



Distribution | Gas

Research Team

Aiza Khalid | Supervising Senior Research
Aisha Yousaf | Associate Research Analyst

© The Pakistan Credit Rating Agency Limited.

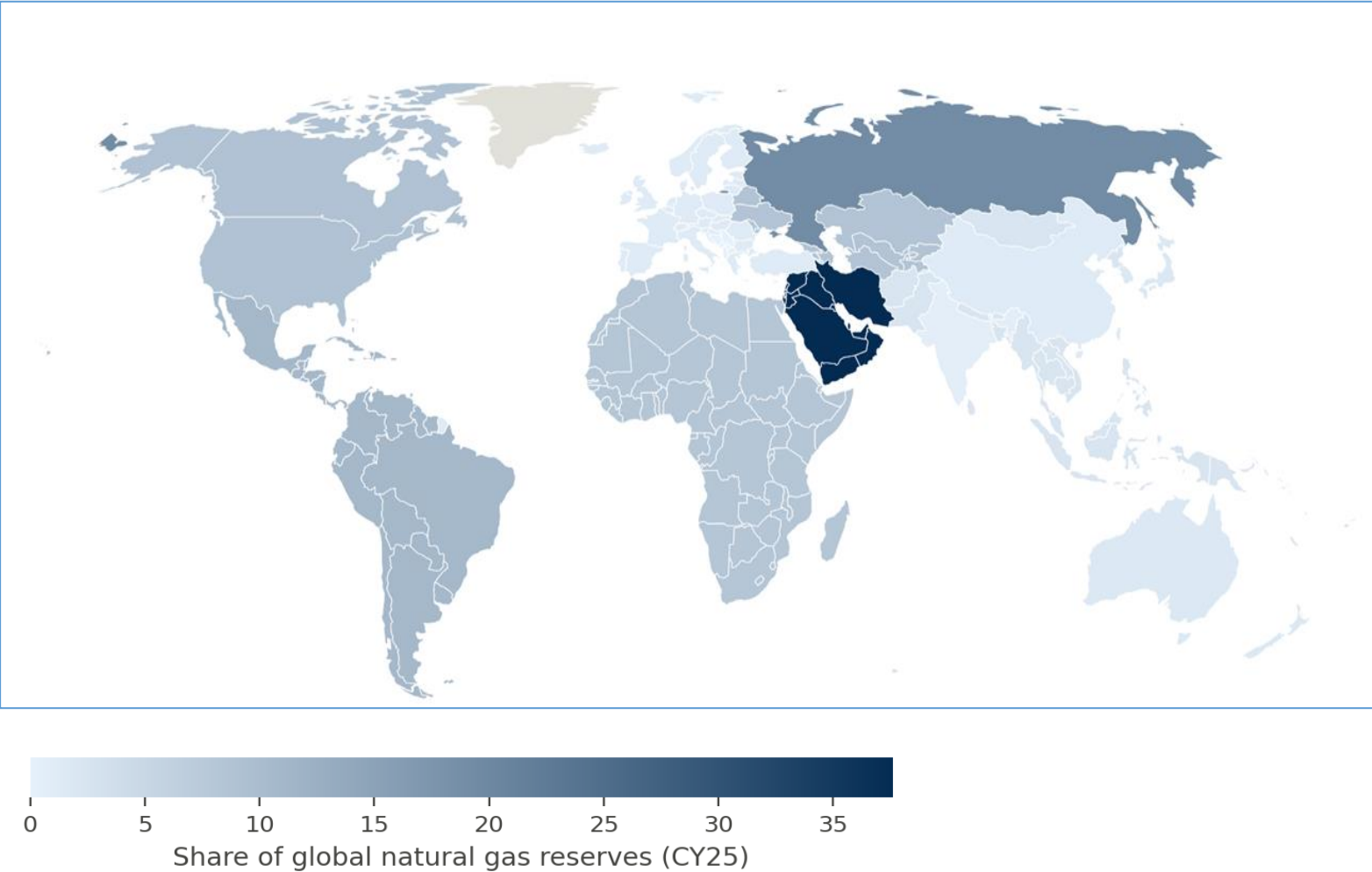


Distribution | Gas

Contents	Page.	Contents	Page.	Contents	Page.
Global		LNG Operators	15	LPG Licenses	34
Natural Gas Reserves	1	Natural Gas Demand	16	LPG Supply	35
Production & Consumption	2	Natural Gas Business Risk	18	LPG Production & Consumption	36
LNG Trade	3	Natural Gas Financial Risk	20	LPG Player Wise - Supply	37
Natural Gas Prices	4	Natural Gas Pricing	22	LPG Imports	38
Pipelines Network	5	RLNG Pricing	24	LPG Province Wise Consumption	39
Power Generation Mix	6	Circular Debt	25	LPG Pricing	40
Carbon Emissions	7	Recent Developments	26	LPG Business Risk	42
LPG Trade	8	Terminal Handling Overview	27	LPG Financial Risk	43
Outlook	9	LNG Business Risk	28	LPG Regulatory Framework	44
Local		LNG Financial Risk	29	Duty Structure	47
Natural Gas Local Snapshot	10	Natural Gas Regulatory Framework	30	SWOT Analysis	48
Natural Gas Reserves	11	Tight Gas Policy 2024	31	Rating Chart	49
Natural Gas Demand-Supply Forecast	12	LPG Introduction	32	Outlook	50
Natural Gas Supply	13	LPG Overview	33	Bibliography	51
Natural Gas Production	14				

Distribution | Gas

Global | Natural Gas Reserves



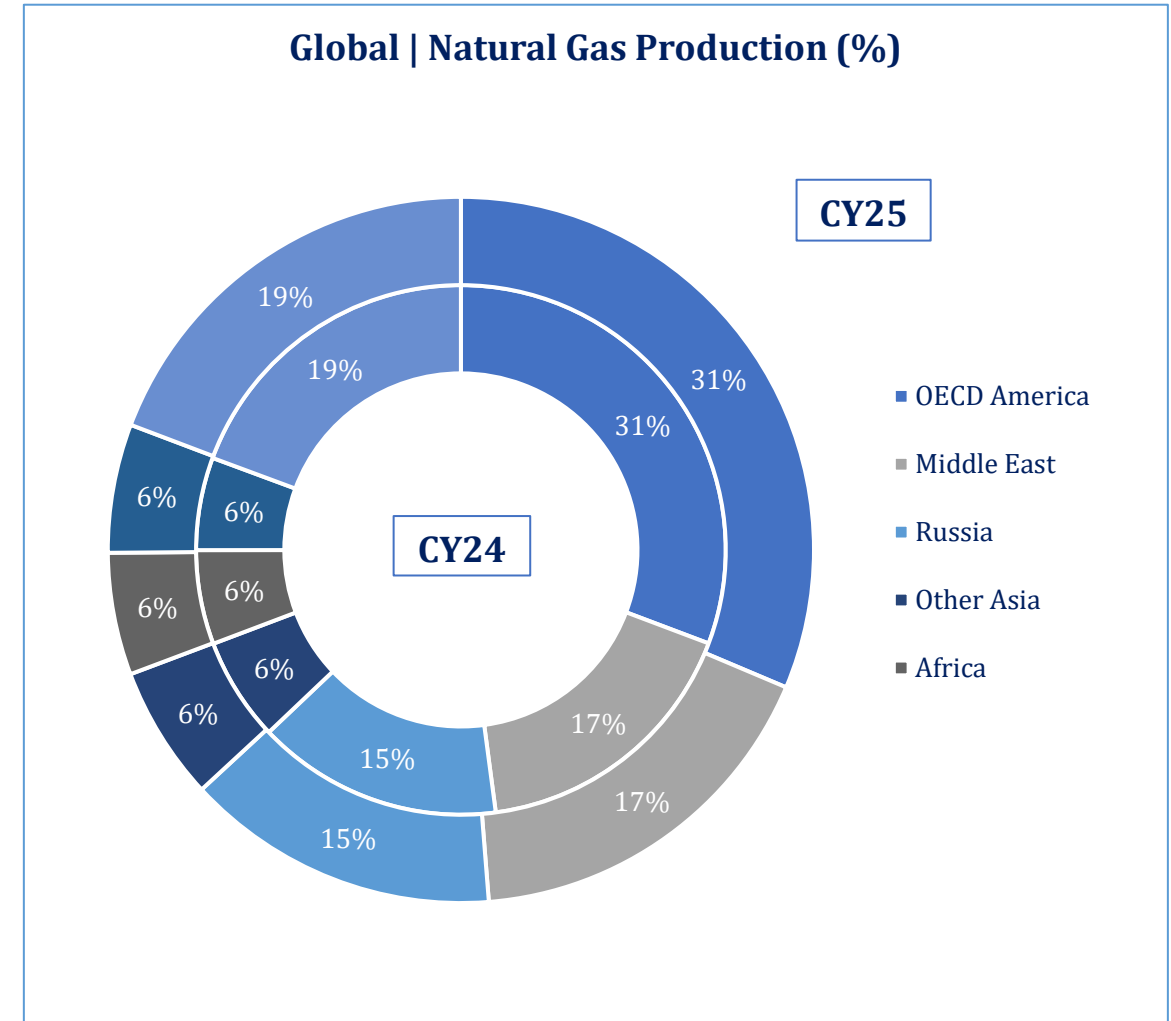
Region	CY24	CY25
Middle East	37.8%	37.6%
Russia	19.2%	19.1%
Latin America	10.7%	10.7%
OECD Americas	8.6%	9.0%
Other Eurasia	8.6%	8.5%
Africa	8.2%	8.2%
Other Asia	2.3%	2.2%
OECD Asia Pacific	1.6%	1.6%
OECD Europe	1.2%	1.1%
China	1.3%	1.5%
India	0.5%	0.5%
Other Europe	0.0%	0.0%

Note: bcm stands for billion cubic meters.

Distribution | Gas

Global | Production & Consumption

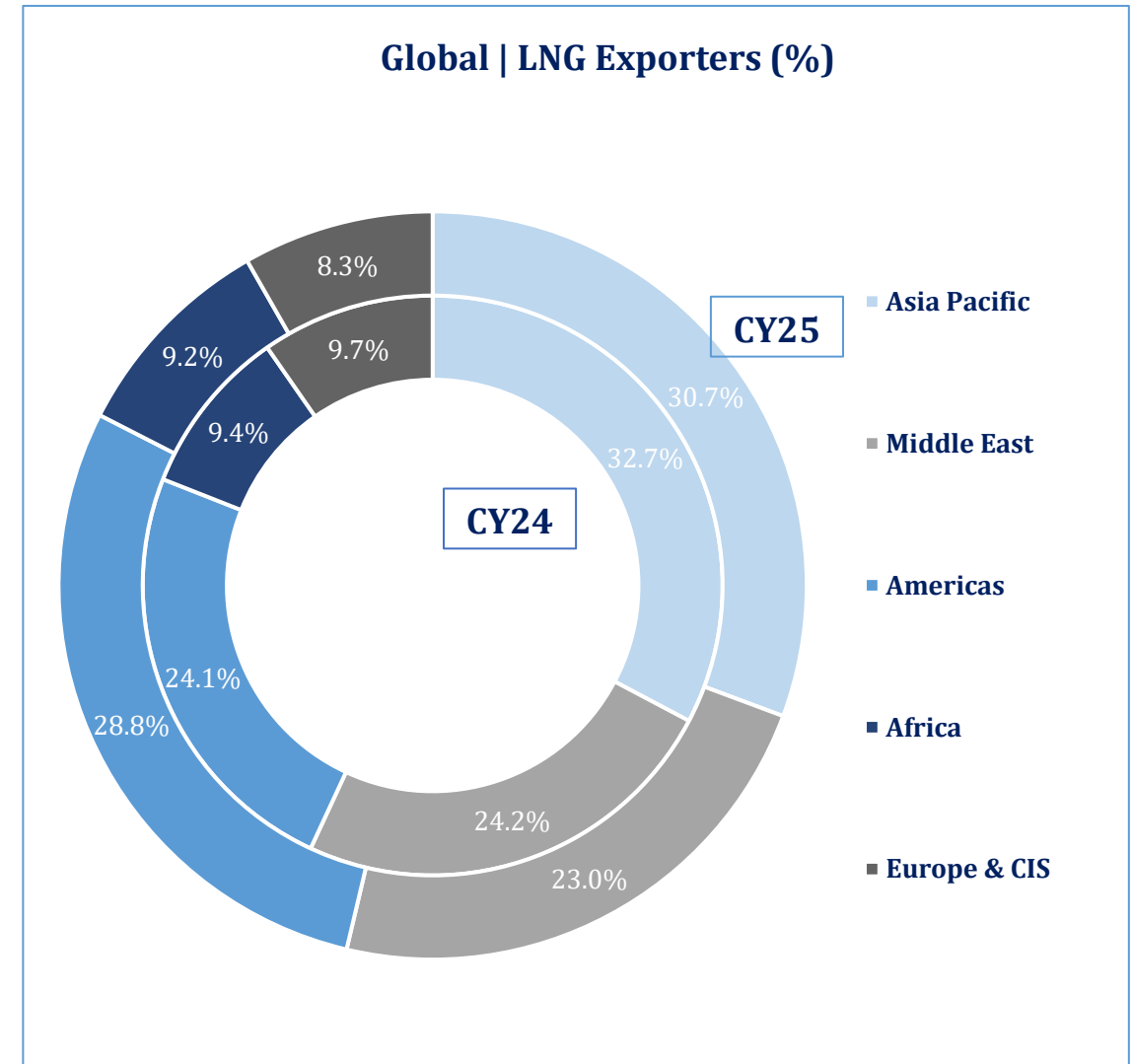
- Total production increased by 1.3% to ~4,341.5 bcm in CY25, while the regional production mix remained largely unchanged. OECD America retained its position as the largest producer, accounting for 31% of global output and contributing the largest increase in production. The Middle East maintained a 17% share with a slight increase in production during CY25. Russia's production softened during CY25, while China recorded modest growth
- Global natural gas production showed contrasting regional trends in 6MCY26. The Middle East is expected to record its first annual production decline since 1993, with output expected to fall by ~10% by the end of CY26, largely due to a sharp drop in Qatar's LNG production.
- Qatar's LNG output is set to fall because Iranian drone strikes on QatarEnergy's Ras Laffan and Mesaieed facilities in March 2026 forced a production halt, compounded by a sharp drop in Strait of Hormuz shipping traffic.
- Global LNG trade grew by only ~1% in 6MCY26 and is expected to remain broadly flat for the year, with further delays in Gulf recovery posing downside risks.
- Meanwhile, the United States continued to expand production, with dry gas output rising ~4.0% YoY in 6MCY26 on the back of strong LNG feedgas demand, while Russian gas production rebounded by ~2.5% YoY in the same period, supported by stronger domestic demand and higher LNG exports.



