5.2bln), South Korea (USD~3.9bln), and Mexico (USD~2.4bln). Where top five exporters formed ~80.0% share in global LPG exports during CY24 (CY23: ~90.0%), top five importing countries formed ~65.0% share in the commodity's global imports (CY23: ~60.0%).

Global | LPG Exporters (%)



Global | LPG Importers (%)



Note: *Data is latest available.*

Source: OEC

Distribution | Gas

Global | Outlook

- The future of natural gas is influenced by two opposing forces: growing demand in emerging economies due to economic expansion and industrialization, and a global shift toward electrification and low-carbon energy sources as part of decarbonization efforts. The overall impact depends on the pace of the energy transition.

- Current scenario projects continued growth in natural gas consumption, increasing by roughly ~20.0% by CY50 and accounting for just over a quarter of primary energy use. By contrast, in the Net Zero scenario, demand peaks around the end of this decade and drops to about half of its CY23 level by CY50.

- The main growth driver is rising consumption in emerging economies (excluding China), expected to expand by just over ~50.0% by CY50, which is more than offsetting declines elsewhere. This growth is driven by the increased use in the power generation and industrial sectors as these economies expand.

- China also contributes significantly to global gas demand growth, with industrial and power sector use pushing demand to plateau in the CY40, ending about one-third higher than in CY24.

- Under the Net Zero pathway, this transition happens faster and more decisively. Demand in these economies peaks in the current decade and drops by over ~55.0% by CY50 compared to CY24, driven by improved energy efficiency, widespread electrification in buildings and light industry (supported by heat pumps), and greater adoption of low-carbon energy sources in heavy industry.

- In emerging markets, gas demand continues to grow initially but peaks in the CY30 as electrification and low-carbon fuels gain traction. By CY50, consumption falls by more than ~50.0% from CY24 levels. By mid-century, ~80.0% of the remaining gas use in the Net Zero scenario is equipped with carbon capture, utilization, and storage (CCUS), primarily in industrial processes, power generation, and blue hydrogen production.

***Note**: The Net Zero Emissions by CY50 Scenario (**NZE**) maps out a way to achieve a 1.5 °C stabilization in the rise in global average temperatures.*

Source: IEA, BP Energy

Natural Gas

Distribution | Gas

Local | Snapshot

- Natural gas is a fossil fuel energy source, comprising methane, in large part, as well as trace amounts of natural gas liquids and non-hydrocarbon gases. Its usage extends to commercial, power, and industrial consumption, among others.
- In FY24, local gas consumption was recorded at ~25.4mln MT, registering a decline of ~1.2% YoY (FY23: ~25.7mln MT). In 9MFY25, consumption remained sluggish and was down ~2.7% YoY, clocking in at ~18.0mln MT (SPLY: ~18.5mln MT)
- Local production during the year dipped by ~3.9% YoY while RLNG imports were down ~9.6% YoY, standing at ~8.5mln MT. Therefore, the total supply of gas stood at ~32.5mln MT (FY23: ~34.4mln MT).
- Total supply during 9MFY25 was recorded at ~16.9mln MT, registering a decline of ~1.4% YoY. During the period, indigenous gas contributed ~29.3% (9MFY24: ~28.9%) to the country's primary energy mix.
- During 9MFY25, the two gas distribution companies (SNGPL and SSGCL) extended their network by laying ~1,221 km of main pipelines and ~65 km of service lines, while also bringing ~84 villages and towns onto the gas grid.

Particulars	Units	FY23	FY24	9MFY24	9MFY25
Supply of Natural Gas					
Production - Natural Gas (A)	mln MT	25.0	24.0	18.2	16.9
Imports - LNG (B)		9.4	8.5	6.0	n.a
Total Supply (C = A + B)		**34.4**	**32.5**	**24.2**	**16.9**
Consumption of Natural Gas	mln MT	**25.7**	**25.4**	**18.5**	**18.0**
- % Share | Natural Gas	%	76%	75%	78%	75%
- % Share | LNG	%	24%	25%	22%	25%
Floating Storage and Re-gasification Unit (FSRU)	No.	2			
Capacity FSRUs	mln MT	9.2			
Transmission Lines	Km	13,775	13,989	13,989	14,276
Distribution Lines	Km	41,352	41,463	41,463	41,577
Mains	Km	157,395	161,806	161,806	162,031
Total Number of Connections	mln No.	10.8			
Structure		Duopoly			
Regulator		Oil & Gas Regulatory Authority (OGRA)			

***Note**: Conversion Factor of ~1BCF (billion cubic feet) = 0.021mln MT (mln MT LNG equivalent).*

Source: PES

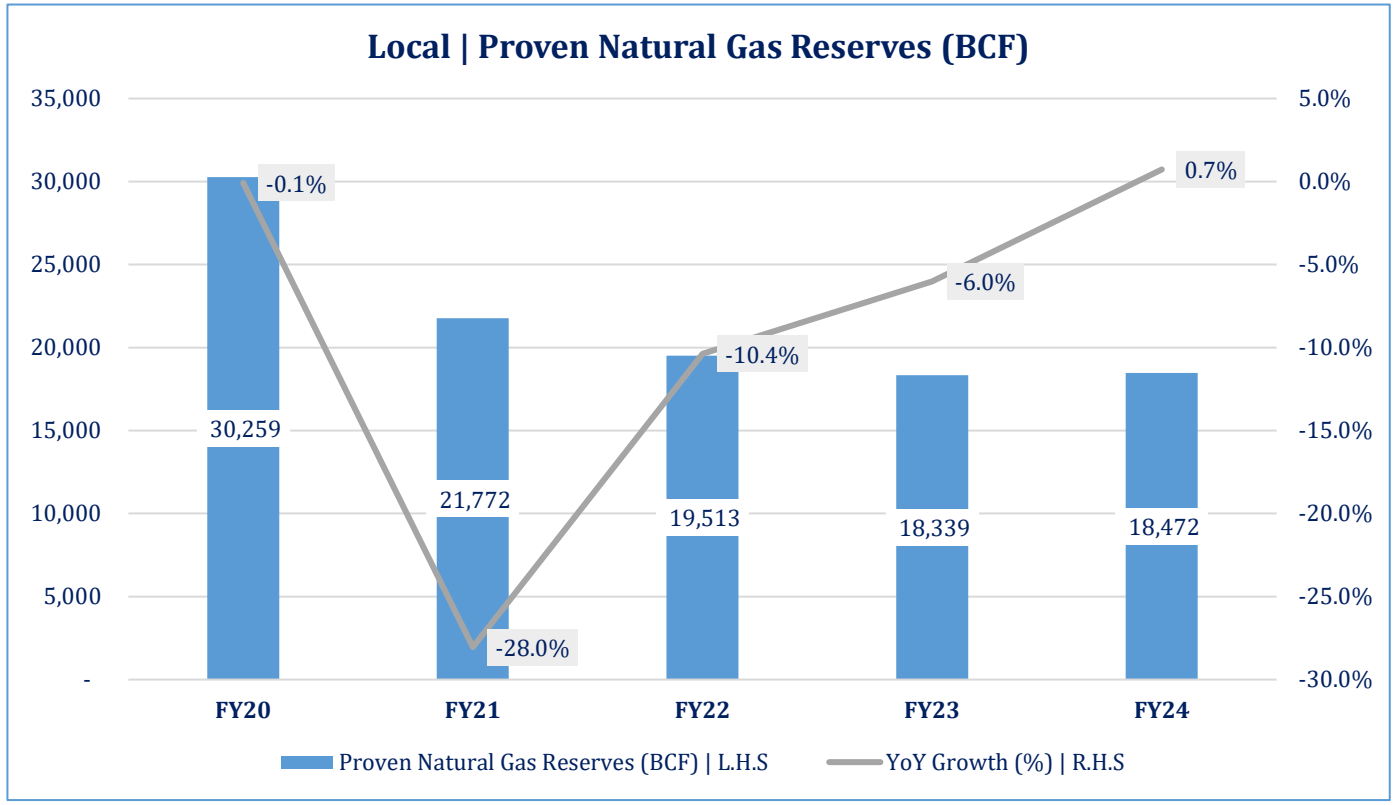
Distribution | Gas

Local | Natural Gas Reserves

- Pakistan's proven natural gas reserves have been on a decline owing to a lack of substantial discoveries. During FY15-23, natural gas reserves of the country have declined at a CAGR of ~8.5%.

- During FY24, the country's proven natural gas reserves stood at ~387.9mln MT, up marginally by ~0.7% YoY.

Year	Proven Natural Gas Reserves (mln MT)	YoY Change (%)
FY20	635.4	-0.1%
FY21	457.2	-28.0%
FY22	409.8	-10.4%
FY23	385.1	-6.0%
FY24	388.0	0.7%



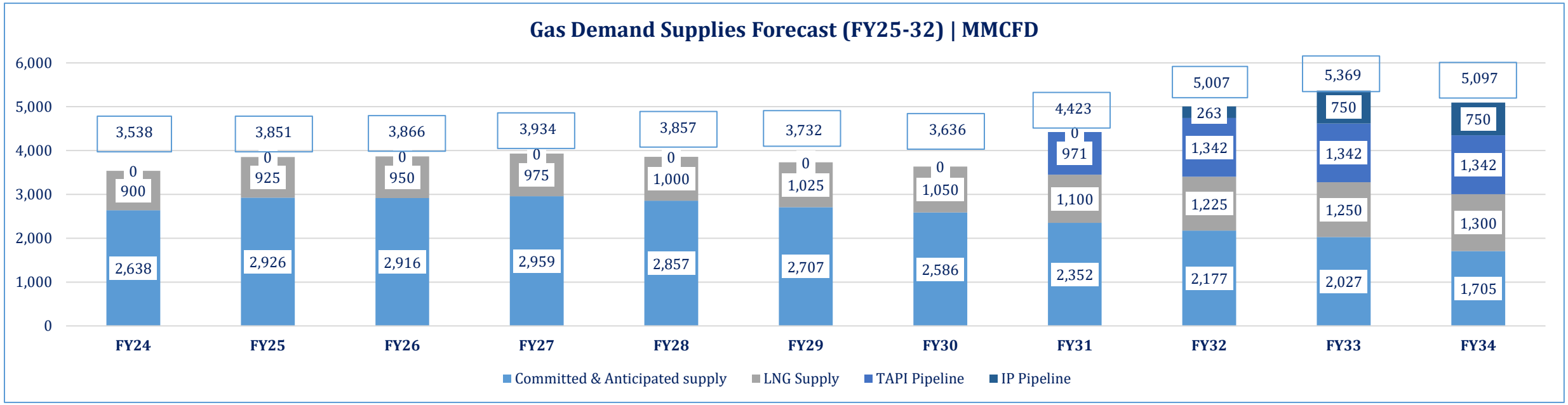
***Note**: Data estimated using OGDCL's share in recoverable natural gas reserves. BCF stands for billion cubic feet.*

Source: OGDCL

Distribution | Gas

Local | Demand-Supply Forecast

- As domestic natural gas production continues to decline, Pakistan's domestic gas demand-supply gap is expected to widen in the coming years. Therefore, there is a need to accelerate domestic E&P activities and/or increase imported gas to meet the country's gas demand.
- In FY24, the country's total imports rose by ~11.0% clocking in at ~10.7mln MT compared to ~9.6mln MT in FY23.
- In FY24, the share of indigenous gas and imported RLNG in the overall supply mix stood at ~75:25; this trend is expected to reverse by FY32 to ~25:75.
- By FY32, the much-anticipated TAPI Pipeline and IP Pipeline will be in the overall system, supplying ~10.3mln MT and ~5.7mln MT, highlighting the urgent need for alternative energy sources and domestic production boosts.



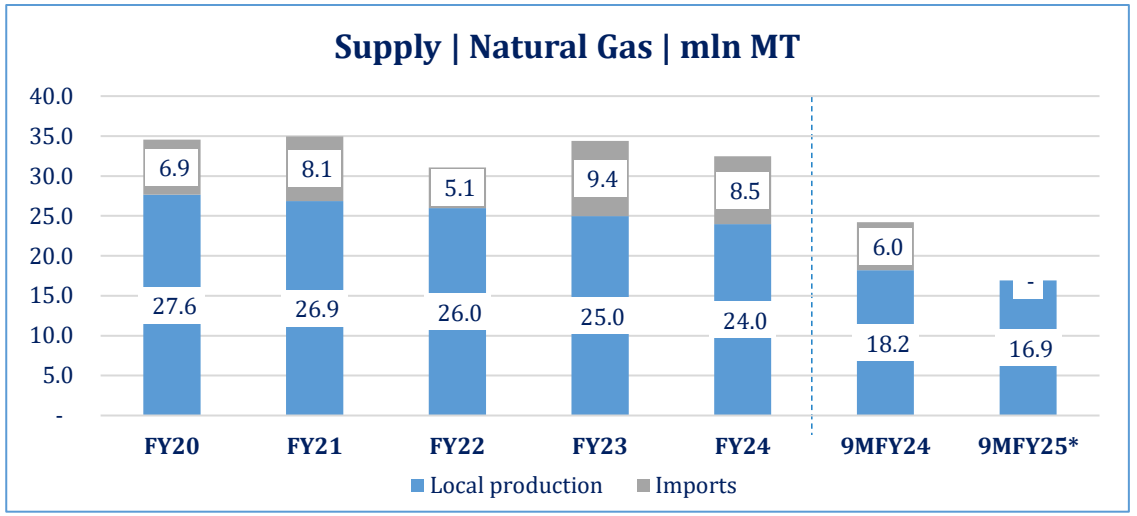
***Note**: MMCFD stands for million cubic feet per day. FY25 onwards data pertains to the OGRA Industry Report FY24*

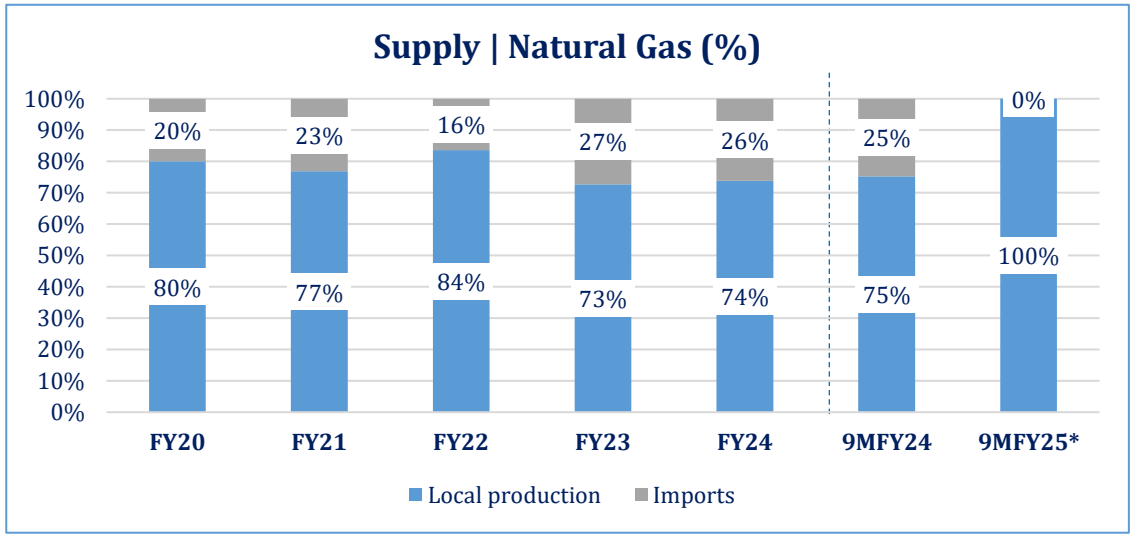
Source: PES, OGRA Petroleum Industry Report

Distribution | Gas

Local | Supply

- In FY24, the overall supply of natural gas was recorded at ~32.5mln MT, down by ~5.5% YoY (FY23: ~34.4mln MT). Of this, the share of imported gas in the country's total gas supply declined by ~9.6% and was recorded at ~8.2mln MT in FY24 (FY23: ~9.4mln MT).
- In FY24, local production was recorded at ~24.0mln MT, down ~4.1% (FY23: ~25.0mln MT) while during 9MFY25 it was down ~7.0% clocking in at ~16.9mln MT (SPLY: ~18.2mln MT).
- The two operational LNG terminals with licenses granted in CY16 and CY18, respectively, include Engro Elengy Terminal Limited (EETL) and Pakistan GasPort Consortium Limited (PGPCL).
- In 9MFY25, OGRA issued 4 licenses for virtual pipeline projects to support the completion of formal requirements necessary for the application of a construction or installation license.
- Additionally, LNG Easy (Private) Limited received a two-year construction license to undertake the development of the project.