Distribution | Gas

Global | LNG Trade

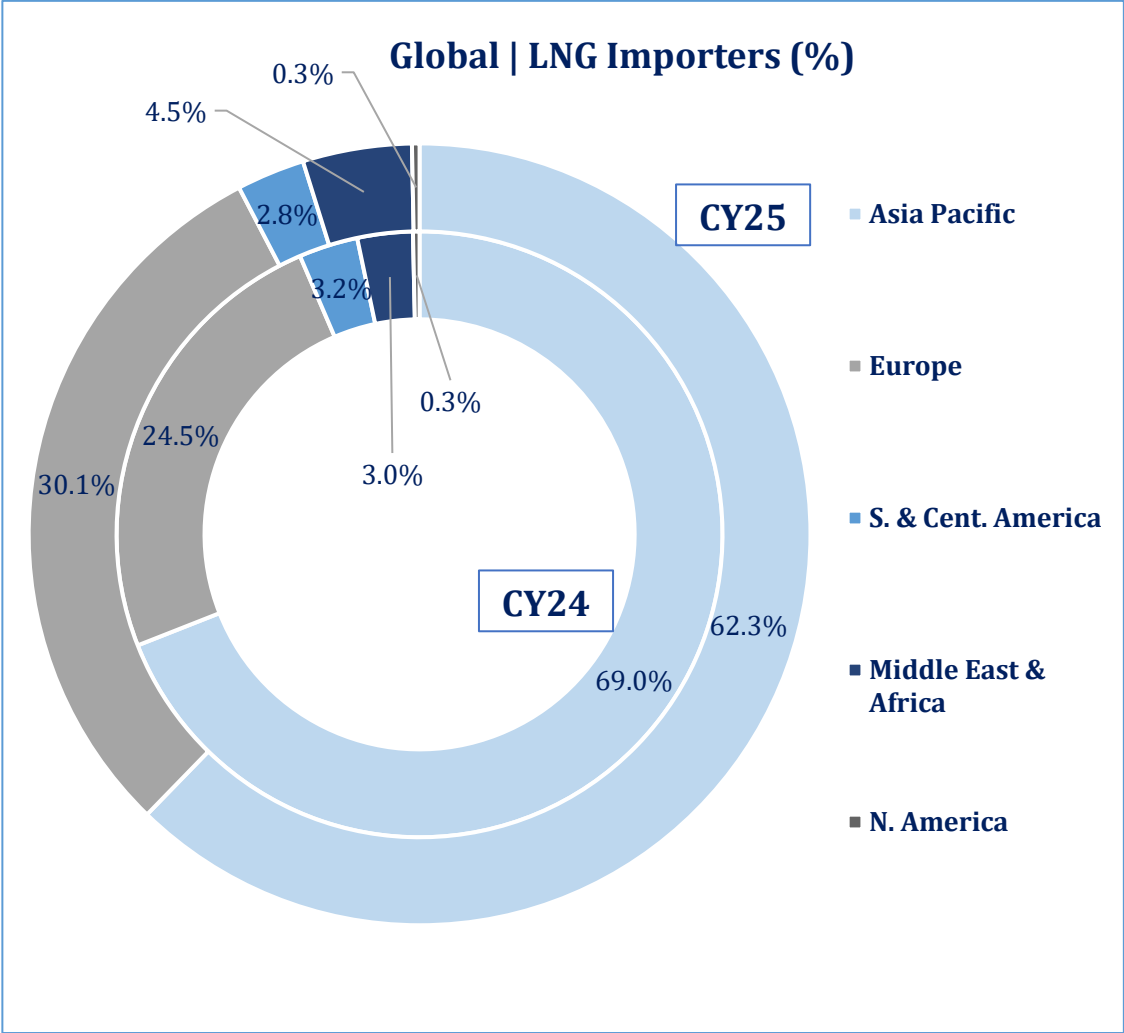
- The Europe and CIS region showed the largest decline in LNG imports compared to other regions in CY25 (~9.3% decline YoY). Major LNG exporters in this region include Norway and Russia. In Norway, LNG exports declined by ~32.8% YoY in 2025 due to planned and unplanned maintenance at the Hammerfest LNG plant, which temporarily reduced production. As maintenance is expected to be completed, exports are likely to recover in 2026.
- Russian LNG exports fell by ~3.8% YoY in 2025 due to international sanctions on smaller LNG plants and extensive maintenance at the Yamal LNG facility. While maintenance-related disruptions should ease, sanctions are expected to continue limiting Russian LNG exports in 2026.
- US LNG exports surged in 2025 by ~27.2% YoY in CY25. Growth was supported by the start-up of the Plaquemines LNG project, expansion at Corpus Christi LNG, and improved operations at Freeport LNG. The upward trend is expected to continue in 2026



Distribution | Gas

Global | LNG Trade

- LNG imports in Europe rose by 30.2% to a record high in 2025 as lower Russian and Norwegian pipeline gas supplies, stronger gas demand, and higher storage requirements increased the need for LNG. Most of the additional supply came from the United States.
- In the Middle East and African region, Egypt experienced the largest increase in LNG imports at ~229.5%. This surge was largely due to a significant decline in domestic gas production, while demand remained relatively stable, creating a greater reliance on imports. Bahrain also began importing LNG to meet rising summer electricity demand and support the shift from fuel oil to natural gas in power generation.

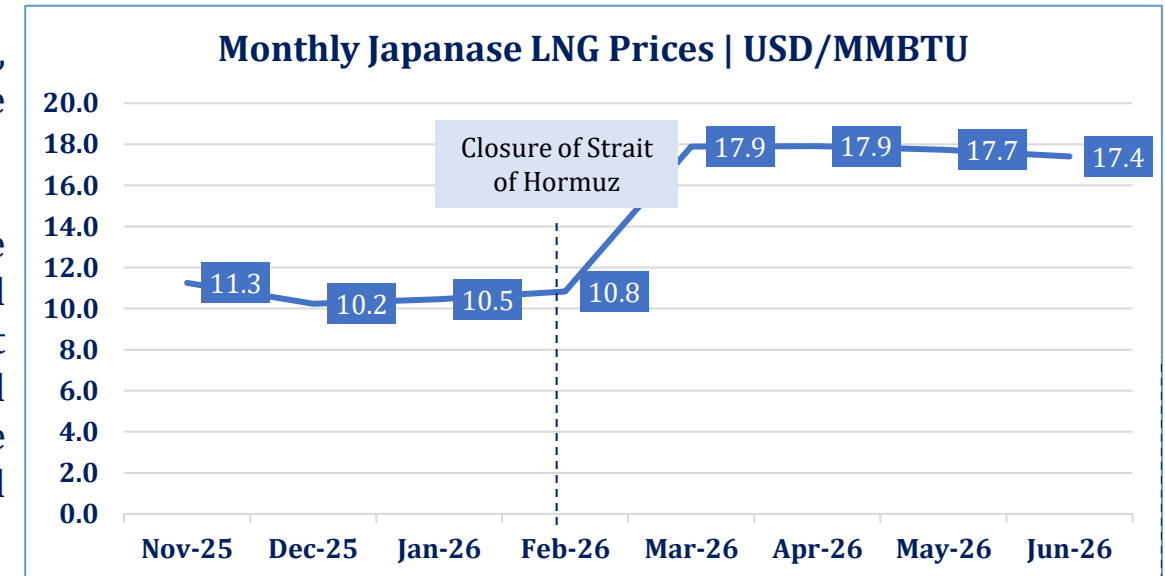
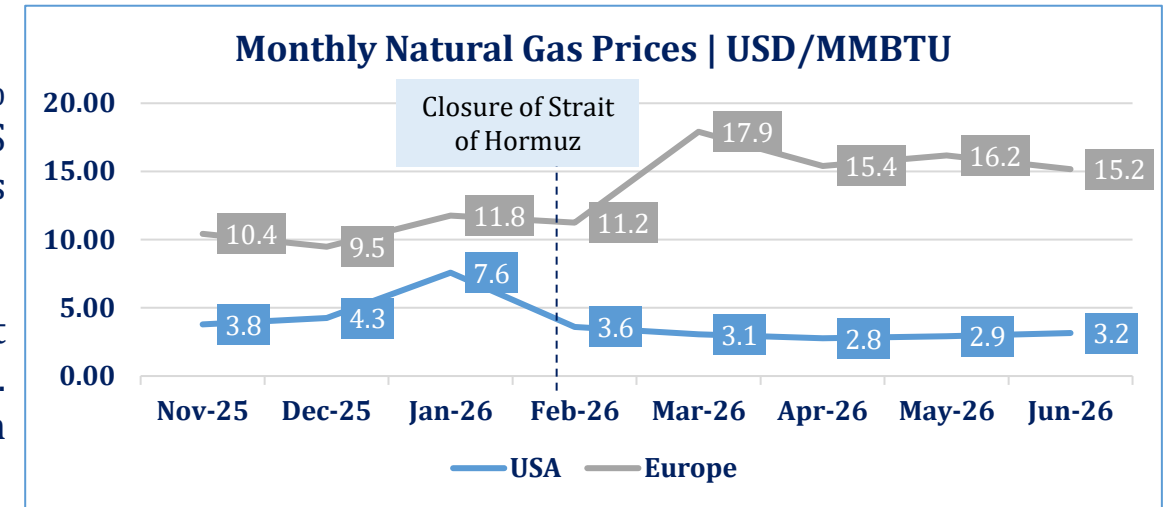


Note: Americas include: Canada, Mexico and USA.

Distribution | Gas

Global | Prices

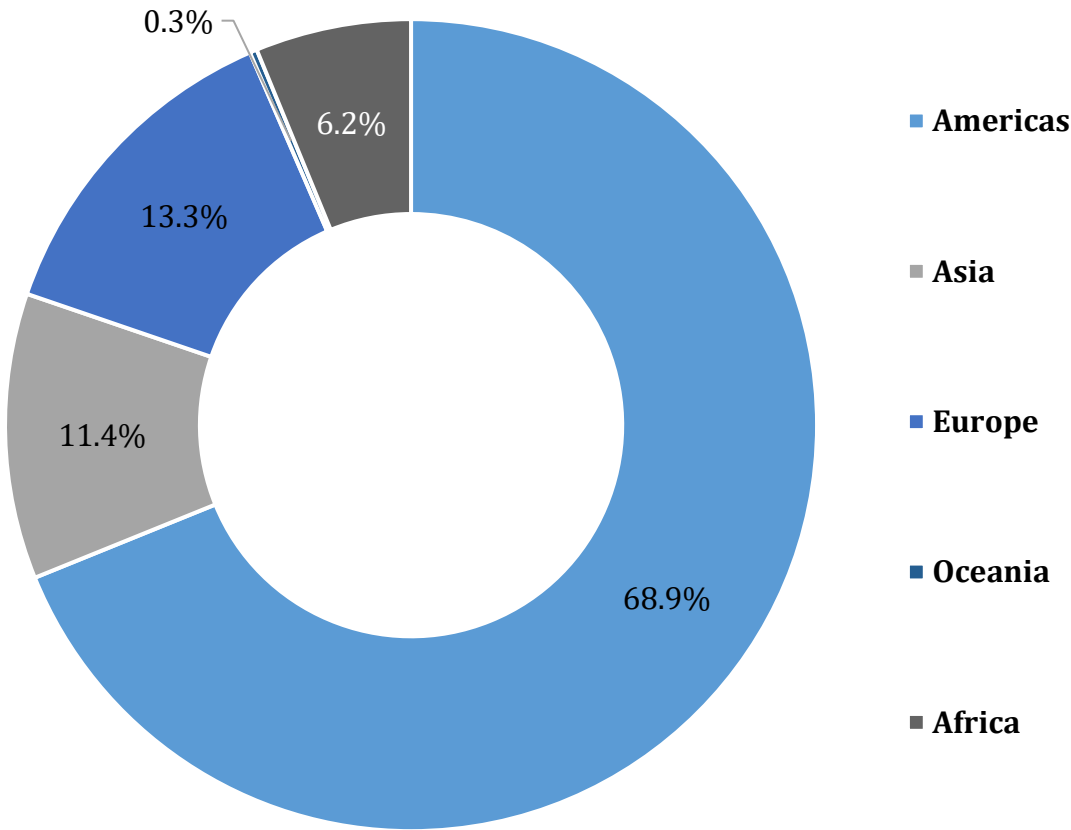
- In CY25, average US Natural Gas price saw a sharp increase of ~61.2% and recorded at USD~3.5/MMBTU reflecting strong demand for U.S Natural Gas shipments to Europe. European Natural Gas prices increased by ~9.1% in CY25 and recorded at USD~12.0/MMBTU.
- Prices in Europe and Asia rose sharply following the Middle East conflict, which disrupted LNG shipments through the Strait of Hormuz. European Natural Gas prices sharply went up by ~59.3% MoM in March 2026, while Japanese LNG Prices surged by ~65.2%.
- United States Natural Gas prices decreased by ~15.2% in March 2026, as the US gas market is largely supplied through its domestic pipeline network and is less exposed to disruptions in global LNG trade.
- European natural gas prices are projected by the World Bank to rise ~25% in 2026 due to conflict-driven LNG supply disruptions and competition for cargoes, before falling back ~20% in 2027 as the Strait of Hormuz situation eases. US prices, insulated by pipeline-based supply, will rise more modestly (~8% in 2026, ~5% in 2027), while global gas consumption stagnates and production growth stays limited by Qatar-related output losses.