***Note**: Conversion Factor of ~1BCF (billion cubic feet) = 0.021mln MT LNG (mln MT LNG equivalent).*
**9MFY25 LNG imports quantity is not available.*

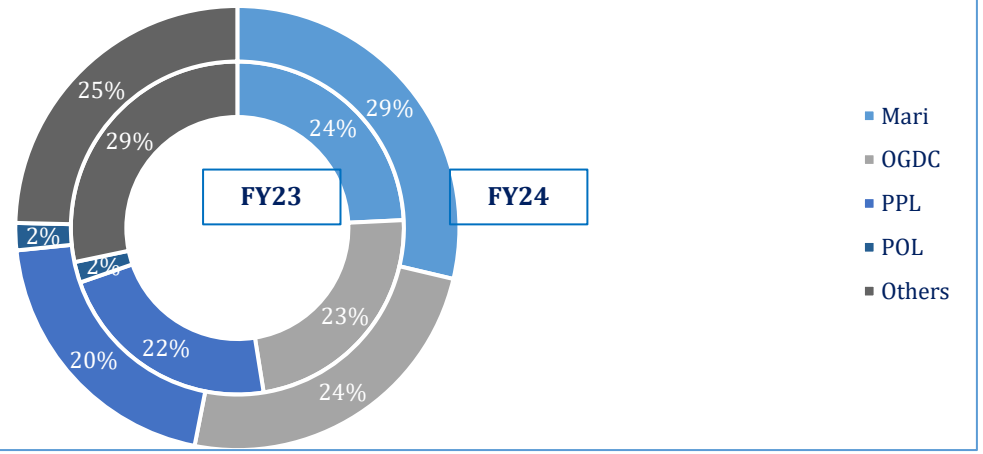
Source: PES

Distribution | Gas

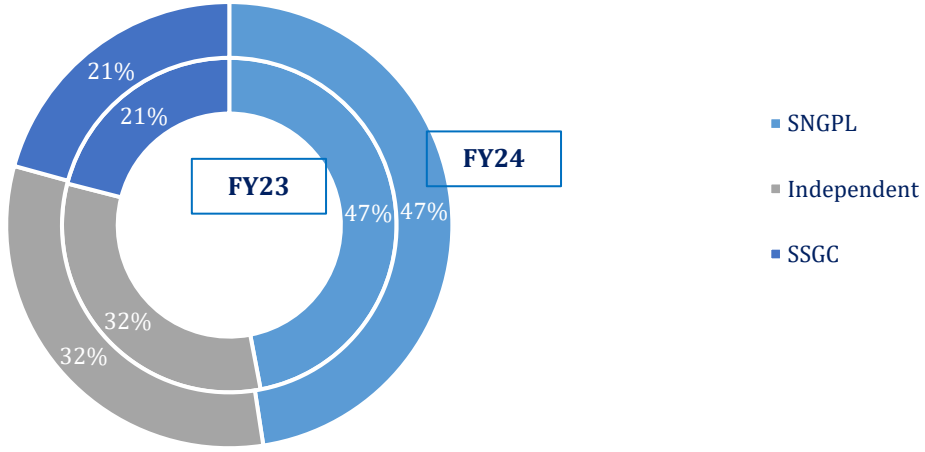
Local | Production

- The country's natural gas reserves stood at ~387.9mln MT during FY24, up by ~0.7% YoY (FY23: ~385.1mln MT).
- Moreover, production during the year was recorded at ~24.0mln MT in FY24 (FY23: ~25.0mln MT), a decline of ~4.0% YoY. Mari Petroleum had the largest share in the production of natural gas in FY24, followed by OGDCL (~24.0%), PPL (~20.0%), POL (~2.0%), and others ~25.0%.
- In 9MFY25, total natural gas production was recorded at ~16.9mln MT (SPLY:~18.2mln MT). OGDCL had the largest share in the production, clocking at ~30.6%, followed by Mari (~26.6%), PPL (~16.7%), and POL (~1.9%).
- The two Government-owned gas utilities, SNGPL and SSGC, make up a significant combined share of ~79.0% (FY23: ~79.0%) in total gas supply across the country in FY24. Meanwhile, the independent system comprises consumers who have direct arrangements with gas-producing companies, as they receive natural gas through dedicated pipelines or virtual networks, including containers.

Local | Company-wise Production (%)



Share in Gas Supply (%)



***Note**: Company-wise Production shares have been estimated using total gas production as stated in PES and same data as stated in respective financials.. ***BCF:** Billion Cubic Feet*

Source: OGRA, Company Financials, PES

Distribution | Gas

Local | Supply | LNG Operators

- According to LNG Policy 2011, the license for LNG-related activities can be classified into the following categories:
- Integrated Project Structure: in which the LNG developer is supposed to purchase LNG supplies, transport them to its LNG import terminal (where receiving, storage, and re-gasification facilities exist), and also supply RLNG to the domestic market and/or for its use.
- Unbundled Project Structure: in which the LNG buyer would directly import the LNG under an LNG Sale and Purchase Agreement (SPA).
- As of Nov'24, the details of import licenses issued by OGRA for LNG-related activities to privately owned entities are as follows:

Name of Developer	Type of License Issued	License Issuance Date
Engro Elengy Terminal Limited (EETL)	Unbundled Project Structure **Operation License** of LNG Receiving Terminal at Port Qasim, Karachi. Regasification Capacity: ~600-690 MMCFD.	March 18, 2016
PGP Consortium Limited (PGPCL)	Unbundled Project Structure **Operation License** of LNG Receiving Terminal at Port Qasim, Karachi. Regasification Capacity: ~600-750 MMCFD	April 03, 2018
Tabeer Energy (Private) Limited (TEPL)	Integrated Project Structure **Construction License**	April 28, 2021 Extended till April 27, 2025
Energas Terminal (Pvt.) Limited (ETPL)	Integrated Project Structure **Construction License**	April 28, 2021 Extended till April 27, 2025
Pakistan GasPort Limited (PGPL)	Integrated Project Structure (Provisional License for LNG Receiving Terminal)	June 25, 2018
LNG Easy Private Limited (LNGe)	Integrated Project Structure (LNG Virtual Pipeline Projects -Provisional Licenses)	Jul 27, 2023 License granted for 2 years
LNG Flex Limited	Integrated Project Structure (LNG Virtual Pipeline Projects -Provisional Licenses)	March 10, 2024 Extended till 10th March, 2025
Cygnus Energy Private Limited (CEPL)	Integrated Project Structure (LNG Virtual Pipeline Projects -Provisional Licenses)	March 27, 2024 Extended till 27th March, 2025
Gwadar GasPort Private Limited (GGPL)	Integrated Project Structure (LNG Virtual Pipeline Projects -Provisional Licenses)	May 16, 2022 (Applied for extension)
Global Energy Infrastructúre Pakistan Limited	Integrated Project Structure Construction License	Extension in license timelines granted till 31st March., 2026.

Source: OGRA

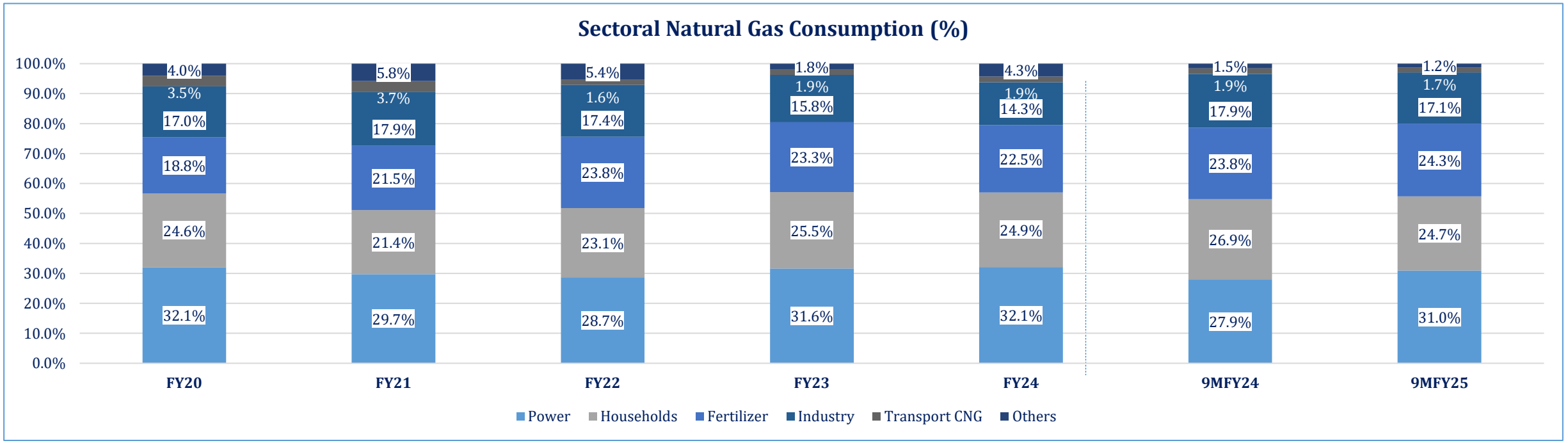
Distribution | Gas

Local | Demand

- The overall gas consumption declined by ~1.4% YoY during FY24, recording at ~25.4mln MT (FY23:~25.7mln MT). The Power sector accounted for ~32.1% of total natural gas consumption during the year, while Households and Fertilizers accounted for ~24.9% and ~22.5%, respectively.

- Household consumers use expensive LPG during curtailed gas supplies (by national gas utility corporations), to fulfil their energy needs. The fertilizer sector's dependence on natural gas is significantly high, as it is a key input feedstock, making it difficult to switch to other forms of energy.

- In 9MFY25, total gas consumption stood at ~18.0mln MT, down ~2.4% YoY. Power and Fertilizer consumption rose by ~3.1% and ~0.5% in 9MFY25, while Household, Industry, Transport, and others gas consumption declined by ~2.2%, ~0.9%, ~0.2% and ~0.3%, respectively.

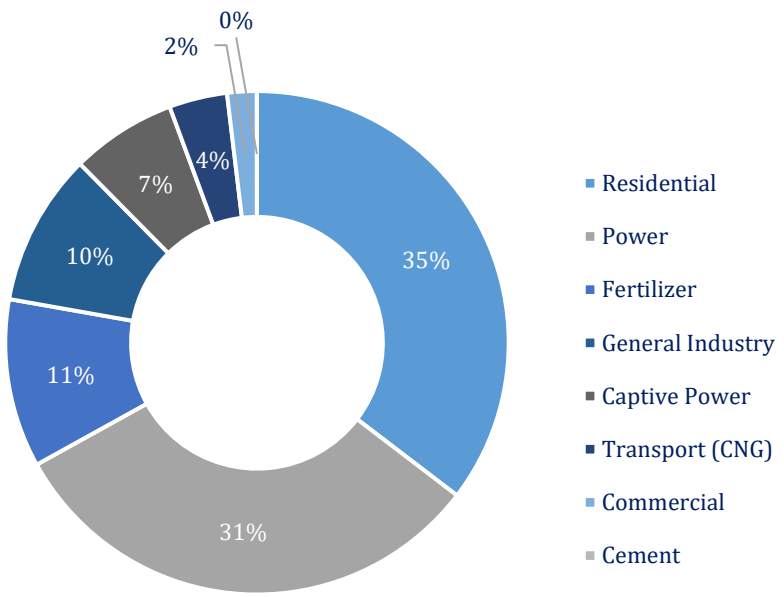


Source: PES

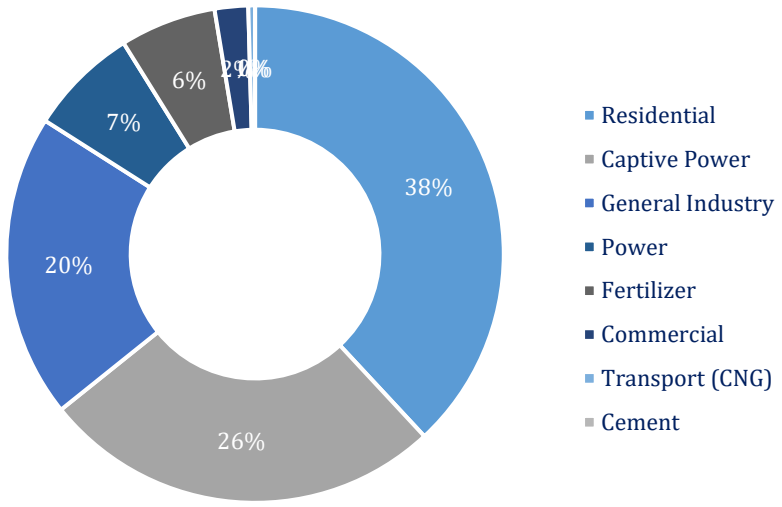
Distribution | Gas

Local | Demand

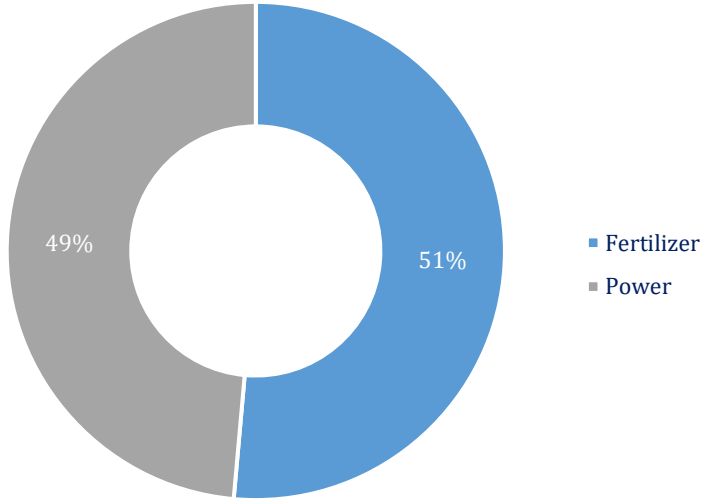
SNGPL Consumers (%) | FY24



SSGCL Consumers (%) | FY24



Independent System Consumers (%) | FY24



***Note**: Data is latest available.*

Source: OGRA

Distribution | Gas

Local | Business Risk | UFG

- UFG (Unaccounted For Gas) implies gas loss, which is contingent upon the occurrence of various technical factors when gas flows from the fields to the end consumers.
- It is calculated as the difference between metered gas volume injected into the transmission and distribution network (Point of Dispatch/Delivery) and the metered gas delivered to the end-consumers (Consumer Meter Station) during a financial year. A two-component formula for calculating the UFG allowance used is as under:

  UFG Allowance = Gas Received x (Rate1+ Rate2 x β)

  - **Rate 1**= Benchmark fixed rate based on prevalent conditions/infrastructure in the areas of the operation of the Sui companies, and the same is fixed at ~5% for the next five years. The fixed rate also includes allowance for transmission losses, which is calculated up to a maximum of ~0.5%.
  - **Rate 2** is the allowance for local challenging conditions as compared to the world at large. Allowance for these challenging conditions is fixed at a maximum of ~2.6%.
  - **β** = Performance factor (Key Monitoring Indicators - KMIs) - In order to ensure appropriate and serious efforts are directed towards reducing UFG over the agreed term of five (5) years, the local challenging conditions component has been linked to the achievement of KMIs by each gas utility company.

- In Balochistan during FY24, SSGC reported UFG losses amounting to ~0.3mln MT (~37.9%) against ~0.5mln MT (~57.8%) recorded during FY23. During FY24, SSGC reported UFG losses in Sindh amounting to ~0.1mln MT (~9.5%) against ~0.2mln MT (~13.2%) recorded during FY23. For 1HFY25, UFG losses in Balochistan and Sindh are accounted for ~0.1mln MT (~36.8%) and ~0.03mln MT (~8.9%).

- SNGPL in FY24, reported a UFG of ~6.4% (FY23: ~7.3%) or ~0.5mln MT (FY23: ~0.5mln MT). According to UFG determination by OGRA, for each year, any percentage/value of UFG above the fixed benchmark is treated as a disallowance and deducted from the revenue of the gas utility companies.

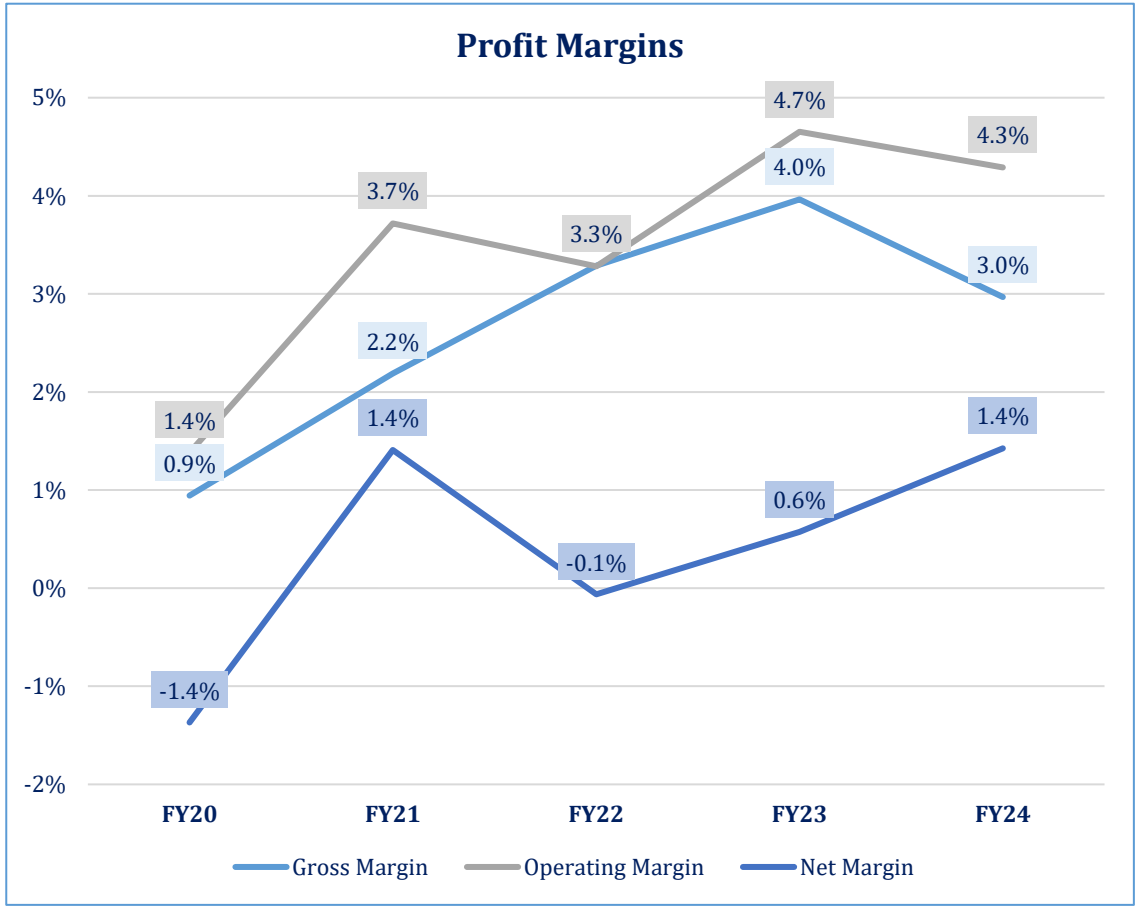
***Note**: Data is latest available.*

Source: OGRA, Petroleum Division, SNGPL, SSGCL

Distribution | Gas

Local | Business Risk

- 'Unaccounted-for Gas' (UFG) is a contributor to the financial losses to gas utility companies, which, in simpler terms, can be defined as the difference between the purchase and sale of gas.
- Broadly, all UFG volumes can be classified into three major categories, i.e., theft, leakages, and measurement errors.
- With respect to the segment's profitability, gross and operating profit margins are recorded at ~3.0% (FY23 ~4.0%) and ~4.3% (FY23: ~4.7%), respectively, while on the other hand, net margins clocked in at ~1.4% (FY23: ~0.6%).



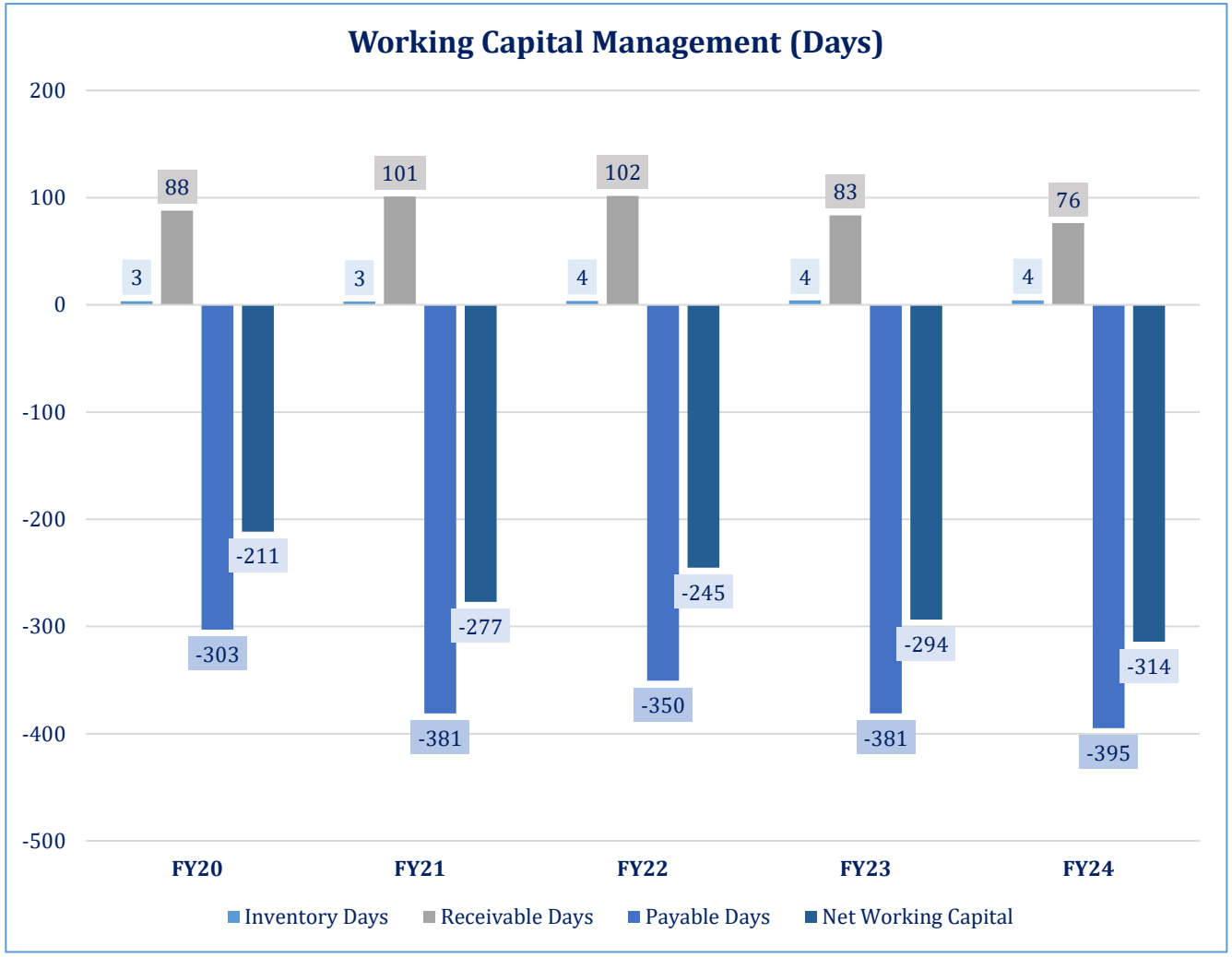
***Note**: Margins are reflective of 2 PACRA-rated/listed companies.*

Source: OGRA, Company Financials, PACRA Database

Distribution | Gas

Financial Risk | Working Capital Management

- During FY24, the average receivable days of the sector decreased by ~7 days to stand at ~76 days (FY23: ~83 days).
- Meanwhile, average payable days outstanding increased by ~14 days standing at ~395 days in FY24 (FY23: ~381 days). This increase is on account of failing to keep up with timely payments to the creditors.
- Overall, during FY24, the cash conversion cycle increased to ~314 days (FY23: ~294 days).



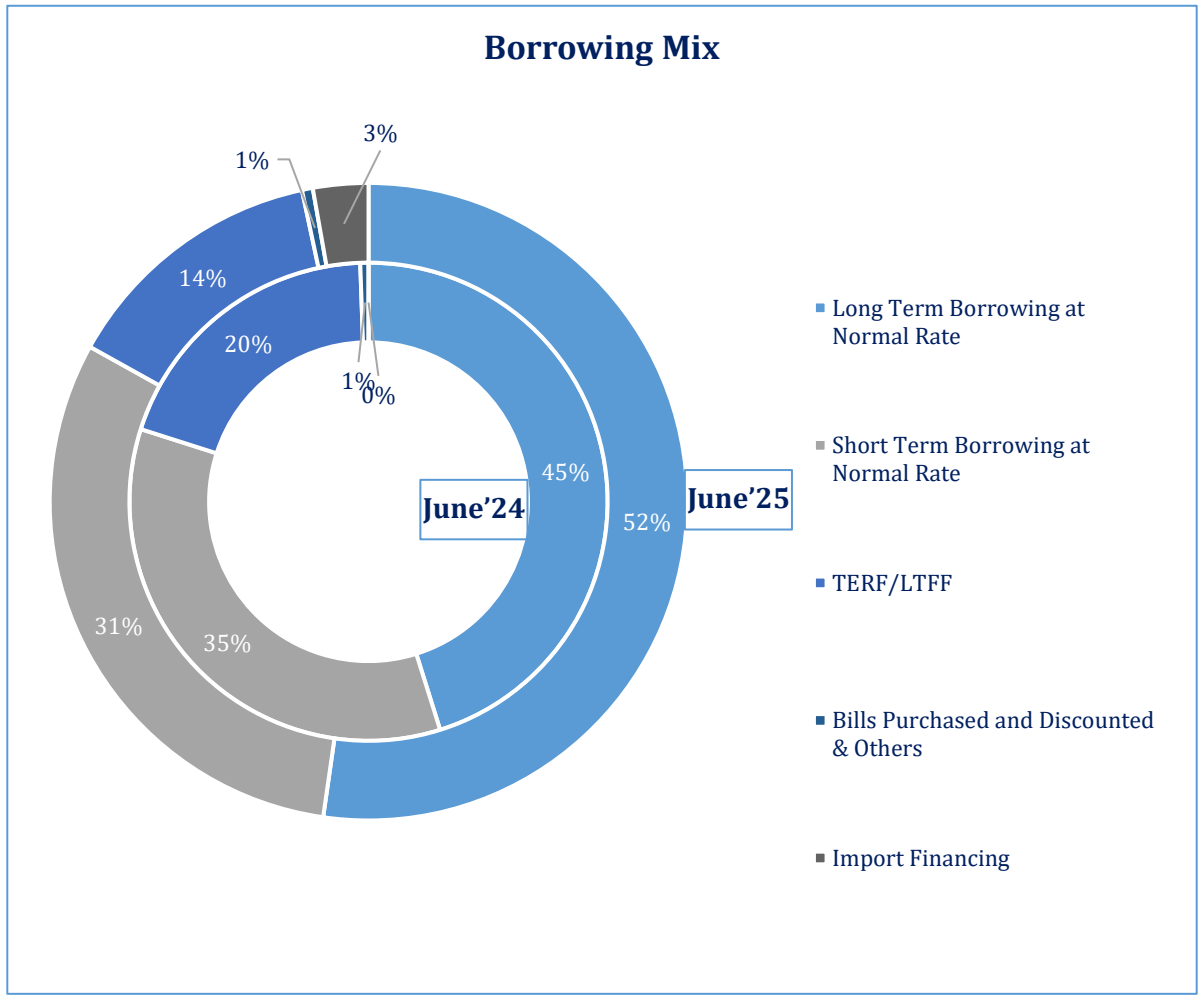
***Note**: Data is reflective of ~2 PACRA-rated/ Listed sector players in FY24*

Source: Company Financials, PACRA Database

Distribution | Gas

Financial Risk | Borrowing Mix

- As of FY24, cumulative borrowings of the two gas utility companies (SNGPL & SSGC) were recorded at PKR~249.7bln, up ~19.0% YoY (FY23: PKR~210.6bln).
- Total borrowings of the segment *"Manufacture of gas; distribution of gaseous fuels through mains" as per SBP,* as stood at PKR~8.9bln (End-Jun'24: PKR~9.1bln), at End-Jun'25, down ~2.3% YoY.
- Long-term borrowings at normal rates formed ~52.0% of total borrowings as at End-June'25 (End-Jun'24: ~45.0%) and stood at PKR~4.7bln (End-Jun'24: PKR~4.1bln), up ~13.1% YoY.
- Short-term borrowings at normal rates, as at End-Jun'25, made up ~31.0% of the total borrowings (End-Jun'24: ~35.0%) and down by ~13.4% YoY to clock in at PKR~2.7bln (End-Jun'24: PKR~3.2bln).
- Meanwhile, long term discounted borrowings (LTFF) represented ~14.0% of total borrowings (End-Jun'24: ~20.0% of total borrowings) and stood at PKR~1.2bln as at End-Jun'25 (End-Jun'24: PKR~1.8bln).



***Note**: Data pertains to SBP Classification of "Manufacture of gas; distribution of gaseous fuels through mains"*

Source: SBP

Distribution | Gas

Local | Natural Gas Pricing

- Based on the Revenue Requirement of the Gas Companies, OGRA determines the prescribed price (i.e., price to be retained by the companies) for each category of consumers.

- The Government fixes consumer gas prices and as a matter of policy, maintains them at a uniform level throughout the country. Therefore, the cost of supplying gas to customers at various locations is not accounted for and regardless of the difference in cost due to location, all consumers within the same category pay a uniform price.

- The consumer price of natural gas in Pakistan comprises the following:
  a. The prescribed price for the gas companies and;
  b. OGRA fixes the 'prescribed price' for the gas utilities after conducting public hearings where stakeholders express their views. Also, a thorough analysis is carried out in terms of prudence and rationale for revenue and capital expenditures.

- The prescribed price includes the following elements:
  - Producer gas prices, which are linked with international prices of crude oil and HSFO
  - Transmission and distribution costs
  - Depreciation expense
  - Return to SNGPL and SSGCL
  - Allowed UFG losses

Source: OGRA

Distribution | Gas

Local | Natural Gas Pricing

- OGRA calculates the average prescribed price, the average cost of providing gas for each licensee based on their annual operations and revenues.
- It then sends these prices to the Federal Government, which advises on the final consumer sale prices for each customer category.

Consumers	Jan'23	Nov'23	July'25
Domestic (Protected)			
Up to 0.25hm^3 /mo	121	200	200
Up to 0.5hm^3 /mo	150	250	250
Up to 0.6hm^3 /mo	200	300	300
Up to 0.9hm^3 /mo	250	350	350
Domestic (Non-Protected)			
Up to 0.25hm^3 /mo	300	500	500
Up to 0.6hm^3 /mo	600	850	850
Up to 1hm^3 /mo	1,000	1,250	1,250
Up to 1.5hm^3 /mo	1,200	1,450	1,450
Up to 2hm^3 per mo	1,600	1,900	1,900
Up to 3hm^3 /mo	3,000	3,300	3,300
Up to 4hm^3 /mo	3,500	3,800	3,800
Above 4hm^3 /mo	4,000	4,200	4,200

Consumers	Nov'23	Oct'23	Feb'24	Jul'24	Jul'25
Fertilizer Company (Feed Stock)	580	580	1,597	1,597	1,597
Fertilizer Company (Fuel Stock)	1,580	1,580	1,597	1,597	1,597
Export-Oriented (General Industry & Captive)	2,400	2,400	2,750	2,750	3,500
Power Stations and IPPs	1,050	1,050	1,050	1,050	1,225
General Industry	2,500	2,500	2,150	3,000	2,300
Cement Factories	4,400	4,400	4,400	4,400	4,400
Commercial & Ice Factories	3,900	3,900	3,900	3,900	3,900
CNG	3,600	3,600	3,750	3,750	3,750

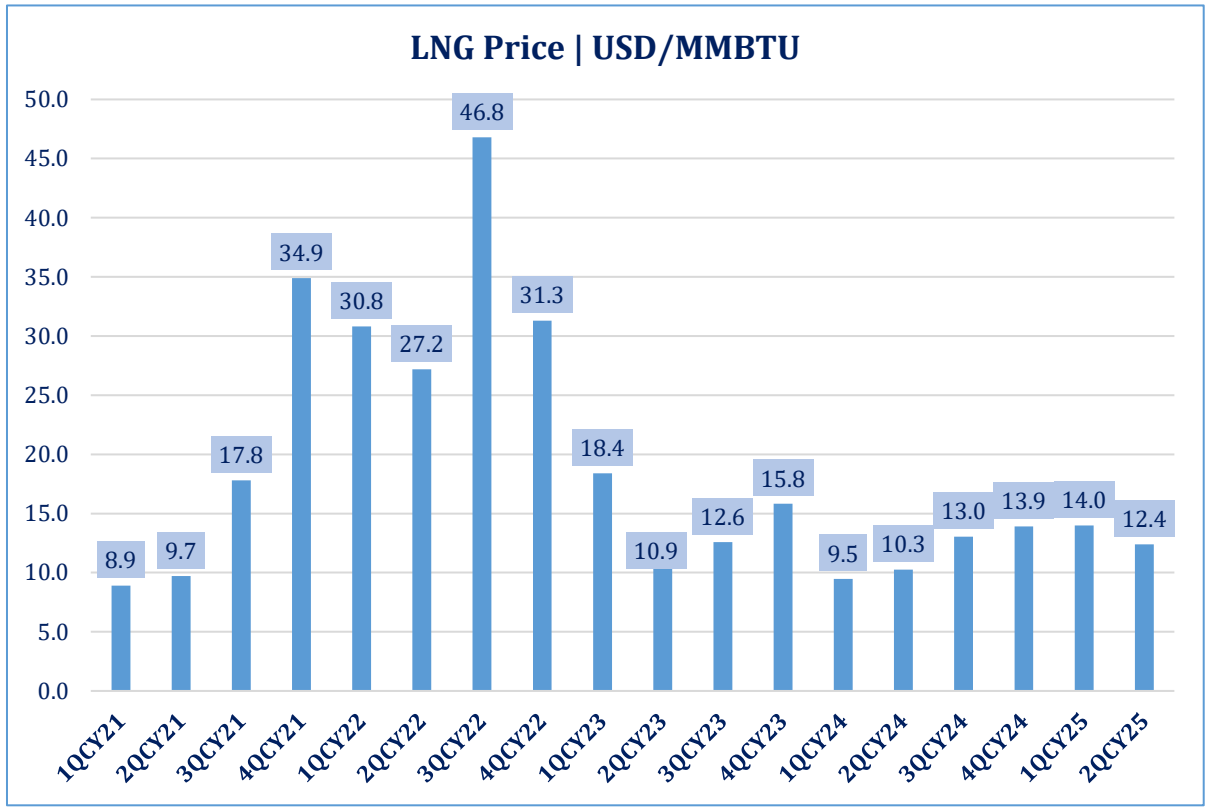
Source: IMF, OGRA

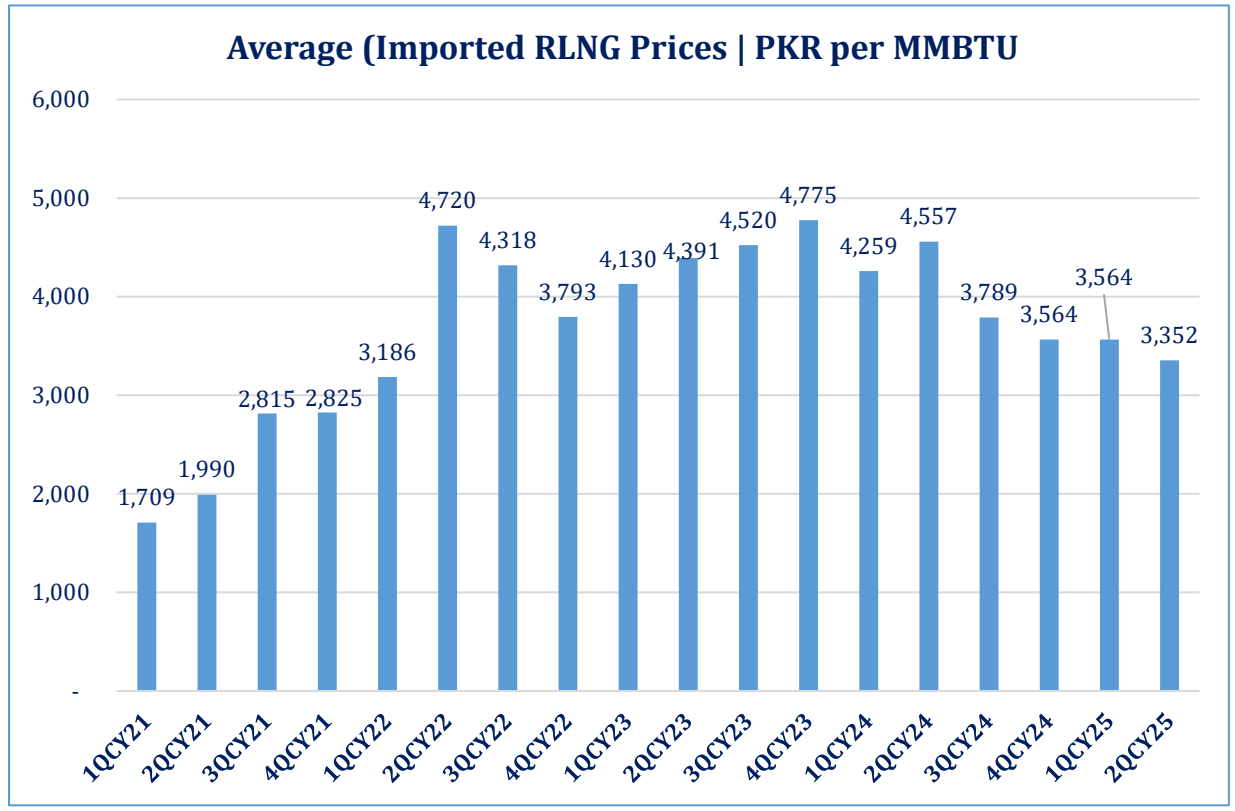
Distribution | Gas

Local | RLNG Pricing

- Pakistan's imported RLNG prices, on average, fell by ~26.0% at 2QCY25 standing at PKR~3,352/MMBTU (SPLY: PKR~4,557/MMBTU) as the exchange rate on average remained stable at PKR~279.2/USD.

- LNG prices remained low or stable globally due to weak demand across key Asian markets like China, Japan, South Korea, and Taiwan, where utilities had already secured winter supplies and inventories were high.