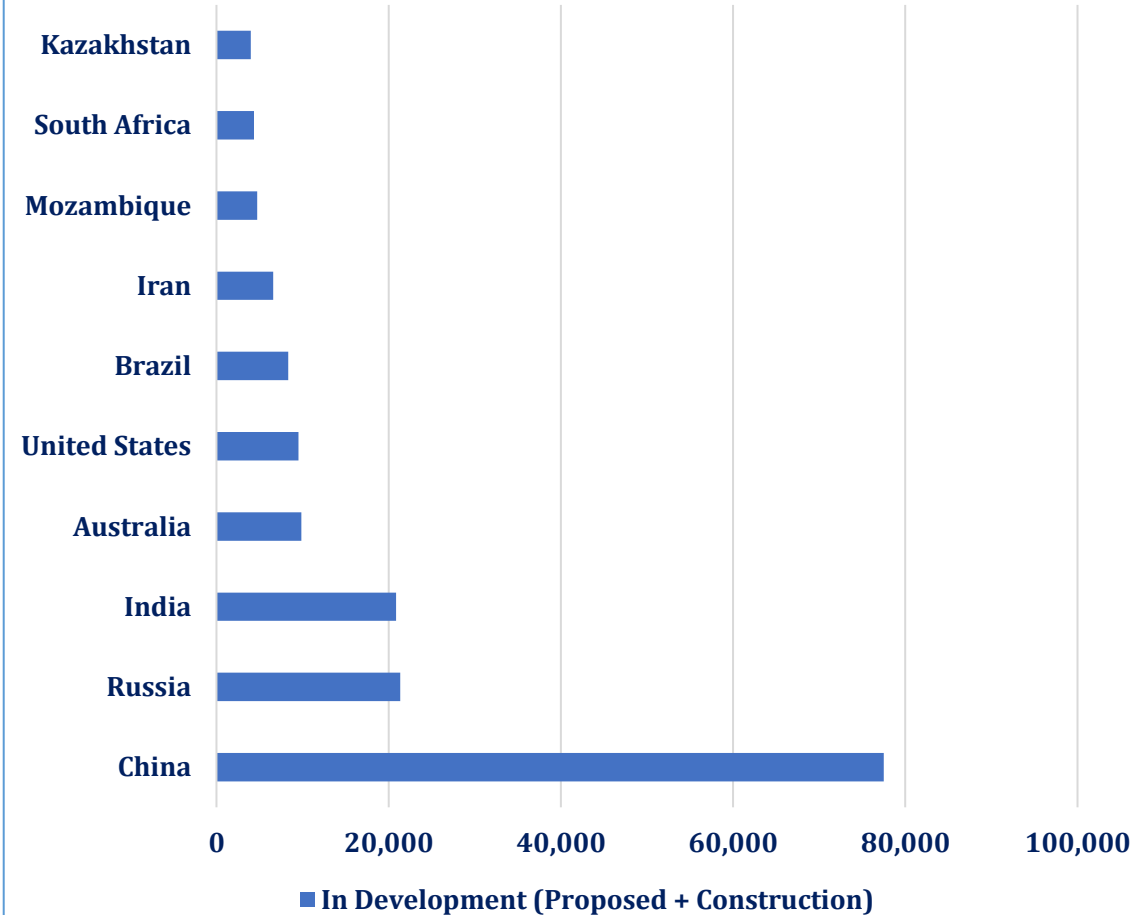
Distribution | Gas

Global | Pipelines Network

Global | Region-wise Gas Pipelines (km) | CY25



Country-wise | In-Progress Gas Pipelines (Km) | CY25

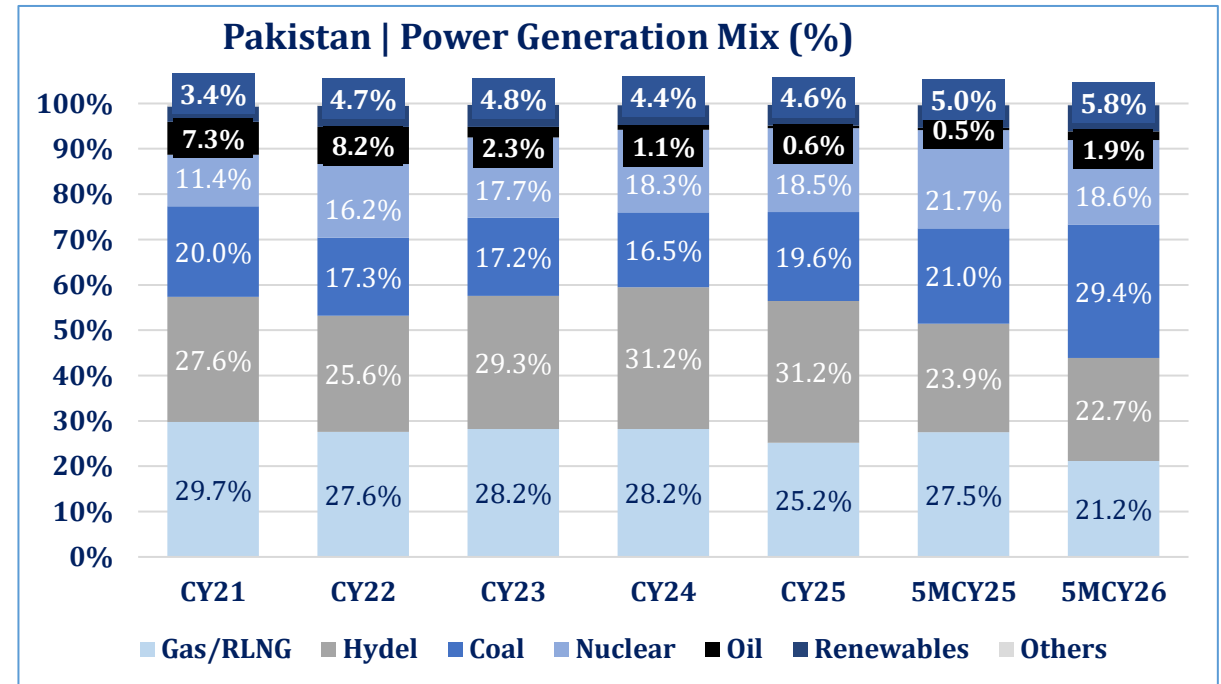
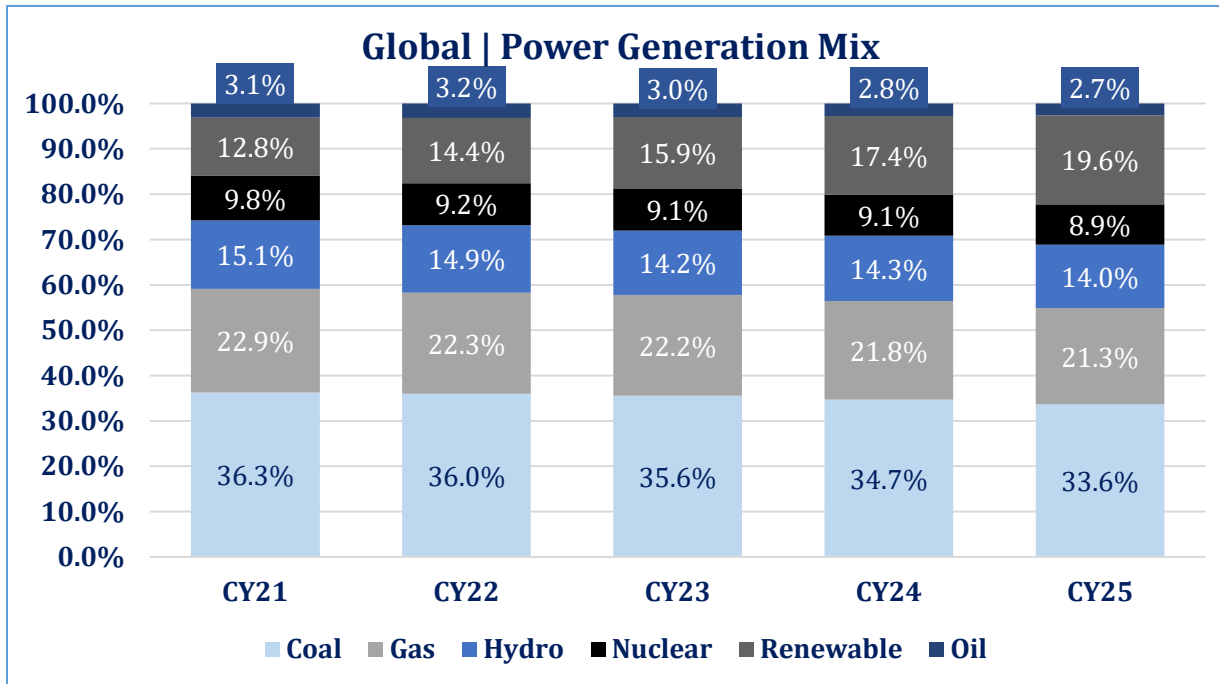


Note: Americas include, Latin America & Caribbean, Northern America.