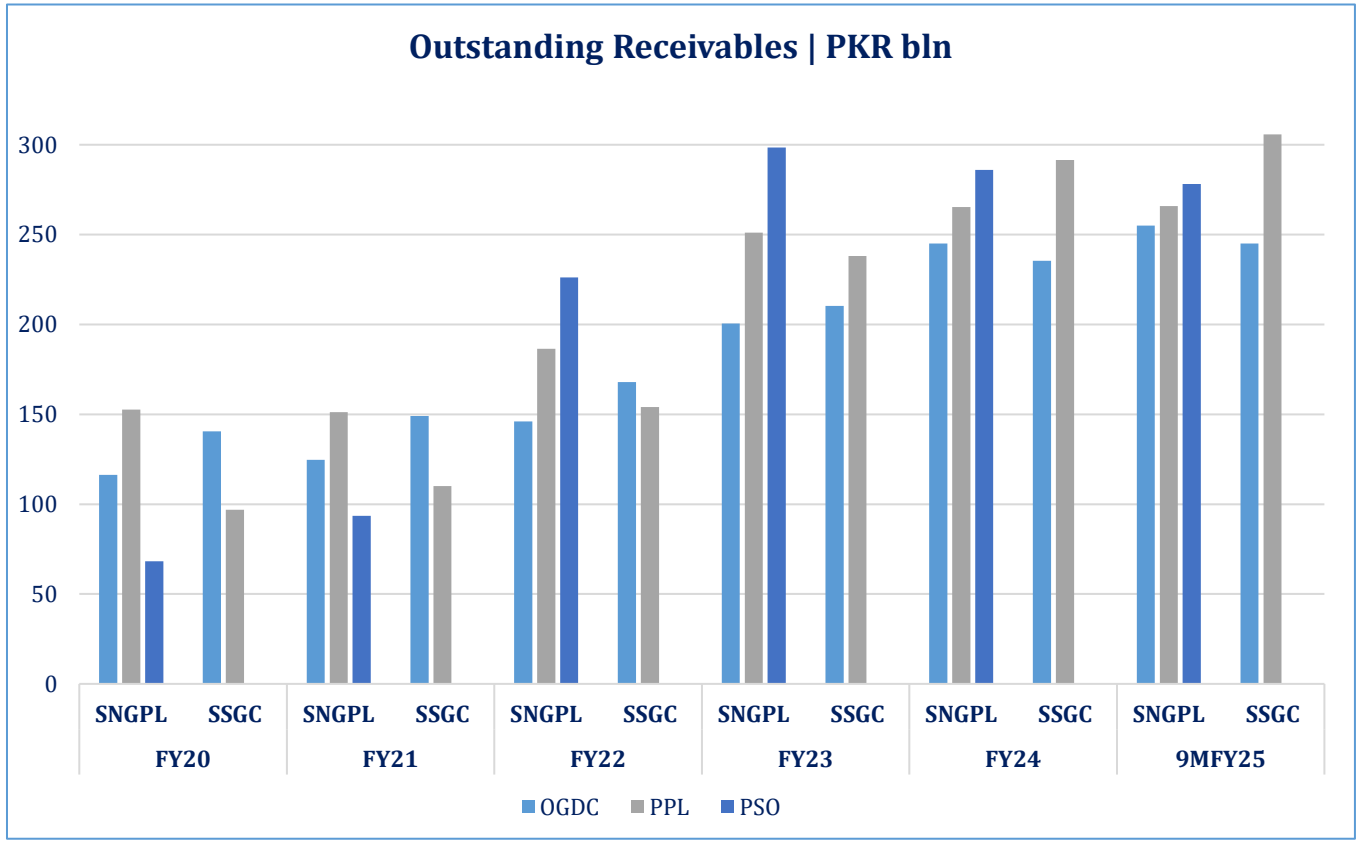
***Note**: Imported RLNG Prices have been computed using average USD/PKR rate for the period, while Global prices are reflective of LNG Japan/Korea Marker Platts Futures.*

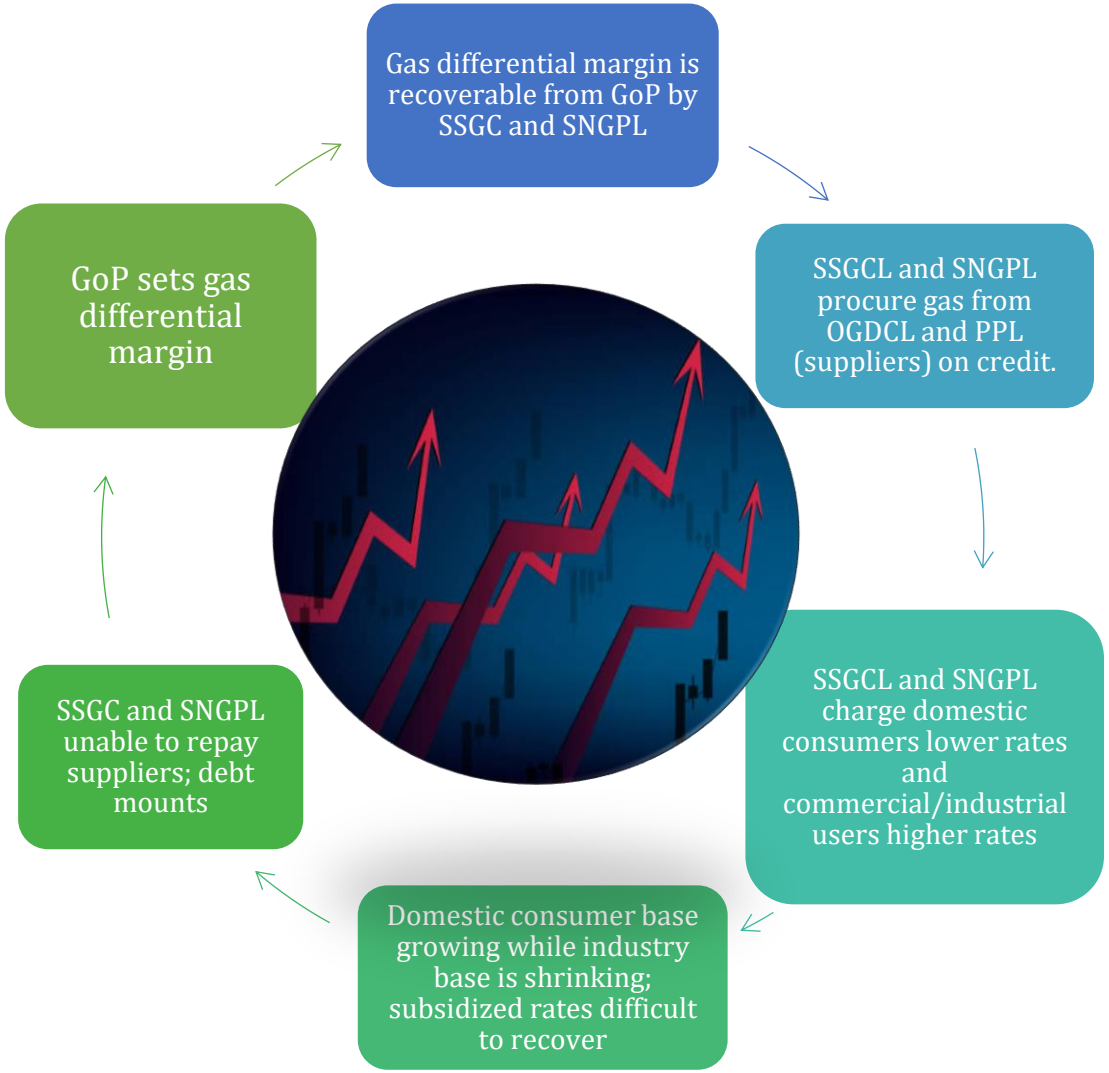
Source: OGRA, SBP, PACRA Database

Distribution | Gas

Financial Risk | Circular Debt

- As of End-Dec'24, gas circular debt stood at PKR~2,842bln (~2.7% of GDP) compared to PKR~2,866bln as of End-Jan'24. Among the total debt, PKR~800.0bln is reportedly accumulated due to the Late Payment Surcharge (LPS).





Source: Company Financials

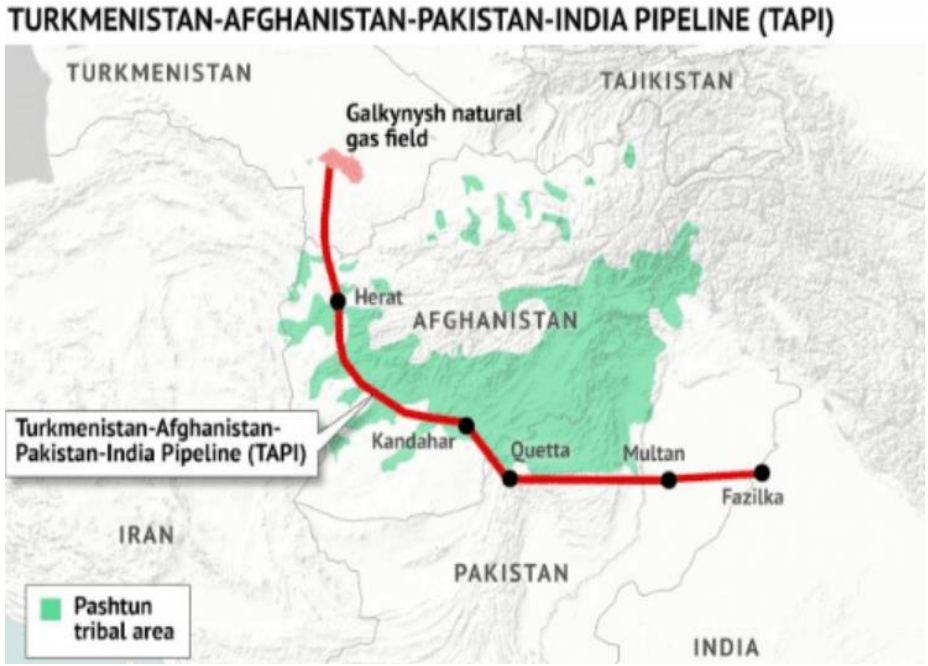
Distribution | Gas

Recent Developments | Gas Pipelines

- The Turkmenistan-Afghanistan-Pakistan-India Natural Gas Pipeline (**TAPI**) Project aims to export up to ~24.3mln MT of natural gas per annum through a proposed ~1,849 km pipeline from Turkmenistan to Afghanistan, Pakistan, and India. Pakistan's offtake under the project will amount to ~10.0mln MT.

- In Jun'23, Turkmenistan and Pakistan signed a Joint Implementation Plan (JIP) to accelerate work on the TAPI Gas Pipeline project. Moreover, Construction and Transmission Licenses have been issued to ISGS by the Oil and Gas Regulatory Authority (OGRA).

- Officials from both Pakistan and Turkmenistan emphasized the project's strategic importance in enhancing regional connectivity, promoting economic growth, and meeting the energy demands of participating nations.



- As of Feb'24, the CCoE approved the recommendations of the Ministerial Oversight Committee for the Iran-Pakistan (**IP**) Project constituted in Sep'23 whereby it was recommended to start work on the ~80 km segment of the pipeline inside Pakistan i.e. from Pakistan-Iran border up till Gwadar in the first phase (total length of the pipeline is recorded at ~781 km). The Project will be executed by Inter State Gas Systems (Pvt) Ltd. and will be funded through the Gas Infrastructure Development Cess.

- Furthermore, a Transmission License has also been issued by the Oil and Gas Regulatory Authority (OGRA) for the implementation of the Project. Pipeline's capacity is recorded at ~5.7mln MT.

Source: WB, ISGS, Lotus Arise, Petroleum Division

Terminal Handling

Distribution | Gas

Terminal Handling | Overview

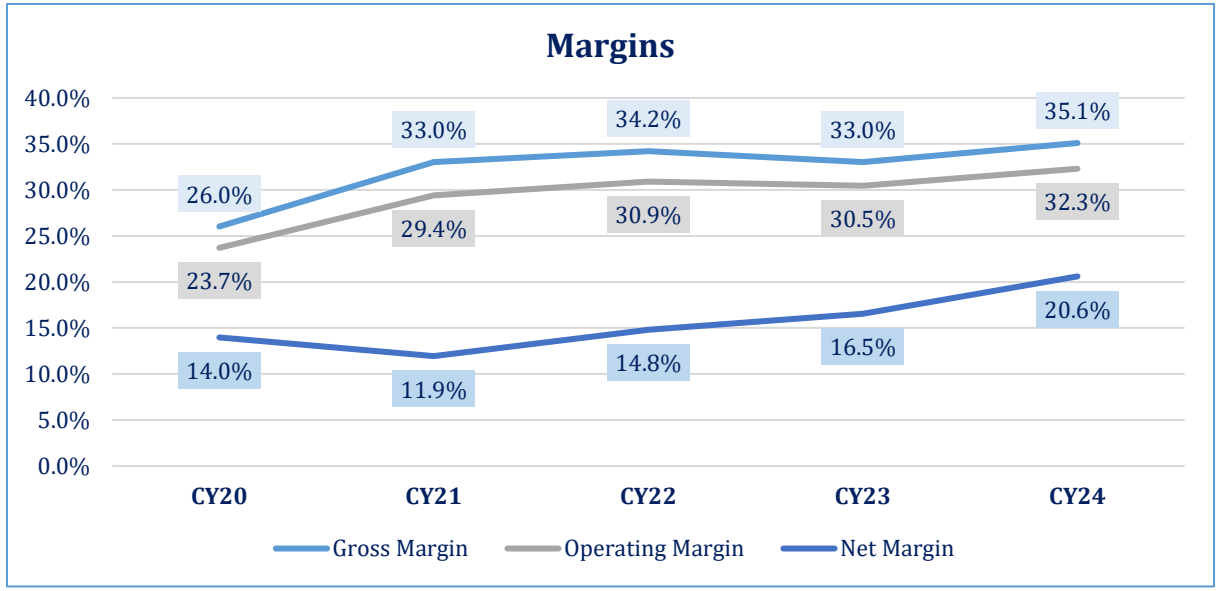
- Currently, Pakistan has ~2 LNG terminals to manage the imports with a total capacity of ~1,200-1,400 MMCFD.
- Engro Elengy Terminal (Pvt.) Ltd. (EETL) set up Pakistan's first LNG Terminal at Port Qasim. has the capacity for regasification of up to a peak of ~5.3mln MT (guaranteed capacity: ~4.8mln MT & uncontracted capacity: 0mln MT) and terminal capacity utilization ranges between ~4.4-4.8mln MT.
- The facility consists of an LNG jetty including a ~6 km high-pressure gas pipeline, which is connected to the grid of EETPL's sole customer, SSGCL, the government-owned gas utility company of Pakistan. EETPL holds a 15-year Floating Storage and Regasification Unit (FSRU) time charter.
- As of Dec'24, EETL catered ~50.0% Pakistan`s LNG imports and regasification capacity.
- Pakistan GasPort Consortium Limited (PGPC), the wholly-owned subsidiary of Pakistan GasPort Limited (PGPL), owns and operates the ~750 MMCFD LNG import terminal at Port Qasim, Karachi.
- It provides LNG storage and regasification services to state-owned Pakistan LNG Limited (PLL) of up to ~600 MMCFD for ~15 years at an availability of ~96.0% and a levelized tariff of USD~0.4177/MMBTU.

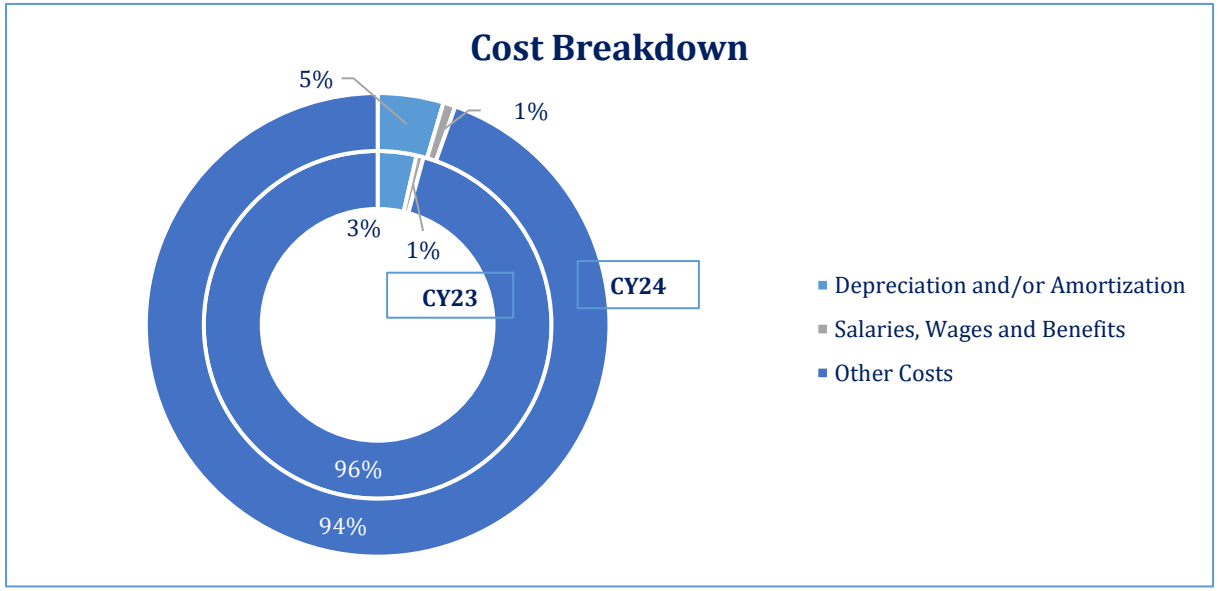
Source: Engro Elengy, PGPC

Distribution | Gas

Business Risk | Terminal Handling

- During CY24, the segment's revenue declined by ~6.5% (CY23: up ~29.9%). The revenue stream of the segment player largely comprises capacity payments, tolling charges, and flexibility charges.
- During CY24, gross margin remained rangebound. The gross profit margins clocked in at ~35.1% during CY24 (CY23: ~33.0%). The operating and net margins also improved and clocked in at ~32.3% (CY23: ~30.5%) and ~20.6% (CY23:~16.5%), respectively.
- Improvement in net margins occurred due to the sector's improved 'other' income generated through short-term investments and bank deposits.
- The sector's cost break-up reveals that other costs, which include mainly the port royalty fee and fixed expenses, form ~94.0% of the total direct costs, while depreciation and salaries/wages consist of ~5.0% and ~1.0% in CY24.





***Note**: Data is reflective of 1 PACRA-rated player*

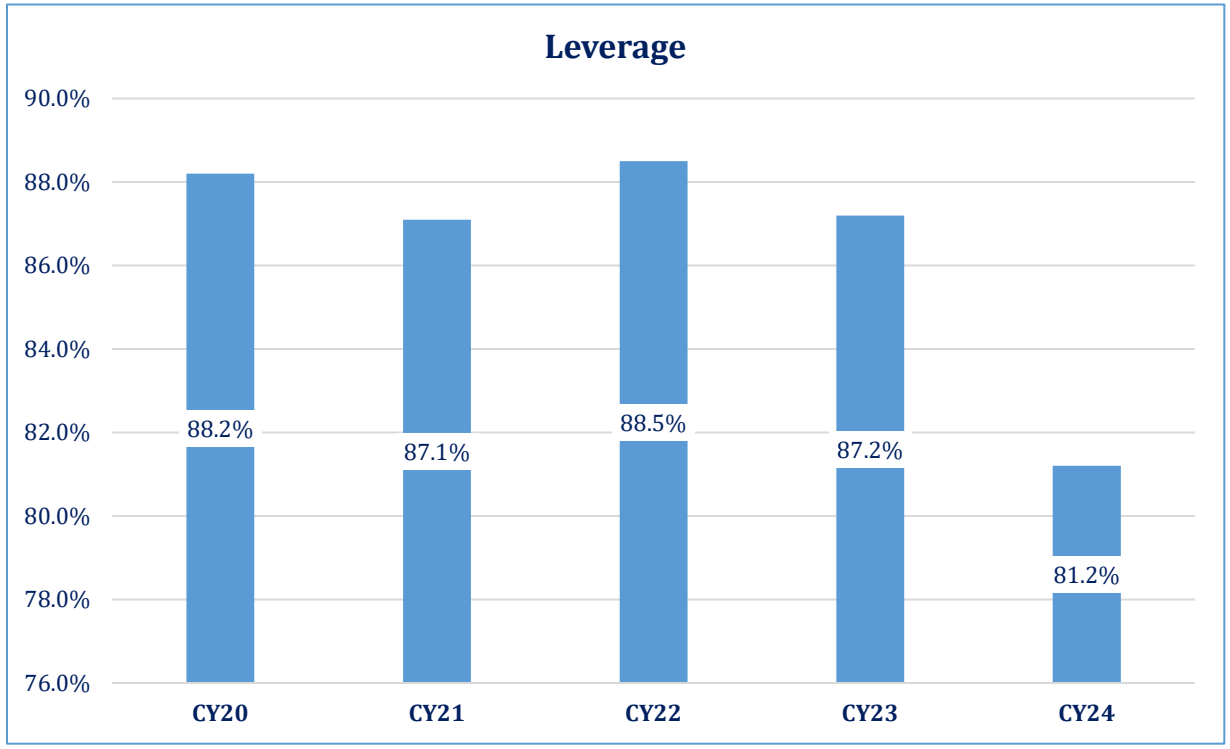
Source: PACRA Database

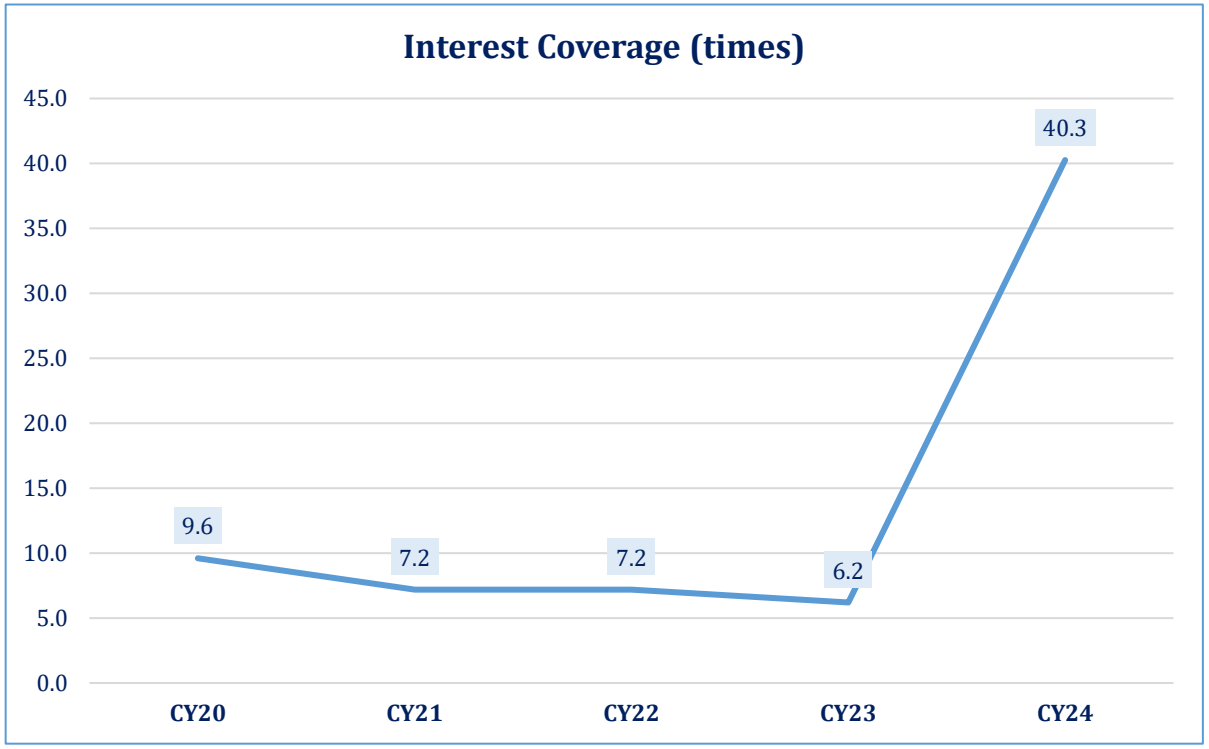
Distribution | Gas

Financial Risk | Terminal Handling

- The segment's debt leverage decreased, yet remained high at ~81.2% in CY24 from ~87.2% in CY23. Meanwhile, the overall borrowings were down by ~15.6% YoY during CY24, which led to the reduction.

- Interest coverage sharply increased from ~6.2x in CY23 to ~40.3x in CY24 due to ~122.0% decrease in finance cost on the back of reduced borrowings as well as lower interest rates, which fell from ~22.0 at End-Dec'23 to ~13.0% at End-Dec'24.





***Note**: Data is reflective of ~1 PACRA-rated player.*

Source: PACRA Database

Distribution | Gas

Local | Gas Regulatory Framework

The regulatory functions of the natural gas sector were transferred to OGRA on March 28, 2002, to break the public sector monopoly and open natural gas transmission and distribution to the private sector to promote and enhance competition in the midstream and downstream oil and gas sectors. OGRA has been performing the following functions pertaining to the natural gas sector: -

- Grant of licenses for the regulated gas sector.
- Formulation of rules, regulations, and procedures for the conduct of licensees.
- Determination of Revenue Requirement of SNGPL & SSGCL.
- Monitoring and enforcement of rules, regulations, and applicable license conditions.
- Processing of cases regarding Gas Pipeline Capacity Allocation and related Gas Transportation Agreements.
- Licensing of low-pressure (flare) gas.
- Licensing for transmission, distribution, and sale of Natural Gas.
- Approval of Gas Sale Agreements (GSAs) for the supply of gas between the Gas Producers and Gas Companies/Consumers.
- Handling cases related to Natural Gas Infrastructure Development Projects.
- Conducting UFG Study of Gas Sector.
- Attending court cases pertaining to the regulated gas sector, formulation of rules and procedures for the conduct of licenses.
- Liaison with International Organizations/Donors, e.g., World Bank, USAID, regarding Gas Sector Reforms.

Local | Tight Gas (E&P) Policy 2024

- Tight Gas (Exploration & Production) Policy, 2011, was the first initiative to encourage the upstream petroleum industry to invest in the exploration and production of tight gas. The document served as a comprehensive policy framework to promote and incentivize exploration and production of unconventional sources of hydrocarbons against the backdrop of a growing population and economic expansion.
- **Definition**
  - Tight Gas is defined as a natural gas that cannot flow naturally at commercial rates with conventional methods despite having hydrocarbon reserves.
  - Extraction thus requires advanced technologies for its exploitation/production, such as high-performance perforation, hydraulic fracturing, horizontal wells, slanted/deviated wells, multilateral wells &/or infill drilling or a combination of these technologies or any new technology.
  - Moreover, it has an estimated value of effective permeability calculated using the geometric mean of less than "~1.0 milli Darcy (mD)."
- The CY24 Policy has been designed to incentivize local and foreign E&P companies to invest in the unconventional hydrocarbons and is aimed at enabling the oil & gas industry to invest in unconventional ventures, mitigate the demand-supply gap, and provide a fair pricing regime compatible with market realities.
- **Objectives**
  - Incentivize Oil and Gas industry to invest in the exploration of unconventional/Tight gas resources that are not being produced due to non-commerciality.
  - Provide a Policy regime for transparent, effective, and efficient processing of regulatory approvals.
  - Address commercial viability issues of existing Tight Gas reservoirs.
  - To open new frontiers for exploration of Tight Gas, which would help increase the exploration activities in the country.
  - Enhance indigenous production of hydrocarbons.
  - Minimize reliance on imported fuels and regenerate additional revenues for GoP.

Source: Petroleum Division

Liquified Petroleum Gas

Distribution | Gas

Local | Introduction

- LPG is essential in Pakistan's energy mix as it provides a cleaner alternative to biomass-based sources, especially in locations where natural gas is unavailable. Pakistan imports ~64.0% of LPG to meet local supply, while the remaining ~36.0% is locally produced (covered later).
- SSGC LPG Limited (SLL) is a fully integrated LPG marketing and distribution Company capable of giving customers a reliable and economic supply of product. The company's supply chain extends from allocation from local producers and a fully owned import terminal at Port Qasim to supply consumer retail packs of LPG. The terminal has ~3.5 km of pipelines and handled ~124 vessels as of FY24 (FY23: ~47 vessels).
- The only state-of-the-art Terminal and Storage facility for bulk liquid chemicals and LPG in Pakistan is one of the ~67 terminals of Vopak in ~25 countries, where capacity recorded, as of Jul'24, is ~82,400 cm, a dead weight of ~75,000 MT, and ~21 tanks. A breakthrough in chemical and LPG storage, Engro Vopak Terminal Limited, is a joint venture of Royal Vopak of the Netherlands and Engro Corporation Limited.
- At present, Pakistan has ~11 LPG producers and ~351 marketing companies operating across the country, supported by ~6,000 authorized distributors. To encourage growth in this sector, OGRA has streamlined the licensing process, ensuring that approvals are granted on a fast-track basis once the required conditions are fulfilled. During 9MFY25, OGRA issued ~29 licenses for operating LPG storage and filling plants, ~100 licenses for the construction of such facilities, and ~47 licenses for LPG road bowsers.
- Additionally, ~3 licenses were granted for LPG storage and auto-refueling stations, while another ~17 licenses were issued for the construction of auto-refueling stations.
- Through these measures, OGRA continues to play an important regulatory role in facilitating private sector investment within the midstream and downstream petroleum industry. As a result, the LPG sector in 9MFY25 attracted PKR~10.8bln in infrastructure investment.

Source: OGRA, SSGCLPG, EVTL

Distribution | Gas

Local | Overview

- Liquefied Petroleum Gas (LPG) is transported through Road Bowsers from Terminals, Refineries, and Fields to Storage & Filling Plants, wherein it is stored.
- At the Storage & Filling Plants, LPG is filled in domestic & commercial cylinders.
- Filled Cylinders are shifted/transported to the distributor shops from where the LPG cylinders are sold. Filling LPG from one cylinder to another at the distributor premises of LPG marketing companies or any unauthorized place/ shop is not allowed, as it falls under the category of illegal decanting.

LPG | Storage Capacity (As of Jul'24)			
Sr.	**Province**	**No. of Plants**	**Storage Capacity (MT)**
1	**Punjab**	243	41,500
2	**Sindh**	31	8,800
3	**KP**	51	4,200
4	**Balochistan**	21	1,400
5	**AJK**	09	670
6	**Gilgit Baltistan**	03	250
7	**ICT**	01	60
Total | Provinces		**359**	**56,880**
1	**SSGC LPG Terminal**	01	6,530
2	**EVTL Terminal**	01	6,500
3	**Al-Qasim Terminal**	01	90
Total | Terminals		**03**	**13,120**
Total | LPG Marketing Companies (No.)		**~351**	
Total | Authorized Distributors (No.)		**~6,000**	

Source: OGRA

Distribution | Gas

Local | LPG Licenses

- OGRA has simplified the procedure for granting LPG licenses, and the same is granted on a fast-track basis once the requirements are met.
- During 9MFY25, ~29 permits for the operation of LPG storage & filling plants, ~100 licenses for the construction of LPG storage & filling plants and ~47 licenses for road bowsers for transportation of LPG were issued.
- OGRA has also issued ~3 permits for the construction of LPG auto refueling stations during the same period.
- Currently there are ~11 LPG producers and ~351 LPG marketing companies operating in the country having around ~6,000 authorized distributors.

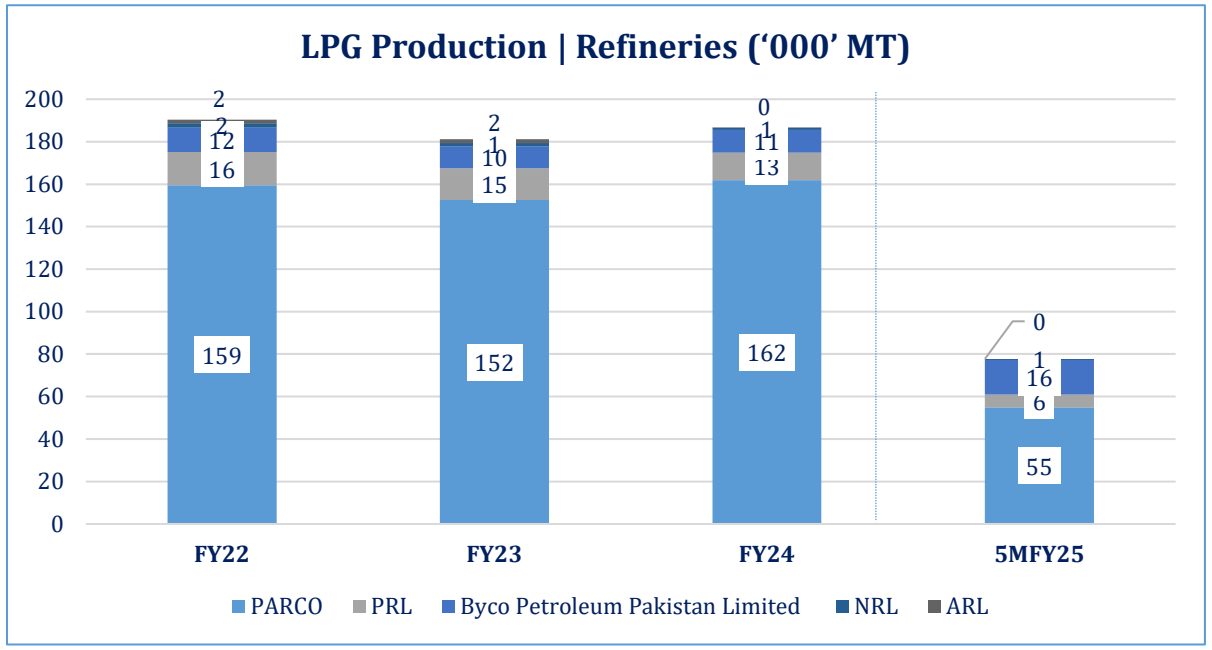
LPG Transportation (Road Bowsers)			
Sr.	**Company Name**	**License Issuance Date**	**License Valid Till**
1.	**B.B.N Energy (Pvt.) Ltd.**	6-Dec-23	5-Dec-38
2.	**PARCO Pearl Gas (Pvt.) Ltd.**	9-Oct-23	8-Oct-38
		5-Jan-24	4-Jan-39
3.	**Shaheen Energy (Pvt.) Ltd.**	17-Jul-23	16-Jul-38
4.	**Burshane LPG (Pak.) Ltd.**	19-Jul-23	18-Jul-38
		18-Sep-23	17-Sep-38
5.	**Al-Mubarak International (SMC Pvt.) Ltd.**	12-Jan-24	11-Jan-39

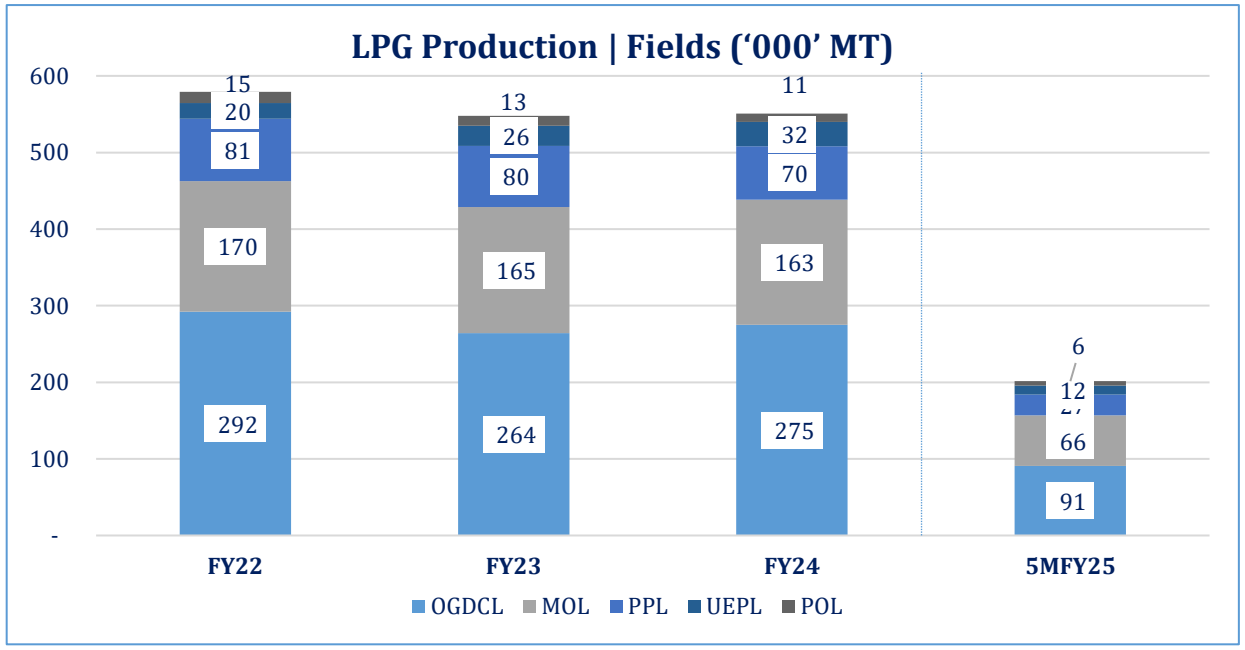
Source: PES, OGRA

Distribution | Gas

Local | Supply | LPG Extraction & Processing

- In FY24, the total LPG extracted/ processed was recorded at ~737,344 MT up ~1.1% (FY23: ~729,247 MT). Of the total, ~74.7% was extracted from natural gas fields, while the remaining ~25.3% was produced in refineries.
- LPG production from refineries recorded ~3.0% YoY increase, clocking in at ~186,651 MT in FY24 (FY23: ~181,204 MT), while that from the fields declined by ~0.5% YoY during FY24, clocking in at ~550,693 MT of LPG (FY23: ~548,043 MT).
- In 5MFY25, total LPG production was recorded at ~279,105 MT, out of which refineries accounted for ~77,704 MT while fields production clocked in at ~201,401 MT.