Distribution | Gas

Global | Power Generation Mix

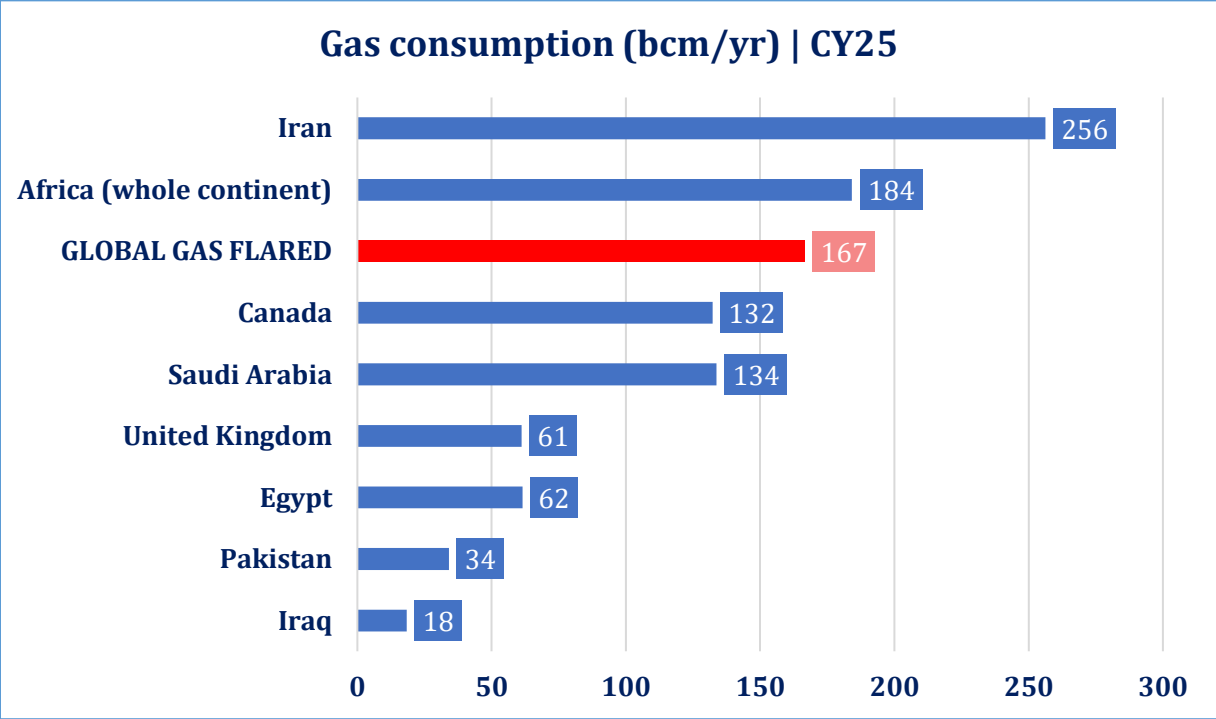
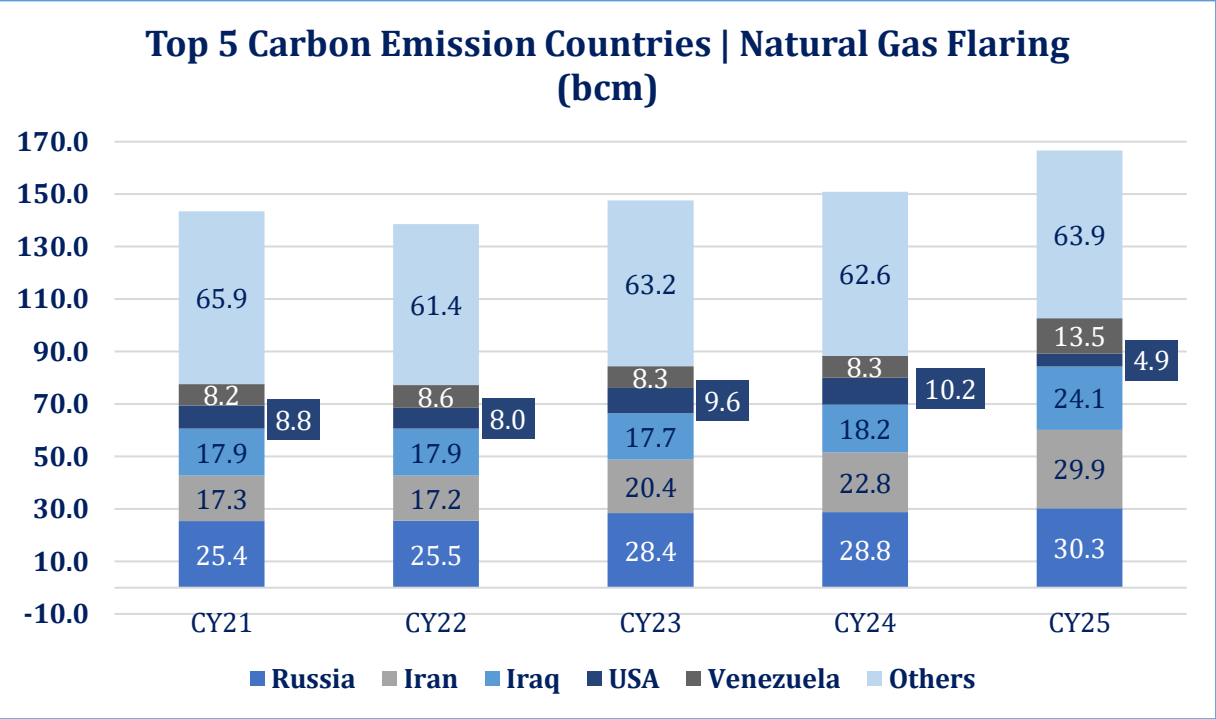
- Global electricity generation increased to ~32,001 TWh in CY25, up ~2.9% YoY, moderating from the stronger ~4.1% growth recorded in CY24. Coal remained the largest source of electricity generation, accounting for ~33.6% of the global power mix. However, the incremental growth in electricity generation was primarily driven by renewables, whose output rose by ~16.0% YoY, increasing their share of global generation to ~19.6% in CY25. Among renewable sources, solar recorded the largest year-on-year increase, with generation rising by ~620 TWh in CY25 compared to a ~450 TWh increase in CY24.
- Total power generation in Pakistan stood at ~47,912 GWh in 5MCY26 up ~2.5%% YoY (5MCY25: ~46,764 GWh). The share of Gas/RLNG in electricity generation fell from ~23.9% in 5MCY25 to ~22.7% in 5MY26, as reliance on coal increased amid higher Gas/RLNG prices. The share of coal went up from ~21.0% in 5MCY25 to ~29.4% in 5MCY26.



Distribution | Gas

Global | Carbon Emissions

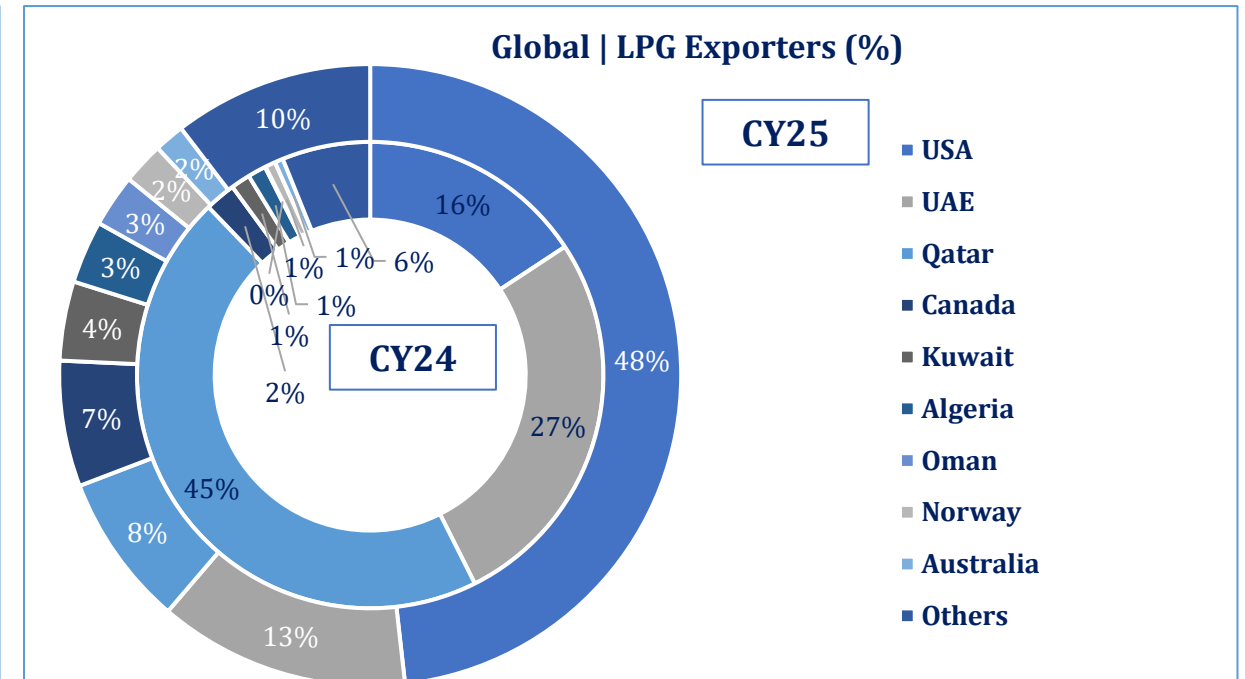
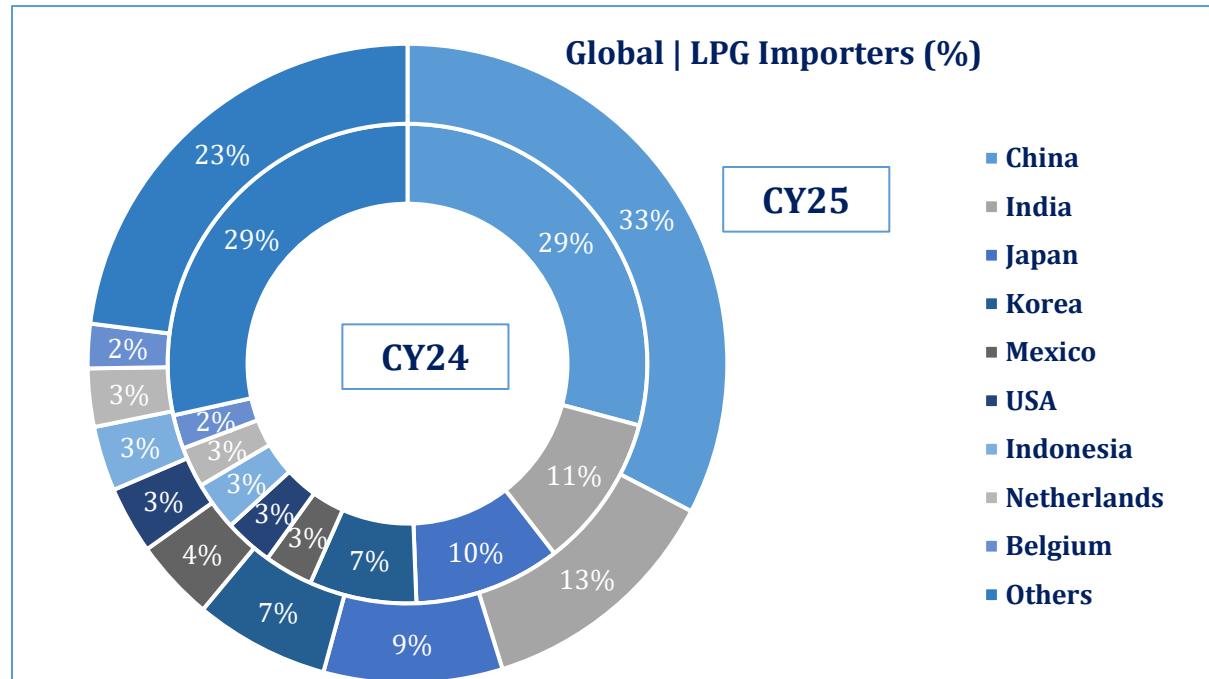
- Iran remained the largest natural gas consumer among the selected countries, with annual consumption of ~256 bcm. By comparison, the entire African continent consumed ~184 bcm, only slightly more than the ~167 bcm of natural gas flared globally each year. This highlights the scale of gas flaring, with volumes wasted through flaring exceeding the annual gas consumption of major economies such as Saudi Arabia (~134 bcm) and Canada (~132 bcm).
- Further down the list, the United Kingdom (~61 bcm) and Egypt (~62 bcm) each consumed only a little over one-third of the gas flared globally. At the lower end, Pakistan consumed ~34 bcm and Iraq ~18 bcm, meaning global flared gas was approximately five times Pakistan's annual consumption and more than nine times Iraq's.



Distribution | Gas

Global | LPG Trade

- During CY25, global LPG trade was recorded at USD~57.3bln (CY24: USD~54.4bln), up ~5.0% YoY. In CY25, 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 CY25.
- Top importers of LPG during CY25 included China (USD~18.7bln), India (USD~7.2bln), Japan (USD~5.2bln), South Korea (USD~3.9bln), and Mexico (USD~2.4bln). Whereas top five exporters had ~80.0% share in global LPG exports during CY25 (CY24: ~90.0%), top five importing countries formed ~65.0% share in the commodity's global imports (CY24: ~60.0%).



Distribution | Gas

Global | Outlook

- Global gas supply is expected to remain uneven, with reserves heavily concentrated in the Middle East (~37.6%) and Russia (~19.1%). Middle East production is projected to decline ~10% in CY26, mainly due to lower Qatar LNG output, while higher US production (~4.0% in 6MCY26) should partly offset the decline.
- LNG trade is likely to remain subdued in the near term, with growth of only ~1% in 6MCY26. European and Asian gas prices are expected to remain volatile amid geopolitical and supply disruptions, with the World Bank projecting a ~25% increase in 2026 before a potential ~20% decline in 2027 as supply conditions normalize.
- Meanwhile, renewables continue to gain ground, with generation rising ~16% in CY25 to reach ~19.6% of the global power mix. This, alongside coal's ~33.6% share, could limit gas demand growth over the longer term. However, global LPG trade remains positive, growing ~5% to ~USD57.3bn in CY24, supported by strong Asian import demand.
- Overall, near-term gas markets are likely to face supply constraints and geopolitical risks, while the longer-term outlook will depend on the pace of renewable adoption, electrification and the global energy transition.



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 Pakistan, natural gas supply has been on a declining trend. In 9MFY26, it further declined to ~19.4mn MT from ~22.9mn MT in 9MFY25, mainly due to lower domestic production and a sharp fall in LNG imports. Domestic production decreased slightly to ~16.3mn MT from ~16.9mn MT, while LNG imports nearly halved to ~3.1mn MT from ~6.0mn MT.
- Gas consumption also declined to ~22.5mn MT from ~24.1mn MT, but the mix shifted toward indigenous gas. Natural gas accounted for ~84% of consumption in 9MFY26, up from ~74%, while LNG's share fell to ~16% from ~26%. Overall, the decline in LNG imports appears to reflect both weaker demand and higher price of imported LNG when compared to domestic gas.

Particulars	Units	FY24	FY25	9MFY25	9MFY26
<u>Supply of Natural Gas</u>					
Production - Natural Gas (A)	mln MT	24.0	22.2	16.9	16.3
Imports - LNG (B)		8.5	7.8	6.0	3.1
Total Supply (C = A + B)		32.5	30.0	22.9	19.4
<u>Consumption of Natural Gas</u>	mln MT	25.4	23.7	24.1	22.5
- % Share / Natural Gas	%	75%	74%	74%	84%
- % Share / LNG	%	25%	26%	26%	16%
Floating Storage and Re-gasification Unit (FSRU)	No.	2			
Capacity FSRUs	mln MT	9.2			
Transmission Lines	Km	13,989	14,276	14,276*	14,276
Service Lines	Km	41,463	41,577	41,577*	41,980
Mains	Km	161,806	162,031	162,031*	162,760
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).