Source: OGRA

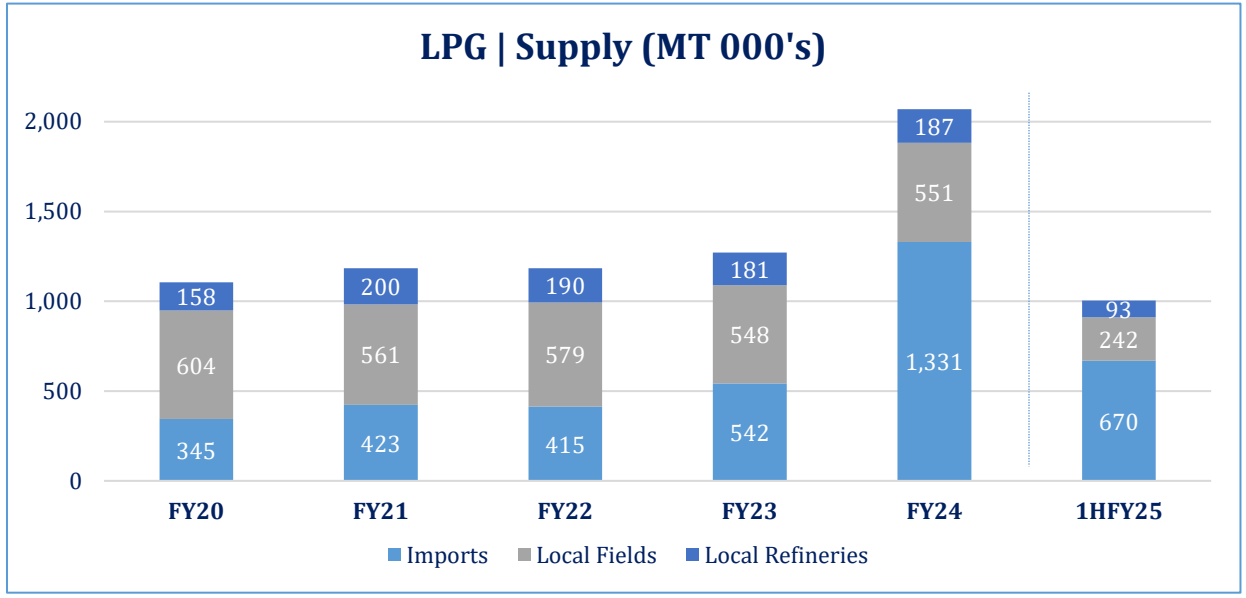
Distribution | Gas

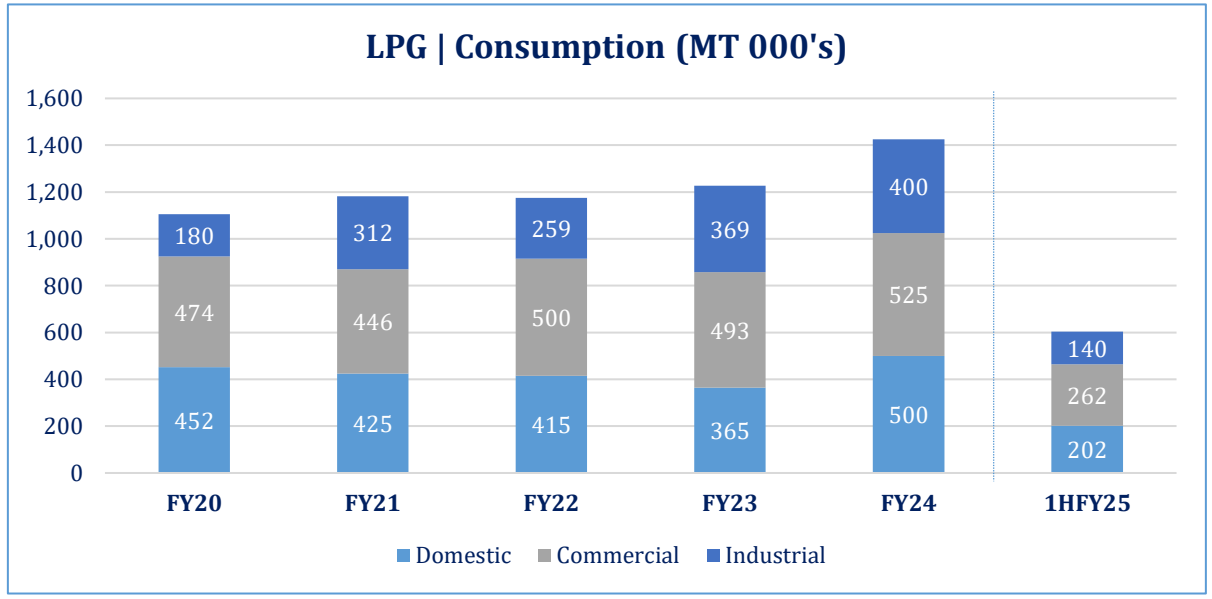
Local | Production & Consumption

- In FY24, the overall LPG supply, comprising local production and imports, was recorded at ~2.1mln MT (FY23: ~1.3mln MT), a YoY increase of ~63.0% while in 1HFY25, total supply stood at ~1.0mln MT. Local production in Pakistan accounted for ~36.0% of the total LPG supply, while the remaining ~64.0% was met through LPG imports. As of FY25, the country imported LPG worth PKR~294.6bln, up ~32.3% YoY (FY24: PKR~222.6bln).

- With respect to LPG consumption, the country's sale of LPG stood at ~5,000 MT per day while the annual demand stood at ~1.4mln MT, up ~16.1% YoY (FY23: ~1.2mln MT).

- Among the total consumption, commercial sector consumption had the highest share of ~37.0% in FY24 (FY23: ~40.0%), followed by the domestic sector with ~35.0% share (FY23: ~30.0%), and the industrial sector clocked in at ~28.0% (FY23:~30.0%).





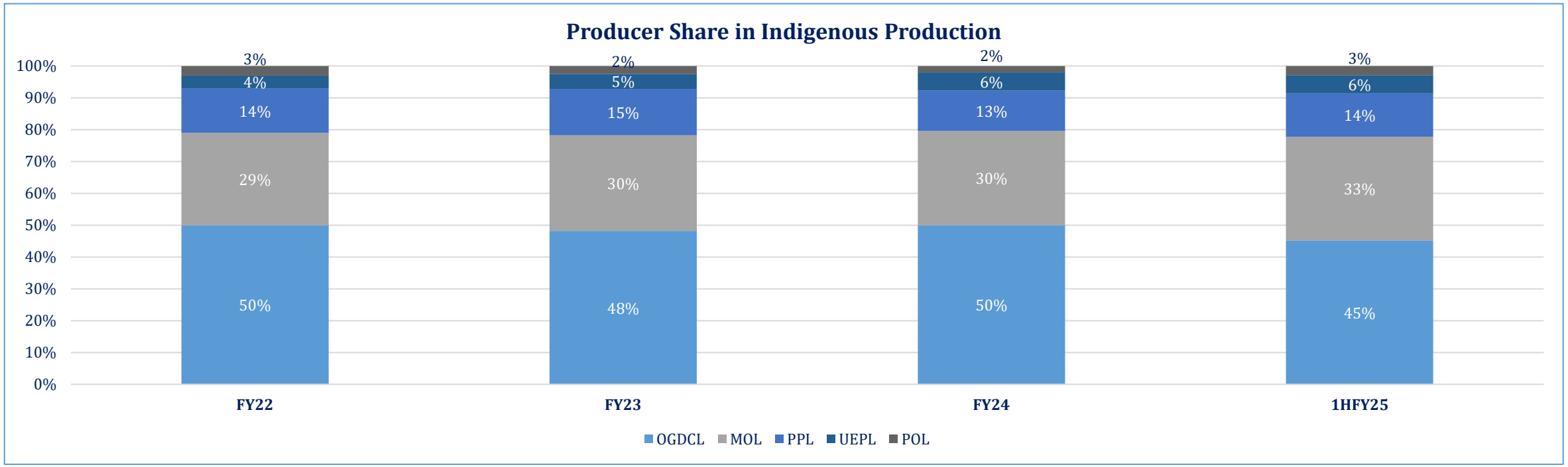
Source: OGRA, Company Financials

Distribution | Gas

Local | LPG Local Player-wise Supply

- OGDCL holds the largest share in the indigenous LPG production segment, making it the market leader in exploration and production activity (~50.0% share in local LPG production as of FY24). As of FY24, the company's exploration acreage stood at ~99,268 sq. km, representing a share of ~39.0% in Pakistan's area under exploration.

- In terms of production, OGDCL contributed to ~46.0%, ~28.0% and ~37.0% of the country's total Crude Oil, Natural Gas, and LPG production, respectively, during FY24.



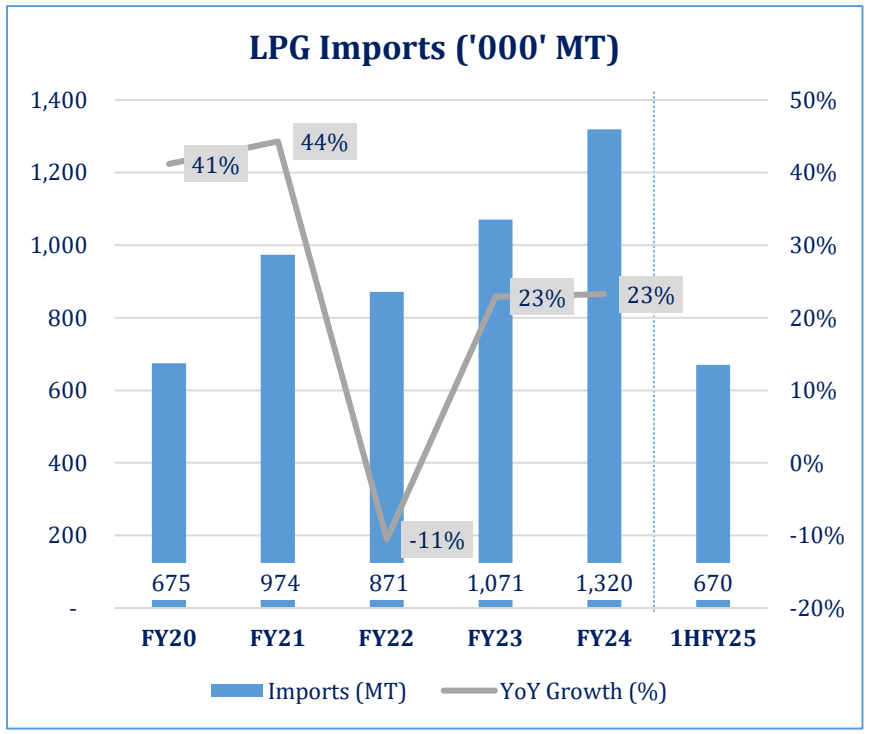
Source: OGRA, OGDCL

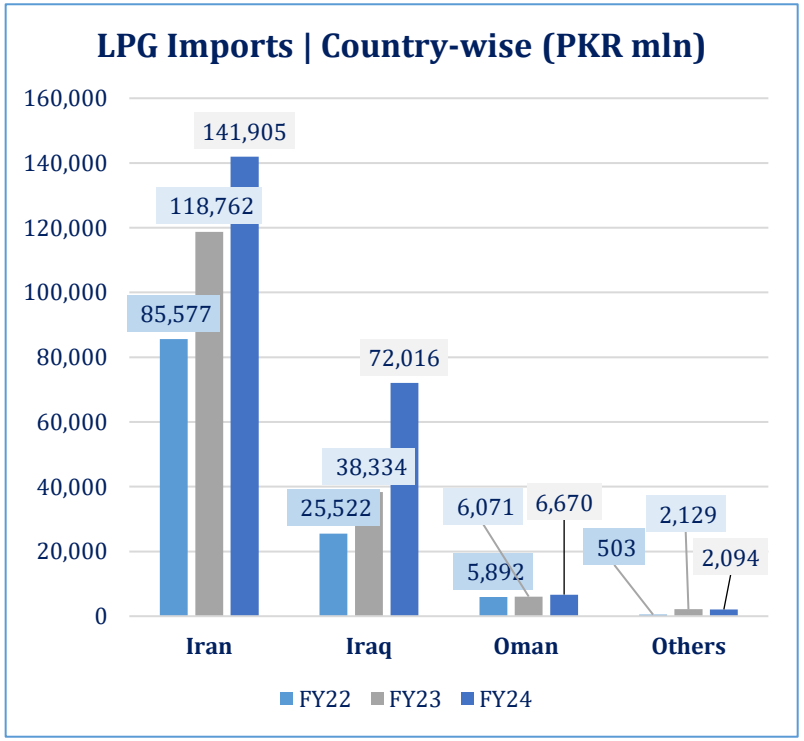
Distribution | Gas

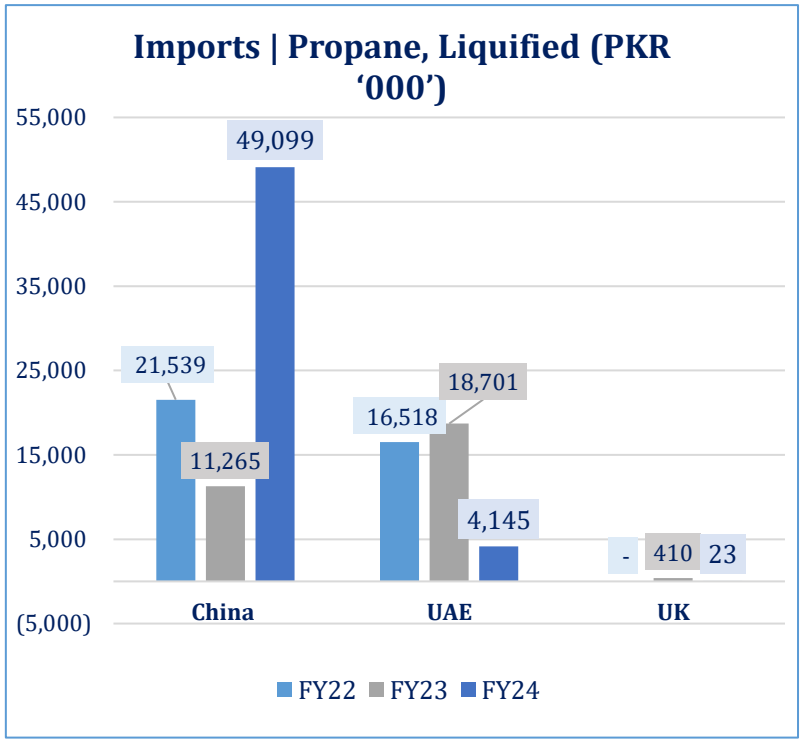
Local | LPG Imports

- Pakistan's reliance on imported LPG has increased over the years. During FY24, LPG imports clocked in at 1.3mln MT, up ~23.0% YoY (FY23: ~1.1mln MT). In 1HFY25, LPG imports were recorded at ~0.7mln MT.

- The country imported LPG worth PKR~222.7bln in FY24 (FY23: PKR~165.3mln) up ~34.7% YoY. In terms of value, Pakistan imports ~64.0% of its LPG from Iran, worth PKR~141.9bln in FY24 (FY23: PKR~187.8bln) followed by Iraq, with a share of ~32.0%.