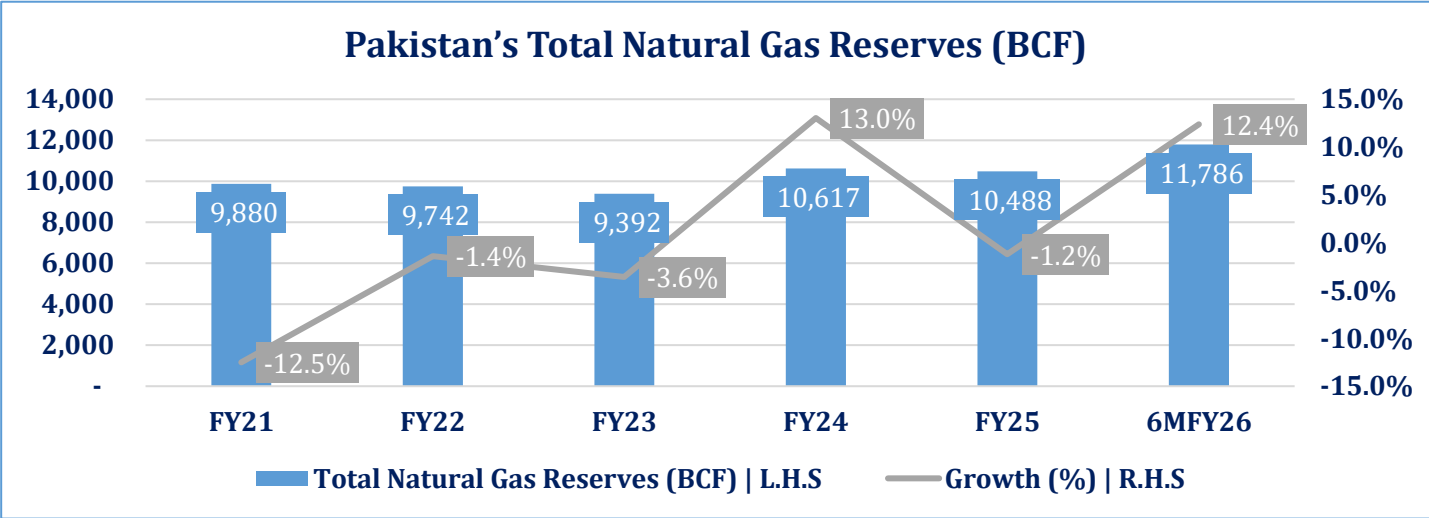
*Transmission lines, Service Lines and Mains for 9MFY25 have been assumed to be the same as FY25

Distribution | Gas

Local | Natural Gas Reserves

- Pakistan's gas reserves increased sharply in FY24, rising ~13.0% to ~10,617 BCF and reversing the decline seen in previous years. The increase was driven by new discoveries, with OGDCL making five oil and gas discoveries during the year.
- In FY25, with national gas reserves declining 1.2% to 10,488 BCF. OGDCL again made five discoveries, but the impact on reserves was mixed. Its 2P gas reserves increased to ~626 MMBOE, while 1P reserves fell to ~413 MMBOE as production reduced proved reserves faster than new discoveries were converted into the proved category. This reflects the normal reserve cycle, where new discoveries are initially classified as probable and are gradually upgraded to proved reserves as they are assessed and developed.
- Reserves then rebounded strongly in 1HFY26, increasing ~12.4% to ~11,786 BCF in six months. OGDCL made four discoveries during the period, including two producing zones at the Baragzai X-1 well. Its 2P gas reserves rose further to ~641 MMBOE, showing that new discoveries are helping replenish reserves despite continued decline in gas production.

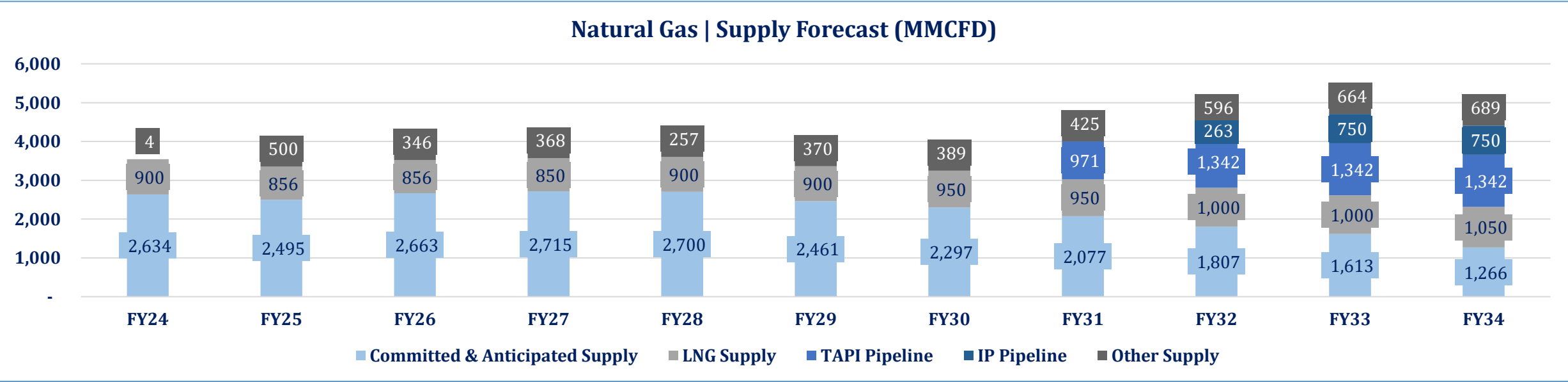
Year	2P Reserves	YoY Change (%)
FY21	202.9	-12.5%
FY22	200.0	-1.4%
FY23	192.9	-3.6%
FY24	218.0	13.0%
FY25	215.4	-1.2%
6MFY26	242.0	12.4%



Distribution | Gas

Local | Supply Forecast

- Indigenous supply is expected to fall from ~2,634 MMCFD in FY24 to ~1,266 MMCFD by FY34, down by around ~52%. This reflects the depletion of Pakistan’s mature gas fields, with no major new discoveries assumed to replace the decline. LNG supply is expected to stay around ~850–1,050 MMCFD, increasing slightly from ~900 MMCFD in FY24 to ~1,050 MMCFD by FY34. This remains within the existing regasification capacity of the Engro Elengy and PGACL terminals.
- Turkmenistan–Afghanistan–Pakistan–India (TAPI) Pipeline gas is assumed to start from FY31 at ~971 MMCFD, reaching ~1,342 MMCFD from FY32 onward. Iran-Pakistan (IP) gas, if completed and commissioned, is expected to start from ~263 MMCFD and rising to 750 MMCFD by FY33. This assumes the long-delayed pipeline projects become operational toward the end of the forecast period. Total gas supply is expected to rise from ~3,538 MMCFD in FY24 to ~5,369 MMCFD in FY33, before declining slightly to ~5,097 MMCFD in FY34. The key change is in the composition of supply, as indigenous gas falls from ~73% of total supply in FY24 to just ~25% by FY34, while imported LNG and pipeline gas become increasingly important.

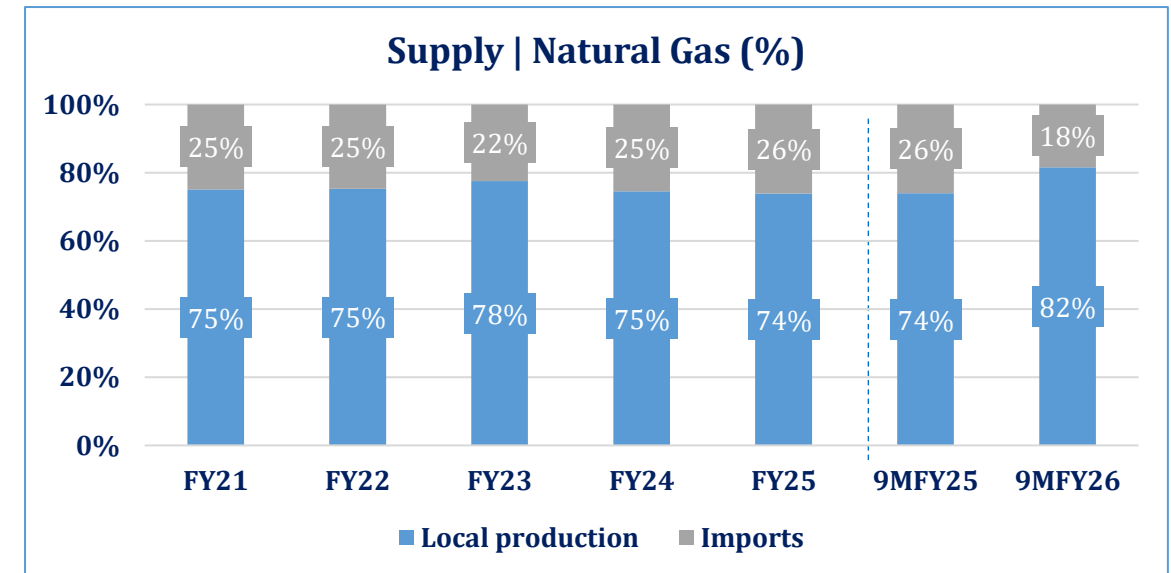
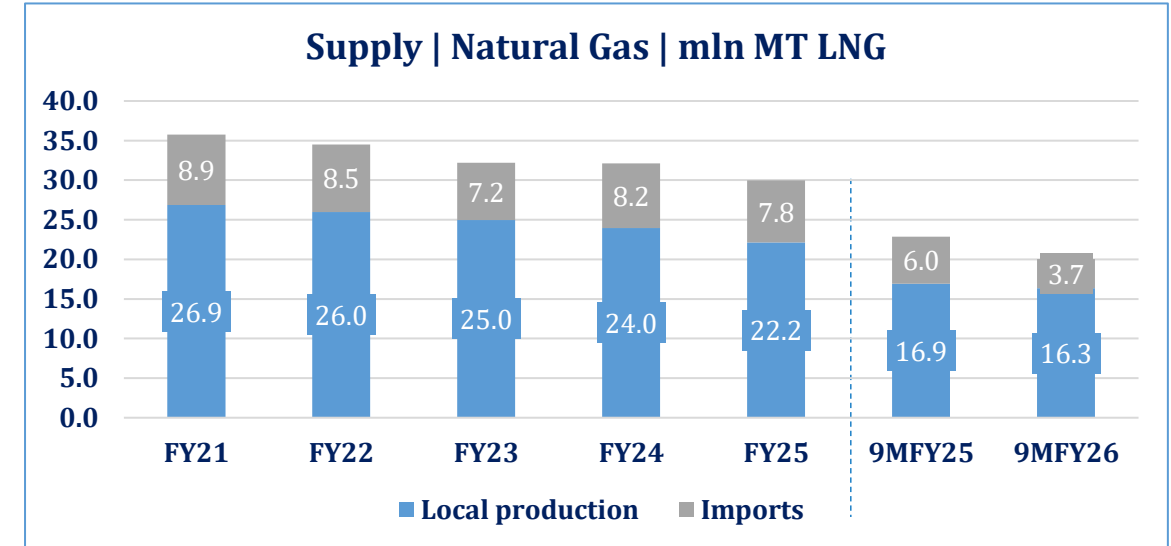


Note: MMCFD stands for million cubic feet per day. FY25 onwards data pertains to the OGRA Industry Report FY24

Distribution | Gas

Local | Supply

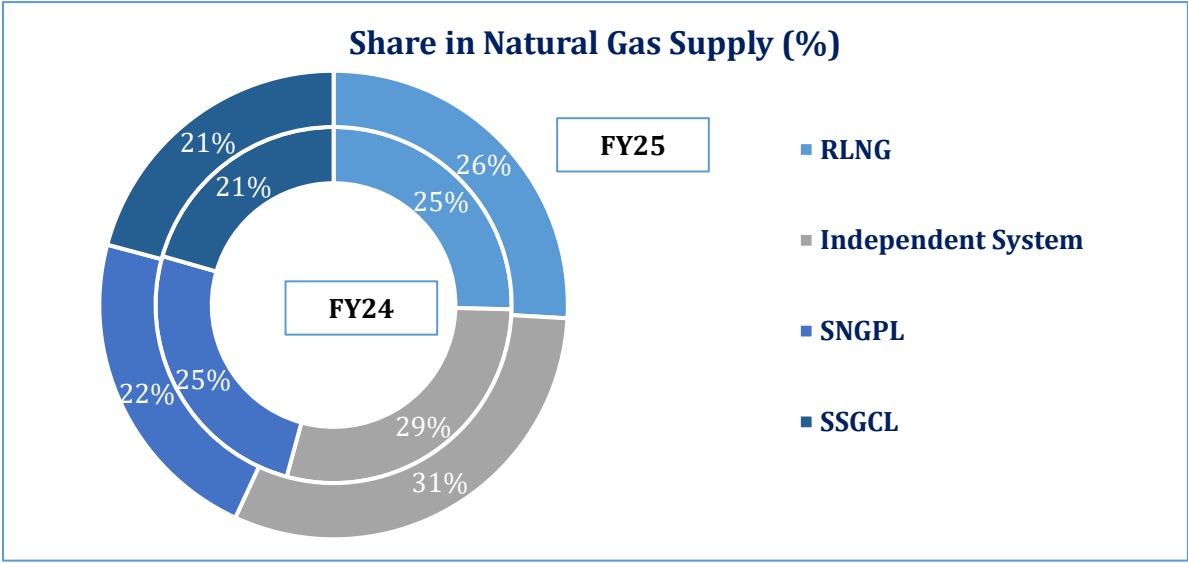
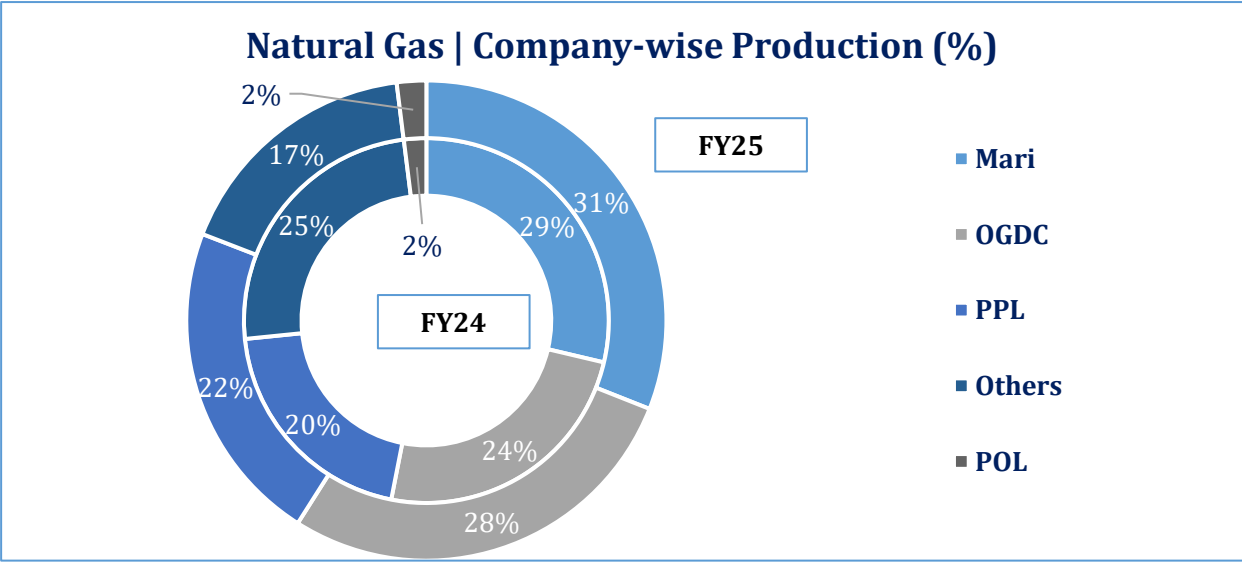
- LNG imports remained stable in FY25, declining slightly from ~8.2mn MT to ~7.8mn MT, while local gas production also fell from ~24.0mn MT to ~22.2mn MT. From FY24 onwards, higher LNG costs and weaker demand began creating surplus supply. By late FY24, excess LNG in the system had led to curtailment of domestic gas production while also forcing the country to defer LNG import cargoes from FY25 to FY26.
- The decline in imports became more pronounced in 9MFY26, with LNG imports falling from ~6.0mn MT to ~3.7mn MT and the import share dropping from ~26% to ~18%. This was primarily driven by weaker demand, particularly from the power and industrial sectors, alongside the rapid growth of distributed solar. Lower LNG demand resulted in surplus contracted cargoes being diverted to other markets rather than imported into Pakistan.
- Towards the end of 9MFY26, the supply situation was further disrupted by the Strait of Hormuz crisis, which affected LNG supplies from Qatar and led to reduced regasification and curtailed gas supply to some sectors. Thus, while the late-period supply disruption added further pressure, the larger decline in LNG imports was already underway due to structural demand weakness and surplus contracted volumes.



Distribution | Gas

Local | Production

- Pakistan’s natural gas supply mix was broadly stable in FY25, although the contribution of individual sources shifted as overall gas availability declined. The Independent System remained the largest source of supply, with its share increasing from ~29% in FY24 to ~31% in FY25. This reflects the relative resilience of dedicated gas supplies from major fields, particularly Mari Gas and Uch Gas, compared with the broader decline in conventional network-based production.
- SNGPL recorded the largest decline in its share, falling from ~25% to ~22%. This was driven by a ~16.6% year-on-year decline in its absolute gas supply, reflecting continued depletion across its indigenous gas fields. RLNG’s share increased marginally from ~25% to ~26%, despite its actual supply declining by 3.7% from 900 MMCFD to 867 MMCFD. The increase in share was mainly a result of total national gas supply declining faster than RLNG volumes, rather than an increase in RLNG availability.
- SSGCL remained broadly stable, contributing ~21% to total supply in both FY24 and FY25, with its volumes declining by a relatively modest 4.3%.



Distribution | Gas

Local | Supply | LNG Operators

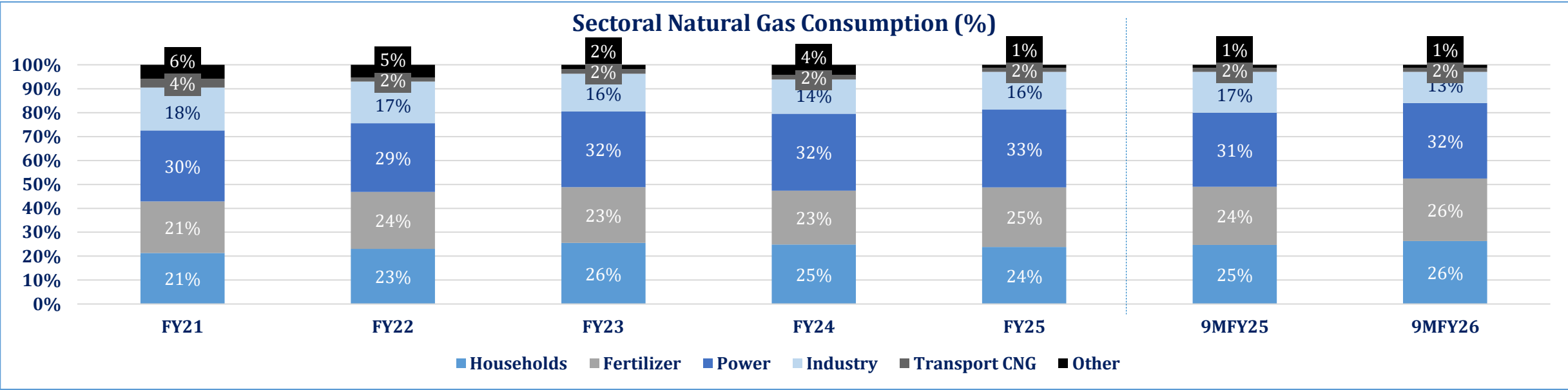
- According to LNG Policy 2011, the license for LNG-related activities can be classified into the following categories:
- Integrated Project Structure: in which the LNG developer is supposed to purchase LNG supplies, transport them to its LNG import terminal (where receiving, storage, and re-gasification 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	March 18, 2016
	Operation License of LNG Receiving Terminal at Port Qasim, Karachi.	
	Regasification Capacity: ~600-690 MMCFD.	
PGP Consortium Limited (PGPCL)	Unbundled Project Structure	April 03, 2018
	Operation License of LNG Receiving Terminal at Port Qasim, Karachi. Regasification Capacity: ~600-750 MMCFD	
Tabeer Energy (Private) Limited (TEPL)	Integrated Project Structure	April 28, 2021
	Construction License	Extended till April 27, 2025
Energas Terminal (Pvt.) Limited (ETPL)	Integrated Project Structure	April 28, 2021
	Construction License	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 Infrastructure Pakistan Limited	Integrated Project Structure Construction License	Extension in license timelines granted till 31st March., 2026.

Distribution | Gas

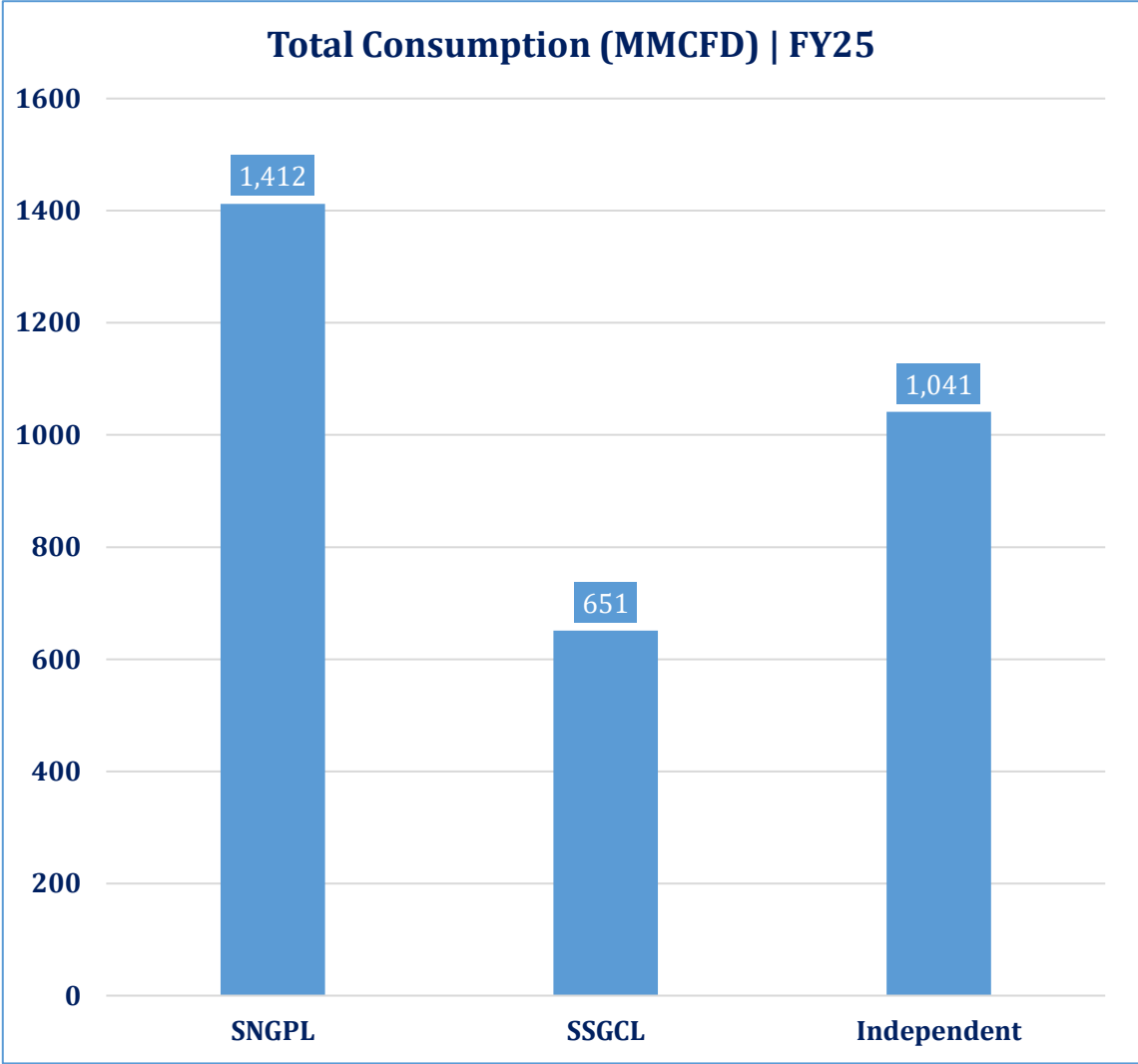
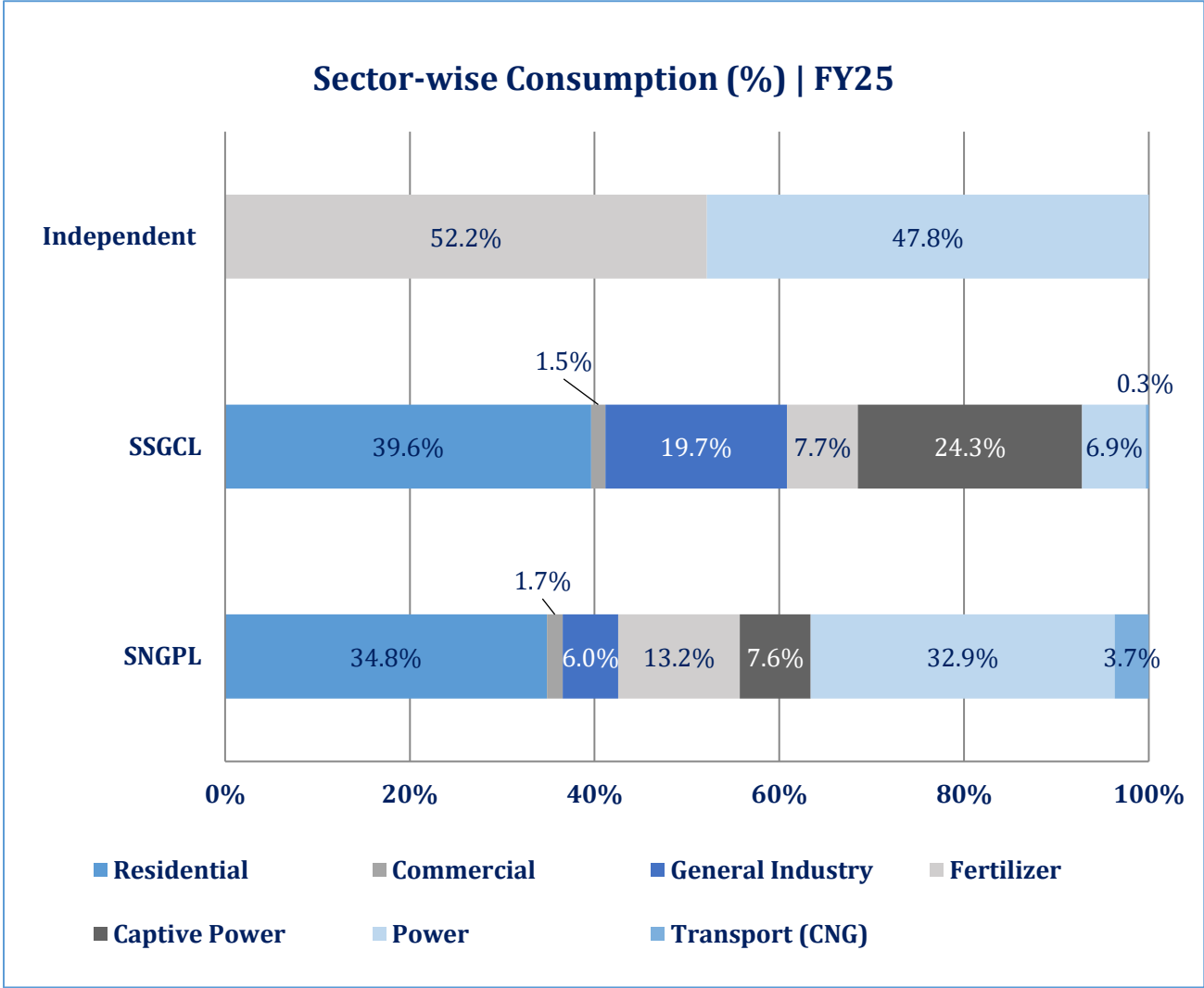
Local | Demand

- Natural gas consumption shifted noticeably across sectors in 9MFY26, with the largest decline seen in the industrial segment. Industry’s share of total gas consumption fell from ~17% in 9MFY25 to ~13% in 9MFY26, reflecting weaker industrial demand and a growing shift toward alternative energy sources such as solar, coal, biomass, and self-generation.
- In contrast, household and fertilizer consumption increased modestly from ~25% to ~26% and ~24% to ~26%, respectively. Power generation remained broadly stable, with its share rising slightly from ~31% to ~32%. Transport CNG and other uses remained unchanged at ~2% and ~1%, respectively.
- Overall, high gas costs and the availability of alternative energy sources are encouraging industrial users to reduce their reliance on pipeline gas.