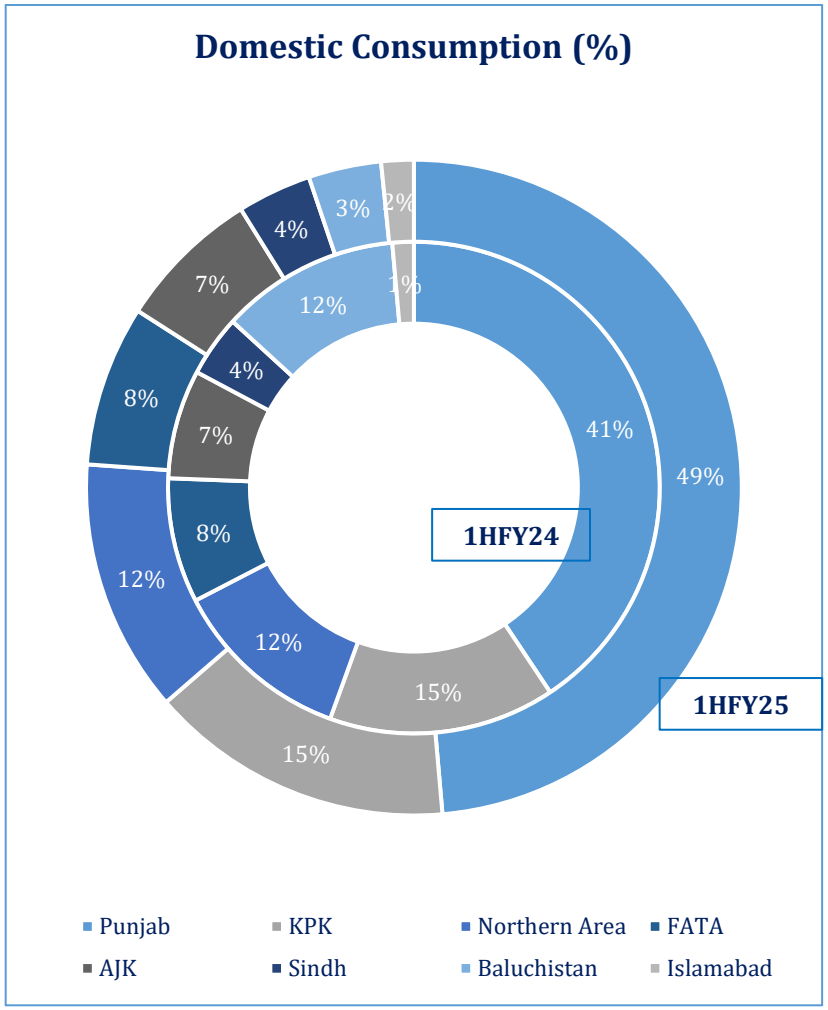


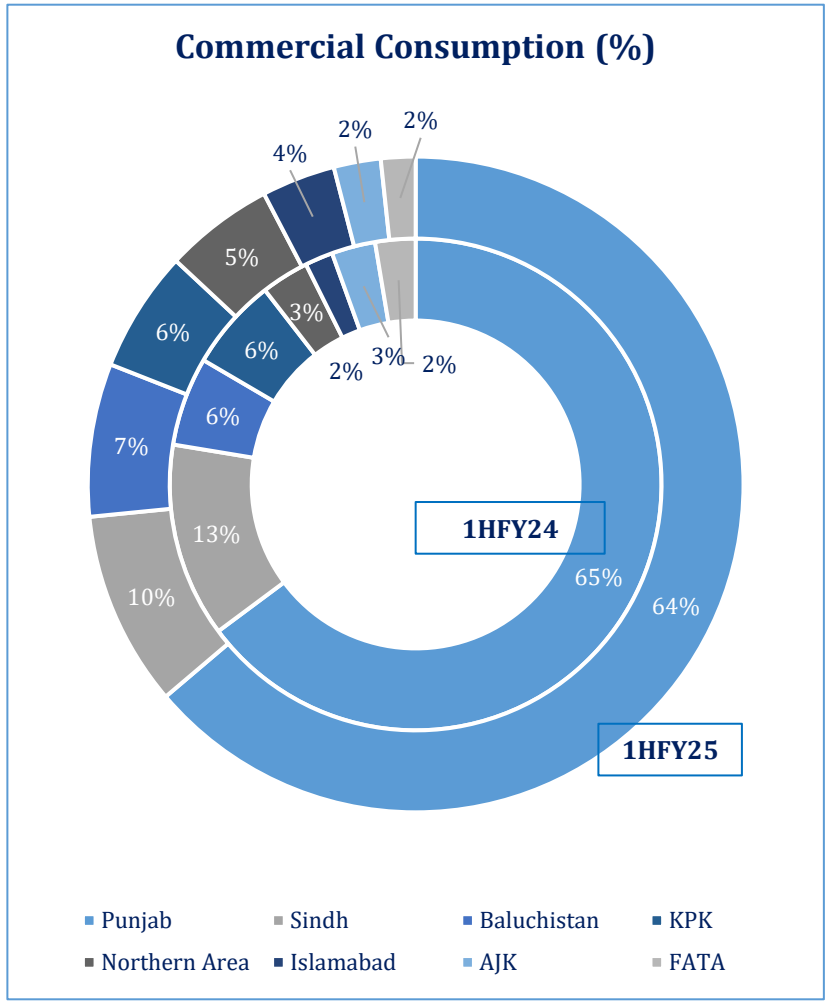
***Note**: Data pertains to HS Codes 2711.1200 and 2711.1910 for Propane and LPG, respectively, and is representative of latest figures available. 6 Months LPG imports in MT have been taken from OGRA.*

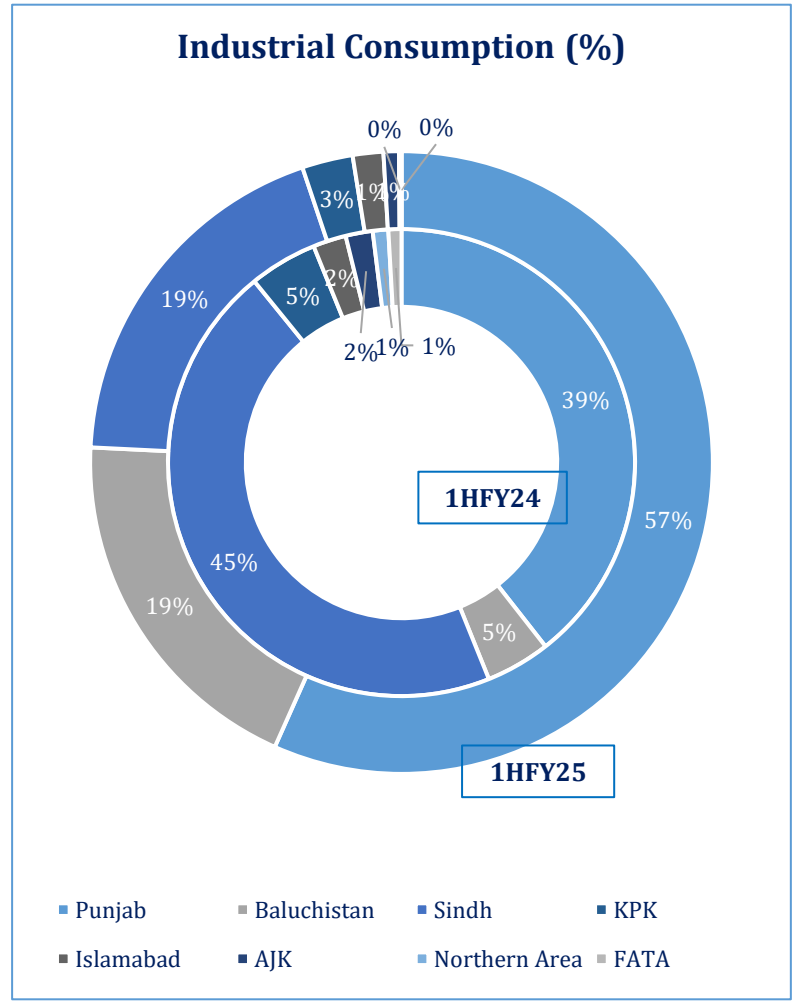
Source: PES, PBS

Distribution | Gas

Business Risk | Province-wise LPG Consumption







Source: OGRA

Distribution | Gas

Local | LPG Pricing

- The LPG Policy 2016 fixes the maximum LPG price at all levels of the supply chain.
- However, producers, marketing companies and distributors may sell below the maximum price determined from time to time.
- The price breakdown depicted is effective as of Aug'25.

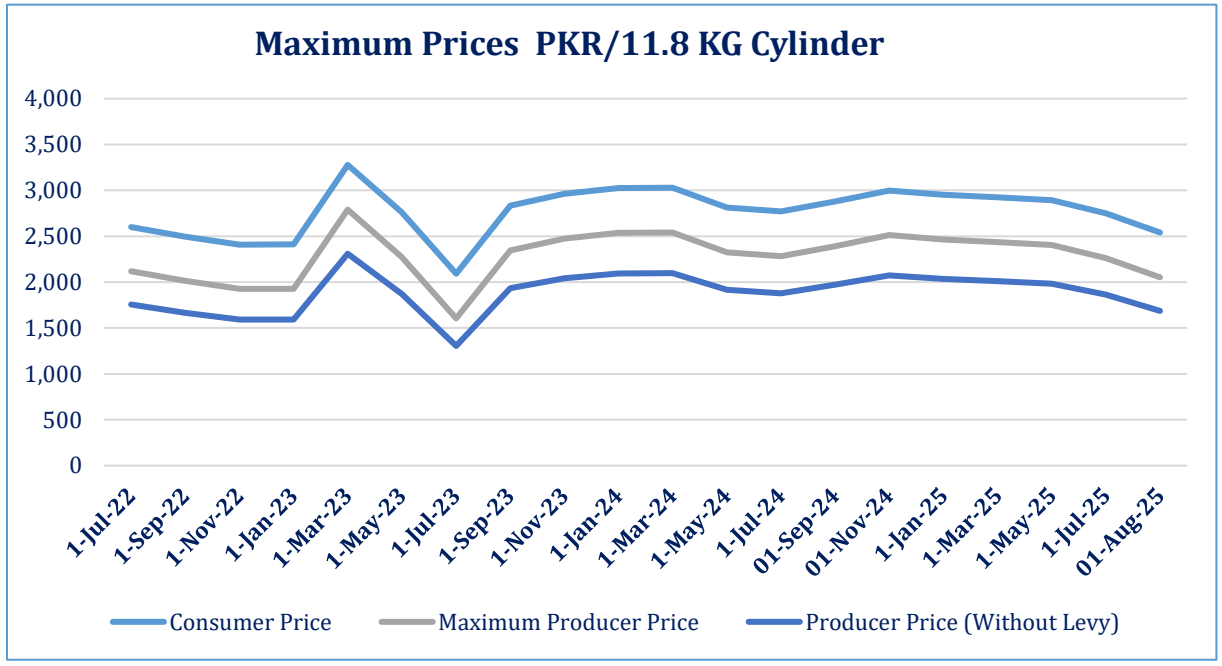
Indigenous LPG Price | Aug'25	PKR/MT	PKR/11.8KG
(A) LPG PRODUCER PRICE		
i. Producers' Price (including Excise Duty of PKR~85/MT) (Excluding Petroleum Levy) [Propane (40%), Butane (60%)]	142,847.3	1,685.6
ii. Petroleum Levy	4,669.0	55.1
iii. [i+ii]	147,516.3	1,740.7
iv. 18% GST of (iii)	26,552.9	313.3
v. Maximum Producer Price with GST [iii+iv]	**174,069.3**	**2,054.0**
(B) LPG CONSUMER PRICE		
i. Producer's Price (inclusive of GST)	174,069.3	2,054.0
ii. Breakup of Marketing, Distribution and Transportation margin *Marketing*: PKR~17,000/MT; *Distribution*: PKR~10,000/MT; *Transportation*: PKR~8,000/MT	35,000	413.0
iii. 18% GST of (ii)	6,300	74.3
iv. Maximum LPG Consumer Price [i+ii+iii]	215,369.3	2,541.4
v. Maximum LPG Consumer Price	**PKR/KG**	**215.4**

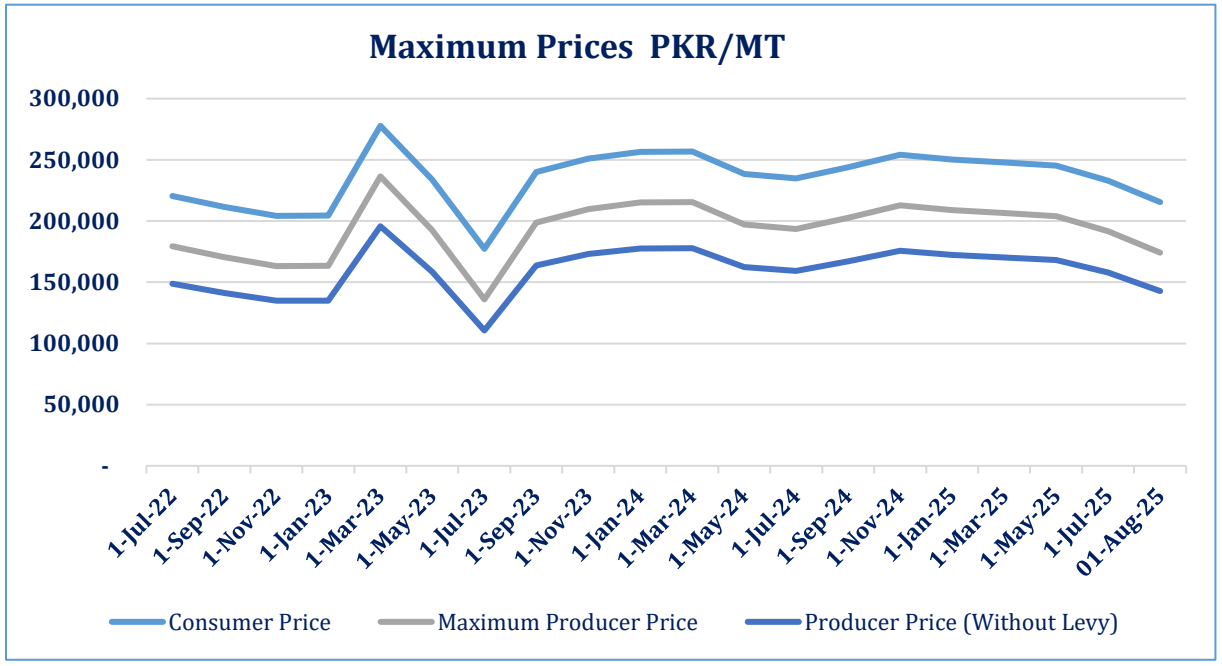
Source: OGRA

Distribution | Gas

Local | LPG Pricing

- OGRA typically announces LPG prices on a monthly basis. LPG is mainly sold domestically in cylinder sizes of ~4 kg, ~6 kg, and ~11.8 kg while it is sold commercially in cylinder sizes of ~45 kg and to industries on an MT basis. The two graphs depict the LPG pricing trends as set by OGRA.
- LPG prices for ~11.8 kg cylinder touched their highest level in Mar'23, with the maximum producer price at PKR~2,790/11.8 kg and consumer price at PKR~3,278/11.8 kg, a rise of ~36.0% when compared with Jan'23. This came on the back of ~25.3% PKR depreciation against the USD between Jan-Mar'23 and inflation recording at ~35.4% during Mar'23 (Jan'23: ~27.6%).
- As of Aug'25, LPG prices of ~11.8 kg cylinder for consumer was recorded at PKR~2,541, while the maximum producer price was set at PKR~2,054 and PKR~1,686 maximum price for producers without levy.
- Consumer price for PKR/MT as of Aug'25 was set at PKR~215,369, for producer price, the maximum price is set at PKR~174,069 and PKR~142,847 without levy.





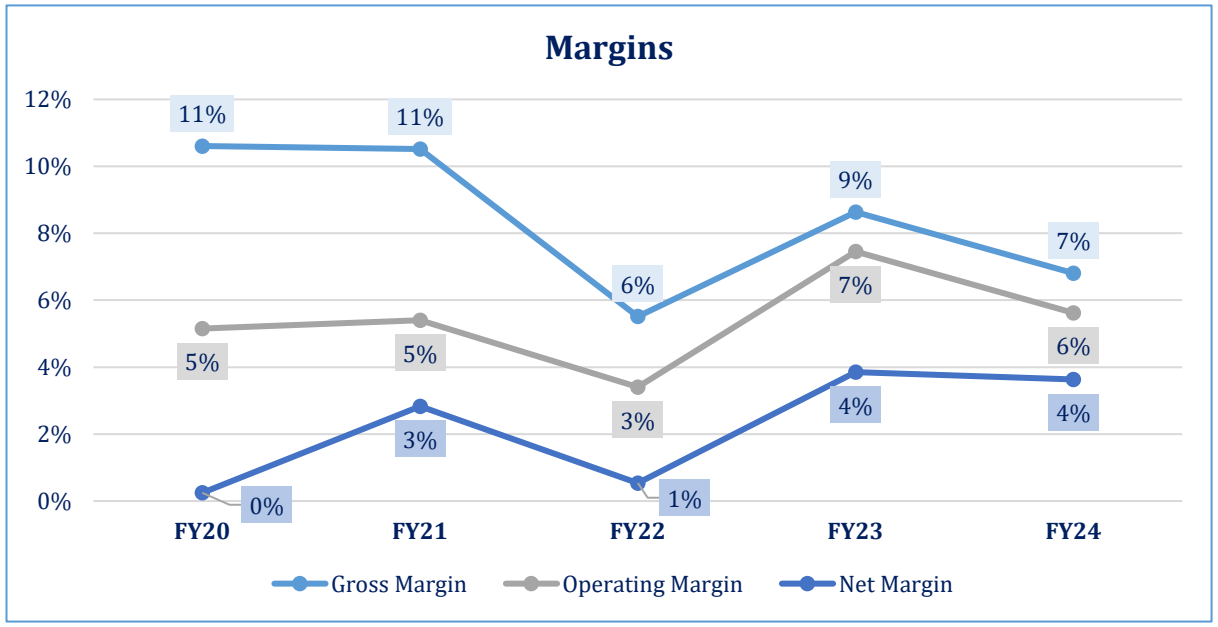
Source: OGRA

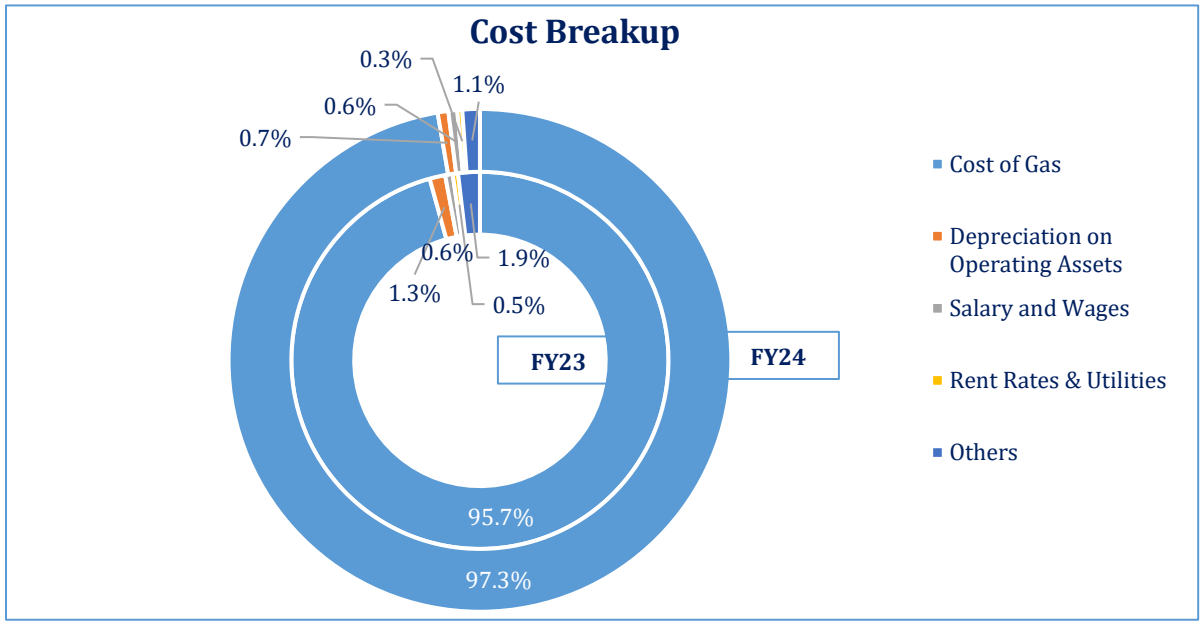
Distribution | Gas

Business Risk | Importers and Distributors

- The cost of gas (raw material) comprises the largest portion of importers'/traders' direct costs (FY24: ~97.3%, FY23: ~95.7%) followed by depreciation on operating assets (FY24: ~0.7%, FY23: ~1.3%). This indicates exposure to exchange rate risk on the cost front while regulatory oversight on the prices leaves a little room for the importers to adjust prices and maintain margins. The sector, therefore, records thin margins tricking down from the gross profit level.