Distribution | Gas

Local | Demand



Note: Data is latest available.

Distribution | Gas

Local | Business Risk | UFG

- UFG (Unaccounted For Gas) implies gas loss, which is contingent upon the occurrence of various factors when gas flows from the fields to the end consumers. This includes gas leakages, technical faults, theft and other factors.
- 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:

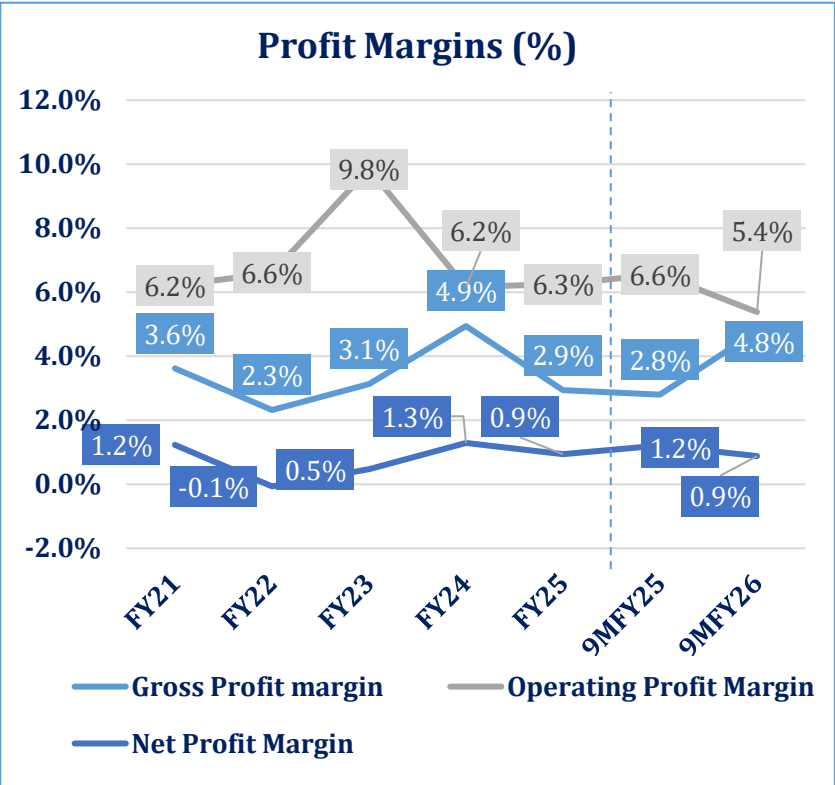
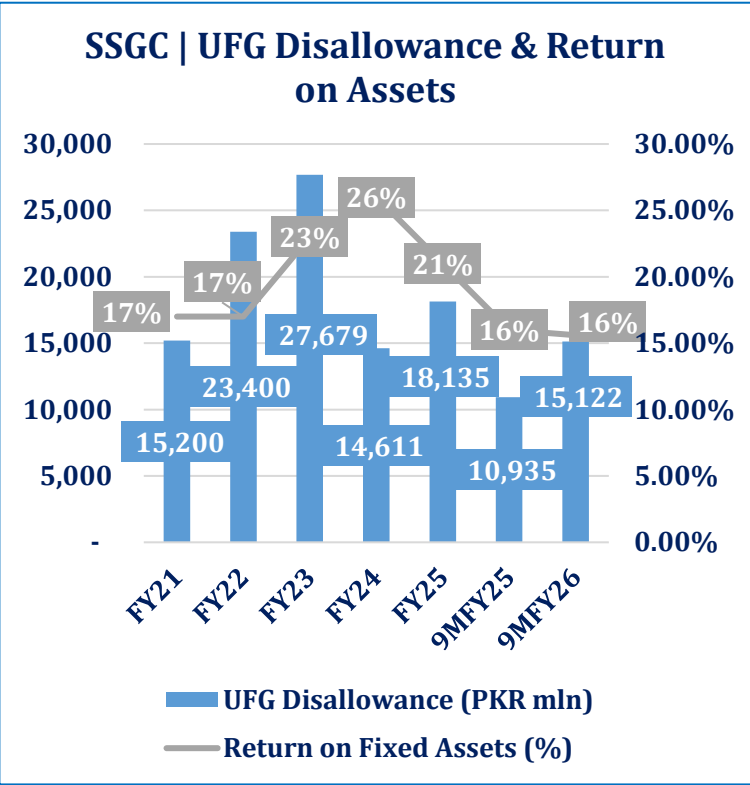
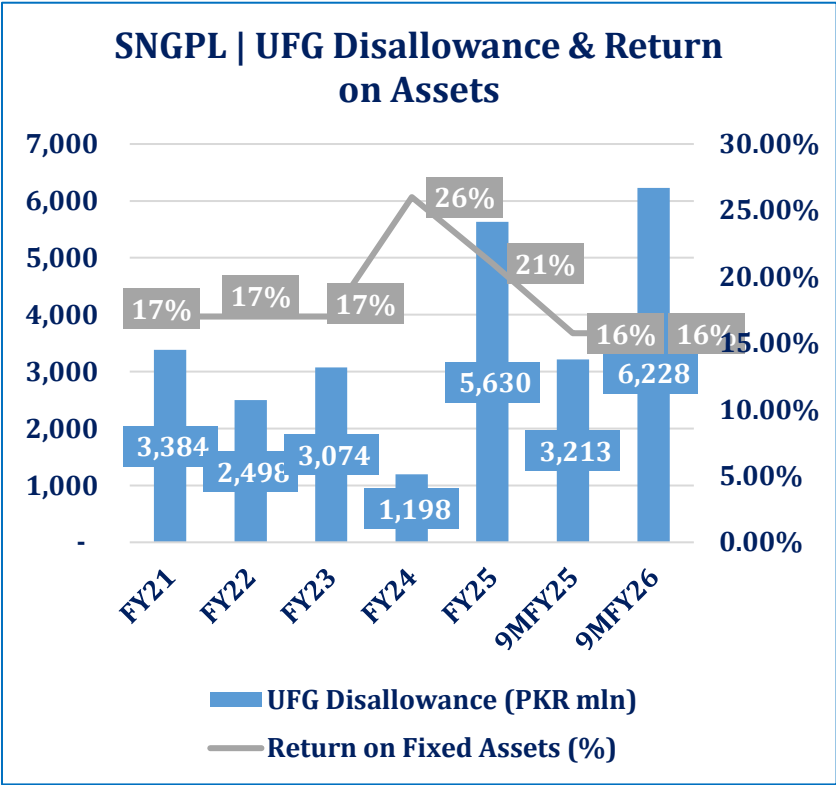
$$\text{UFG Allowance} = \text{Gas Received} \times (\text{Rate1} + \text{Rate2} \times \beta)$$

- **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 FY25, SSGC's UFG stood at ~10.09% (company-claimed) against OGRA's determination of ~12.07%, both above the regulatory benchmark of ~7.46%. Balochistan remained the largest contributor to disallowed UFG despite representing under ~14% of total gas volumes, continuing the pattern seen in FY24 (~37.9% regional UFG rate).
 - SNGPL's UFG rose modestly to ~5.27% in FY25 from ~4.93% in FY24, with UFG-related losses totaling approximately 30 BCF and PKR~30bn annually. As per OGRA's UFG determination methodology, any losses above the fixed benchmark are treated as a disallowance and deducted from the respective utility's allowed revenue

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 profitability, gross profit margin improved to ~4.8% in 9MFY26 (9MFY25: ~2.8%), while operating profit margin declined to ~5.4% (9MFY25: ~6.6%). Meanwhile, net profit margin stood at ~0.9%, compared to ~1.2% in 9MFY25.

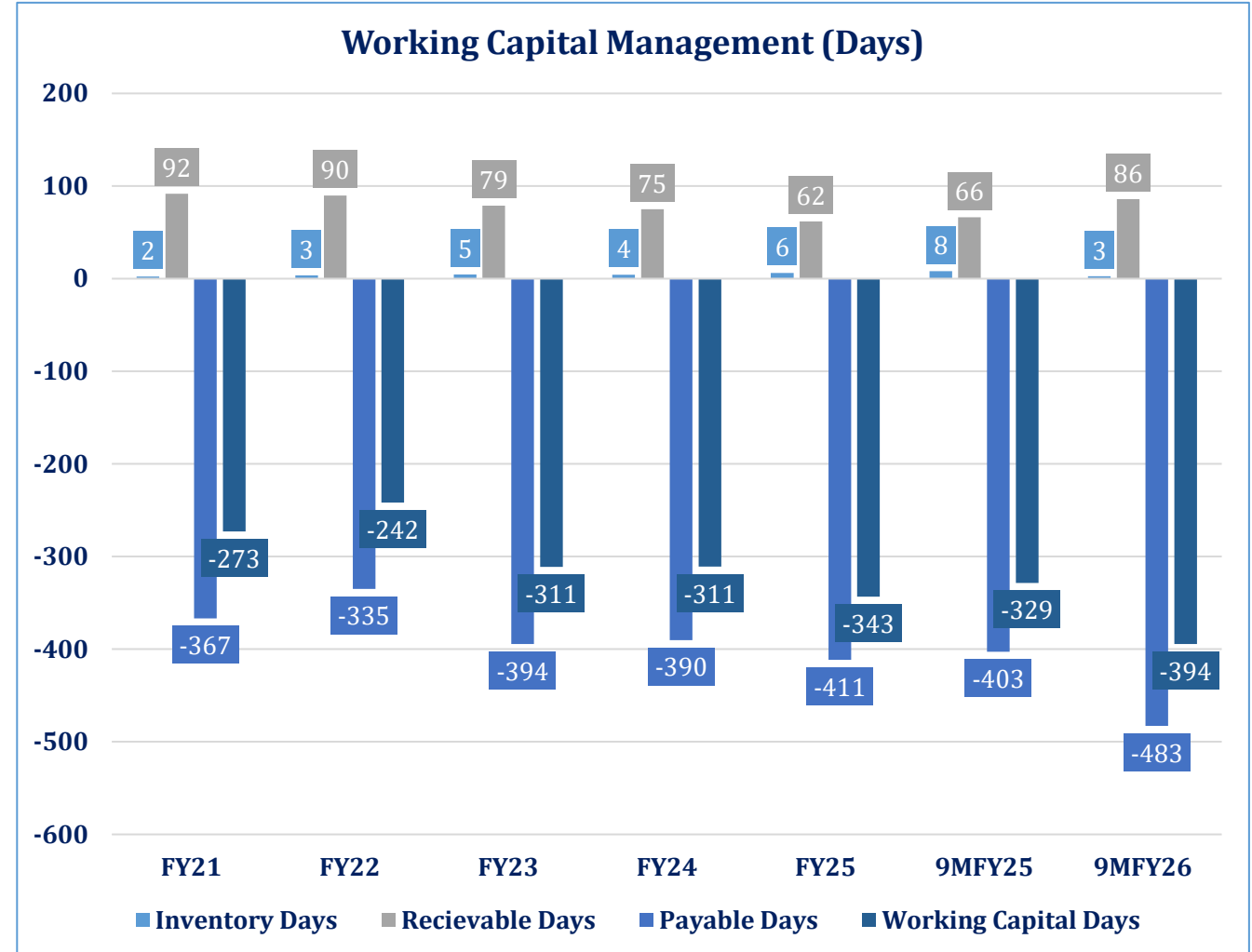


Note: Margins are reflective of 2 PACRA-rated/listed companies.