- During FY24, the sector's gross margins were recorded at ~7.0%, while operating margins clocked in at ~6.0% (FY23: ~9.0%; ~7.0%, respectively). The dip in gross margins reflects the higher cost of gas which constitutes ~97.0% of the total cost structure. Moreover, exchange rate remained high hovering around PKR~283.3/USD. Net margins, on the other hand, remained steady at ~4.0% in FY24.





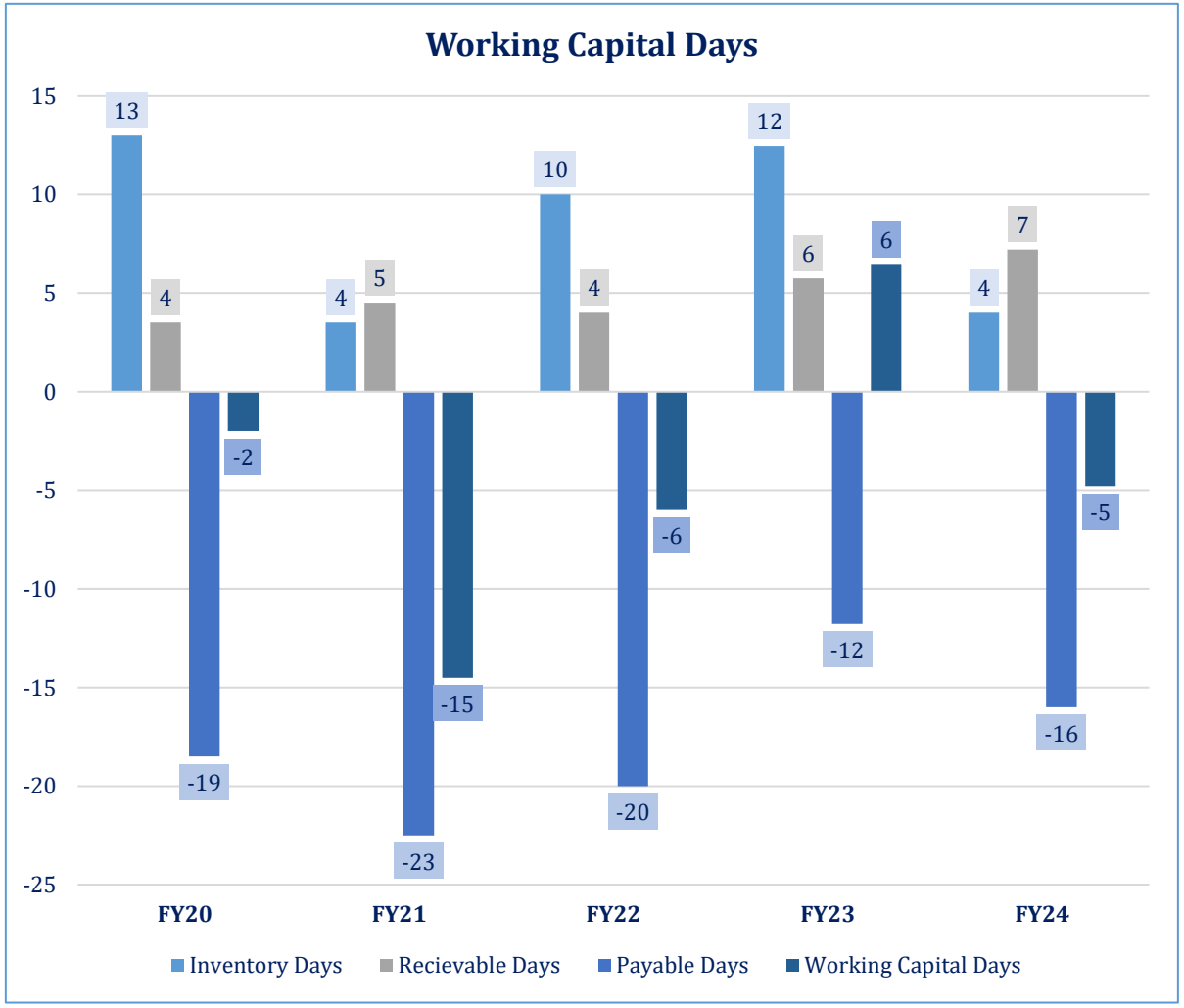
***Note**: Data is reflective of ~2 PACRA-rated/ Listed sector players in FY24*

Source: Company Financials

Distribution | Gas

Financial Risk | Working Capital Management

- The sector has historically (FY20-24) maintained a negative cash conversion cycle.
- In FY24, the net working capital days were recorded at negative ~5 days compared to ~6 days in FY23.
- Sector's inventory days, receivable days, and payable days remain low, clocking in at ~4 days, ~7 days, and ~16 days in FY24 (FY23: ~12 days, ~6 days, and ~12 days, respectively).



***Note**: Data is reflective of ~2 PACRA-rated/ Listed sector players in FY24.*

Source: PACRA Database

Local | LPG Regulatory Framework

- OGRA is empowered to regulate the LPG sector under the OGRA Ordinance, 2002, and LPG (Production & Distribution) Rules, 2001 w.e.f. May 15, 2003. The LPG (Production and Distribution) Policy, 2016, developed by OGRA, regulates the local LPG industry..

Production and Distribution for E&P Companies

- Public Sector E&P Companies shall directly or through other companies exercise their right to set up LPG extraction facilities at gas fields where LPG can be commercially extracted under the development plan approved by the Government.
- Public Sector E&P Companies and Refineries shall give preference in the sale of LPG to Gas Utility Companies for supply to LPG Air-Mix Plants. In case Gas Utility companies are unable to lift LPG, it will be disposed of transparently through a competitive bid process to the licensed LPG marketing companies on terms and conditions to be settled between the Buyer and Seller.

Import and Export of LPG

- Any party with an authorized license will be granted the right to import LPG into Pakistan.
- Any surplus of LPG can be exported after meeting local industry demand.
- The Federal Government, OGRA, and key stakeholders will determine the quantity of LPG to be imported to meet any gap between demand and supply; this quantity will be imported by Public Sector companies.
- Levy on LPG or Gas Infrastructure Development Cess (GIDC) may be utilized to subsidize the LPG imported by Public Sector companies to bring the prices equal to local LPG prices for domestic sector supplies.

Pricing

- OGRA regulates and notifies the prices for indigenous LPG (including all margins)
- The government currently charges PKR~57.7 for an ~11.8 kg cylinder and may charge this levy from time to time.

Source: OGRA

Distribution | Gas

Local | LPG Regulatory Framework | Marketing & Distribution

- OGRA issues a Provisional License for an initial period of two years for LPG Marketing to technically and financially sound applicants for the construction of works commensurate with their work program. The work program ensures that adequate storage, cylinders, and logistics infrastructure are constructed within this timeframe in line with the marketing plan of the company; this license is then converted to a period of fifteen years on completion of work.

- To ensure safety throughout the LPG supply chain, i.e., LPG Extraction Plants, LPG Storage Tanks, LPG Transporters, and Distribution Outlets, the Licensees are required to meet the minimum safety standards.

- Decanting of LPG from cylinder to cylinder is prohibited, and cross-filling of other LPG marketing companies' cylinders is also prohibited for LPG except under a hospitality arrangement with prior information in writing to OGRA.

- OGRA will publish a list of authorized manufacturers for all LPG equipment, including LPG refueling stations, conversion kits, fuel tanks, cylinders, storage tanks, etc., duly approved and certified by HDIP or any other party authorized by OGRA. The equipment manufactured by the authorized manufacturers will be verified and monitored for conformance to the international standards.

- OGRA shall obtain a list of all existing LPG Distributors from LPG Marketing Companies and register them within 90 days of the date of issuance of this Policy.

- OGRA will charge a reasonable fee from each LPG Distributor not exceeding Rs. 10,000/- for registration. For all future Distributors, the Marketing Companies shall, within 7 working days of the appointment of a Distributor, notify OGRA, which, in turn, will register these distributors within 90 days.

- Licensed LPG Marketing Companies would remain responsible for observance of all safety codes and standards at their Distributors' premises, as well as implementation of the LPG sale price.

Source: OGRA

Distribution | Gas

Local | LPG Regulatory Framework | Draft LPG Policy 2024

- Given the evolving market dynamics, shortcomings were identified in the existing LPG Policy, 2016, and regulatory framework, and the Ministry of Energy has proposed a Draft LPG Policy 2024. The policy is aimed at promoting domestic production, including its import and marketing.

- Salient Features of the Draft LPG Policy 2024 are as follows:-

  - Enhance Domestic LPG Production: 10-year tax holiday for new LPG production, zero petroleum levy, and 5% GST instead of 18%.
  - Enhance Infrastructure and Stocks: Zero import duties and taxes on imported plants/machinery/equipment as per SRO. 678(I)/2004-FBR.
  - Market Liberalization and Competitiveness: Deregulation of LPG pricing.
  - Making SOEs Competitive: SOEs to be facilitated for partial exemption from PPRA Rules, 2004.
  - Improving Governance: Improving safety, quality of the product, and equipment by defining standards and ensuring the prevention of unfair market practices like price-setting and cartelization.
  - Digitization: Digitization, integration, and automation of the LPG supply chain data by updating a web-based database of the entire LPG sector.
  - LPG subsidy for Off-grid Consumers: Providing LPG at subsidized rates to households prioritized by the government based on socio-economic considerations to create equality between the grid-connected and off-grid consumers.

Source: OGRA

Distribution | Gas

Local | Duty Structure

- Special tax provisions apply to the exploration and production of natural gas, pipeline operations of production and extraction companies, manufacture and sale of liquified petroleum gas or compressed natural gas.

Particulars/HS code	Category	FY25	FY26
Natural Gas (Gaseous State) (2711.1100)	Federal Excise Duty	PKR 0.18 /1 Tariff Unit	PKR 10/ 1 Tariff Unit
	Custom Duty	0%	5%
RLNG (2711.1100)	Custom Duty	11%	5%
	Sales Tax	18%	18%
	Federal Excise Duty	PKR 10/1 Tariff Unit	PKR 10/ 1 Tariff Unit
	Additional Custom Duty	2%	0%
LPG (2711.1910)	Custom Duty	0%	0%
	FED	60.0/100,000 Tariff Unit	60.0/100,000 Tariff Unit
Butane (2711.1300)	Custom Duty	0%	0%
	FED	17.18/ 100 Tariff Unit	17.18/ 100 Tariff Unit
Propane (2711.1200)	Custom Duty	0%	0%
	FED	17.18/ 100 Tariff Unit	17.18/ 100 Tariff Unit

Source: FBR

Distribution | Gas

Local | SWOT Analysis

Strengths

- Natural Gas is a clean, safe, efficient, and environmentally friendly fuel.
- There are a few players operating in the sector
- Demand for gas is continually rising
- Capital-intensive sector – Low entry barriers
- Stringent regulatory approvals required to enter the market
- Indigenous production; low cost

Weaknesses

- Structural reforms requiring huge investments
- Greater reliance on imports.
- Rising demand, supply gap.
- Limited regassification capacity at the import stage.

Threats

- Rising circular debt.
- Increased exposure to exchange rate risk due to rising reliance on imports; dwindling forex reserves.
- Increase in gas theft, transmission, and distribution losses.
- Declining local natural gas reserves.
- The Russian-Ukrainian conflict is increasing the competitiveness of LNG imports.

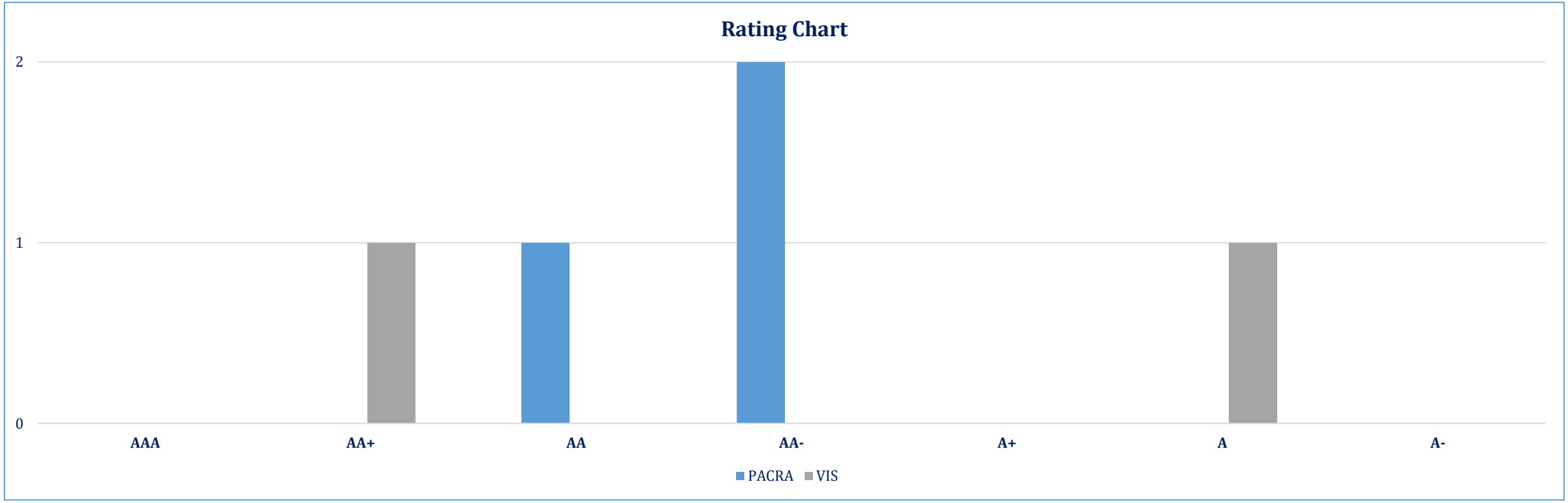
Opportunities

- Upcoming supply side projects to facilitate imports and reduce demand demand-supply gap.
- Rising demand.
- Long-term import contracts at favourable rates.
- Increase in exploration activities.

Distribution | Gas

Local | Rating Curve

- PACRA rates three players in the gas distribution sector within a rating bandwidth of AA+ to A. One player is a Natural Gas & RLNG distribution; one operates in the LNG Terminal, while the third operates in the LPG import and storage segment.



Source: PACRA Database

Distribution | Gas

Outlook: Stable

- In FY25, Pakistan's GDP (nominal) stood at PKR~114.7trn, increasing, in real terms, by ~2.7% YoY. Industrial activities in FY25 held ~18.1% share in the GDP, while the manufacturing activities made up ~65.3% of the value addition. Large-scale manufacturing (LSM) in Pakistan is essential for economic growth, considering its linkages with other sectors, as it represented ~67.5% of manufacturing activities (value) in FY25. LSMI output increased by ~4.1% as of June'25 when compared with the same period last year; however, for FY25, the LSMI has shown a negative growth of ~0.7% YoY.
- In FY24, local gas consumption was recorded at ~25.4mln MT, registering a decline of ~1.2% YoY (FY23:~25.7%). Local production during the year dipped by ~4.0% YoY, whereas LNG imports were down ~9.6% YoY, and stood at ~8.5mln MT. Therefore, the total supply of gas stood at ~32.4mln MT, down ~5.5% YoY. Local Production during 9MFY25 clocked in at ~16.9mln MT, down ~7.1% YoY (9MFY24: ~18.2mln MT)
- **Natural Gas:** The average net margins for the sector clocked in at ~1.4% (SPLY: ~0.6%) during FY24. Improvement in net margins was reflective of the improvement in the overall sales revenue of the sector, as the CPI was recorded at ~23.4% in FY24. Pakistan's imported LNG prices, on average, fell by ~26.0% at 2QCY25, standing at PKR~3,352/MMBTU (SPLY: PKR~4,557/MMBTU) as the exchange rate on average remained relatively stable at PKR~279.2/USD.
- **LNG Terminal:** In CY24, the segment's revenue fell by ~6.5% (CY23: ~29.9%), though profitability improved due to higher "other income" from short-term investments and bank deposits. In CY24, gross margins were recorded at ~35.1% (CY23:~33.0%) and net margins clocked in at ~20.6% (CY23: ~16.5%). The margin gains were supported by higher "other income" from short-term investments and bank deposits. The cost structure remained heavily skewed, with port royalty fees and fixed expenses accounting for ~94.0% of direct costs.
- **LPG:** During FY24, the sector's gross margins were recorded at ~7.0%, while operating margins clocked in at ~6.0% (FY23: ~9.0%; ~7.0%, respectively). The dip in gross margins reflects the higher cost of gas, which constitutes ~97.0% of the total cost structure. Moreover, the exchange rate remained high, hovering around PKR~283.3/USD. Net margins, on the other hand, remained steady at ~4.0% in FY24.
- The gas sector's key challenge is the circular debt stock of PKR~2.8tln as of End-Dec'24 (~2.7% of GDP), despite timely tariff adjustments that limited fresh buildup to PKR~28.0bln in Jul–Dec'24. The burden has grown sharply over the past few years, rising from PKR~1.1tln as of End-Jun'20 to PKR~2.87tln as of End-Jan'24, before easing slightly to PKR~2.84tln as of End-Dec'24.
- This ~148.0% increase since FY20 rise stems from weakening RLNG demand in the power sector (share down from ~35.0% in FY21 to ~26.0% in FY25), diversion of costly RLNG to households at subsidized rates, and persistent UFG losses. The IMF has urged regular tariff hikes, quarterly CD reporting, and a CD Management Plan to contain flows and address inefficiencies.
- To curb the debt, the government has proposed a five-year reduction plan targeting PKR~1,500bln through a petroleum levy (PKR~5/litre), dividends from state-owned energy firms, and resale of two LNG cargoes per month, each saving PKR~500.0bln. The remaining PKR~1,100bln, mostly surcharges and interest, may be resolved through waivers.

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- Federal Bureau of Revenue (FBR)

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