Distribution | Gas

Financial Risk | Working Capital Management

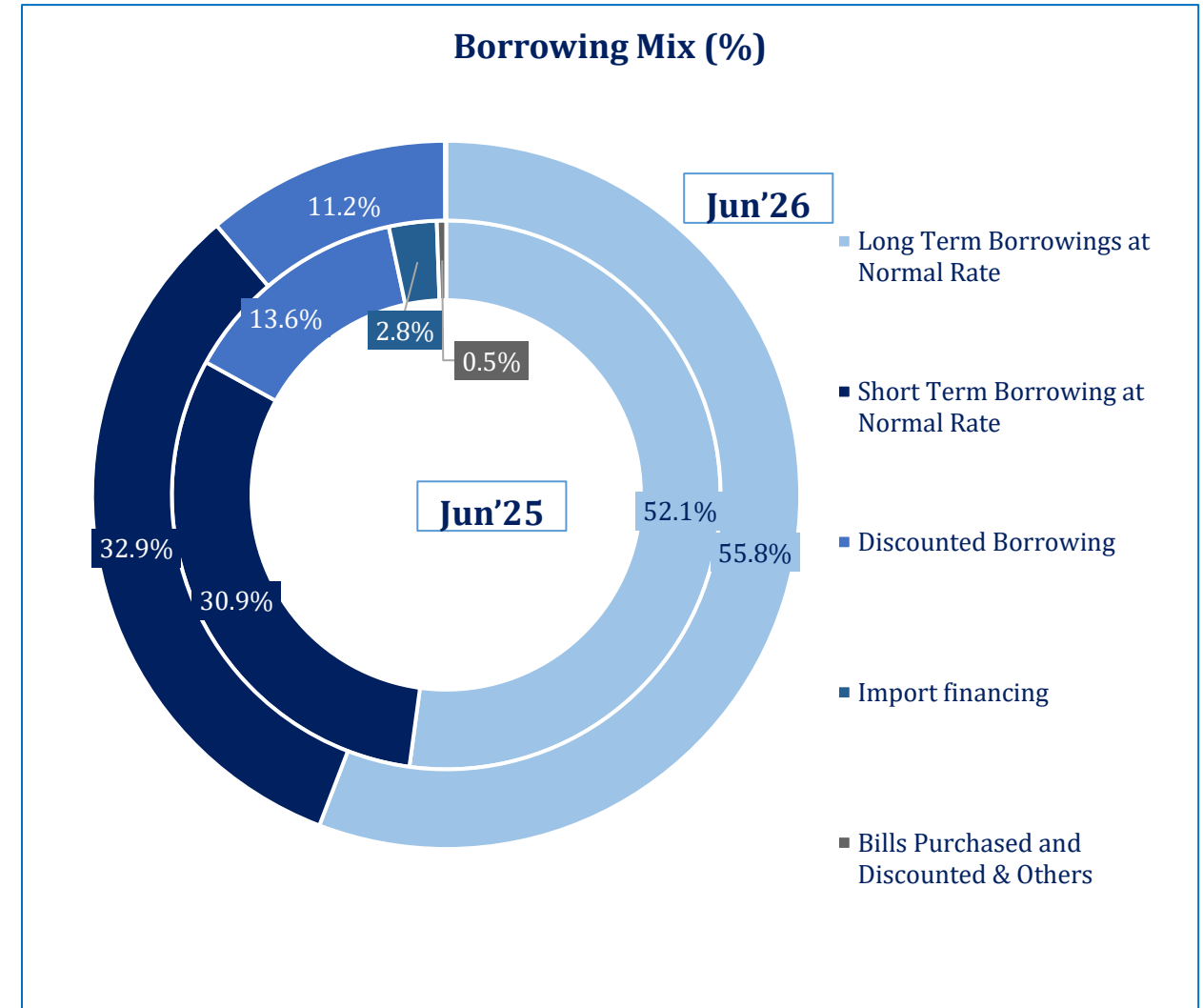
- The Sector's working capital cycle became more negative, moving from ~-329 days in 9MFY25 to ~-394 days in 9MFY26. Receivable days increased from ~66 to ~86 days as distributors continued to face a gap between the cost of gas and tariffs charged to consumers. Lower notified tariffs and delayed recovery of tariff differentials increased outstanding receivables.
- Inventory days, meanwhile, declined from ~8 to ~3 days, but had limited impact on the overall cycle.
- The main driver of the negative working capital cycle was payable days, which increased from ~403 to ~483 days, meaning distributors took around 16 months to pay suppliers. This reflects insufficient cash collections, as distributors struggled to recover the full cost of gas, and unpaid amounts accumulated as dues to gas producers and LNG suppliers. Weaker industrial demand, particularly as captive power plants shifted toward solar, coal and self-generation, further reduced cash generation.



Distribution | Gas

Financial Risk | Borrowing Mix

- Total borrowings of the segment “*Manufacture of gas; distribution of gaseous fuels through mains*” as per SBP, stood at PKR~12.7bln as of End-Jun’26 (End-Jun’25: PKR~8.9bln), up ~43.1%% YoY.
- Long-term borrowings at normal rates formed ~55.8% of total borrowings as at End-June’26 (End-Jun’25: ~52.1%) and stood at PKR~7.1bln (End-Jun’25: PKR~4.6bln), up ~53.2% YoY.
- Short-term borrowings at normal rates, as at End-Jun’26, made up ~32.9% of the total borrowings (End-Jun’25: ~30.9%) and went up by ~53.2% YoY to clock in at PKR~4.2bln (End-Jun’25: PKR~2.7bln).
- Meanwhile, discounted borrowings (LTFF) represented ~11.2% of total borrowings (End-Jun’25: ~13.6% of total borrowings) and stood at PKR~1.4bln as at End-Jun’26 (End-Jun’25: PKR~1.2bln).



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

Distribution | Gas

Local | Natural Gas Pricing

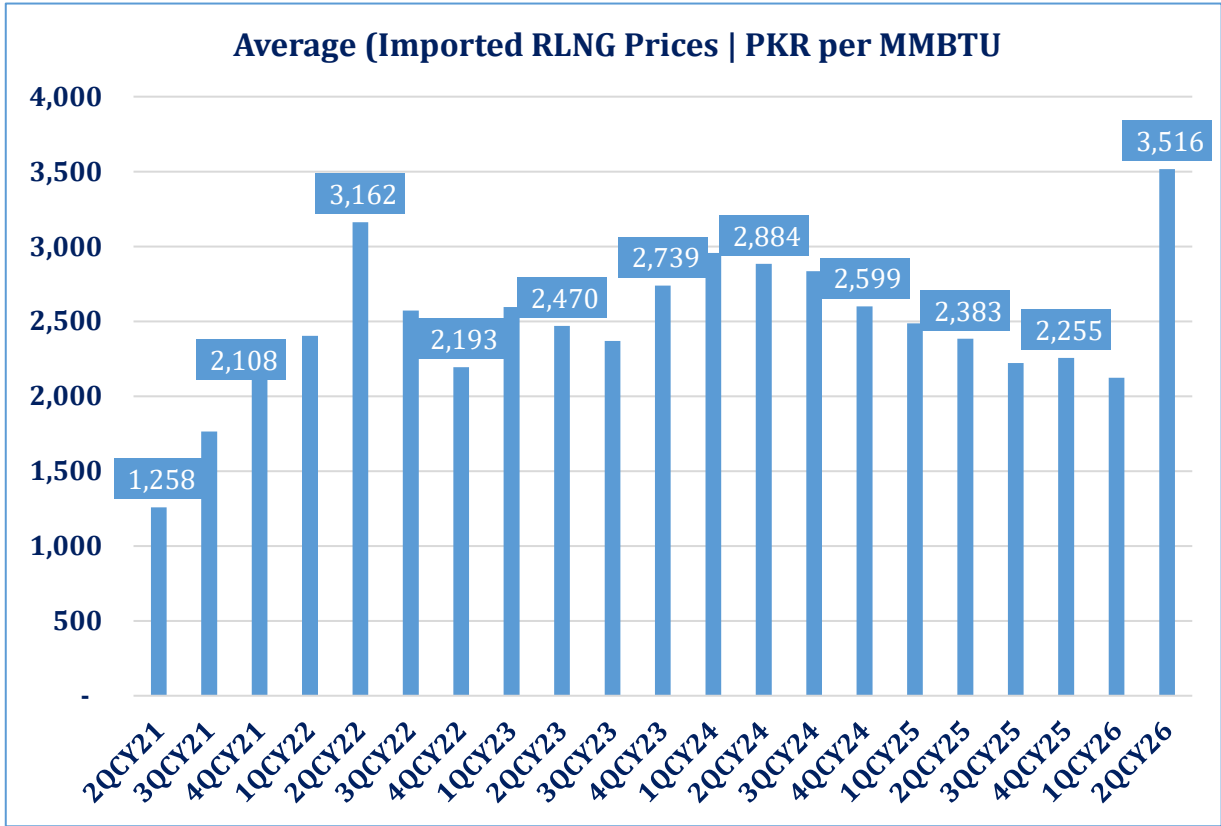
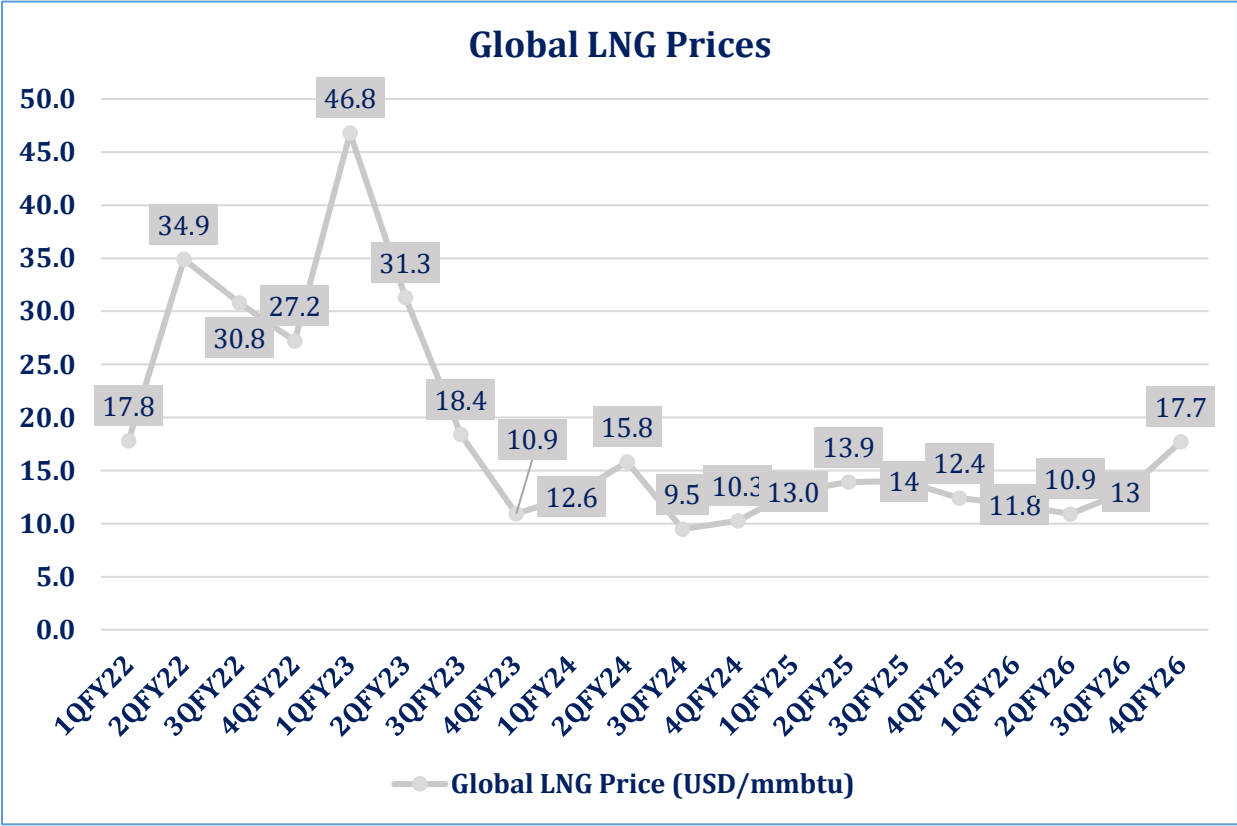
- OGRA calculates the average prescribed price, the average cost of providing gas for each licensee based on their annual operations and revenues.
- It then sends these prices to the Federal Government, which advises on the final consumer sale prices for each customer category.

Consumers	Jan'23	Nov'23	July'25	Consumers	Nov'23	Oct'23	Feb'24	Jul'24	Jul'25
Domestic (Protected)				Fertilizer Company (Feed Stock)	580	580	1,597	1,597	1,597
Up to 0.25hm ³ /mo	121	200	200	Fertilizer Company (Fuel Stock)	1,580	1,580	1,597	1,597	1,597
Up to 0.5hm ³ /mo	150	250	250	Export-Oriented (General Industry & Captive)	2,400	2,400	2,750	2,750	3,500
Up to 0.6hm ³ /mo	200	300	300	Power Stations and IPPs	1,050	1,050	1,050	1,050	1,225
Up to 0.9hm ³ /mo	250	350	350	General Industry	2,500	2,500	2,150	3,000	2,300
Domestic (Non-Protected)				Cement Factories	4,400	4,400	4,400	4,400	4,400
Up to 0.25hm ³ /mo	300	500	500	Commercial & Ice Factories	3,900	3,900	3,900	3,900	3,900
Up to 0.6hm ³ /mo	600	850	850	CNG	3,600	3,600	3,750	3,750	3,750
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						

Distribution | Gas

Local | RLNG Pricing

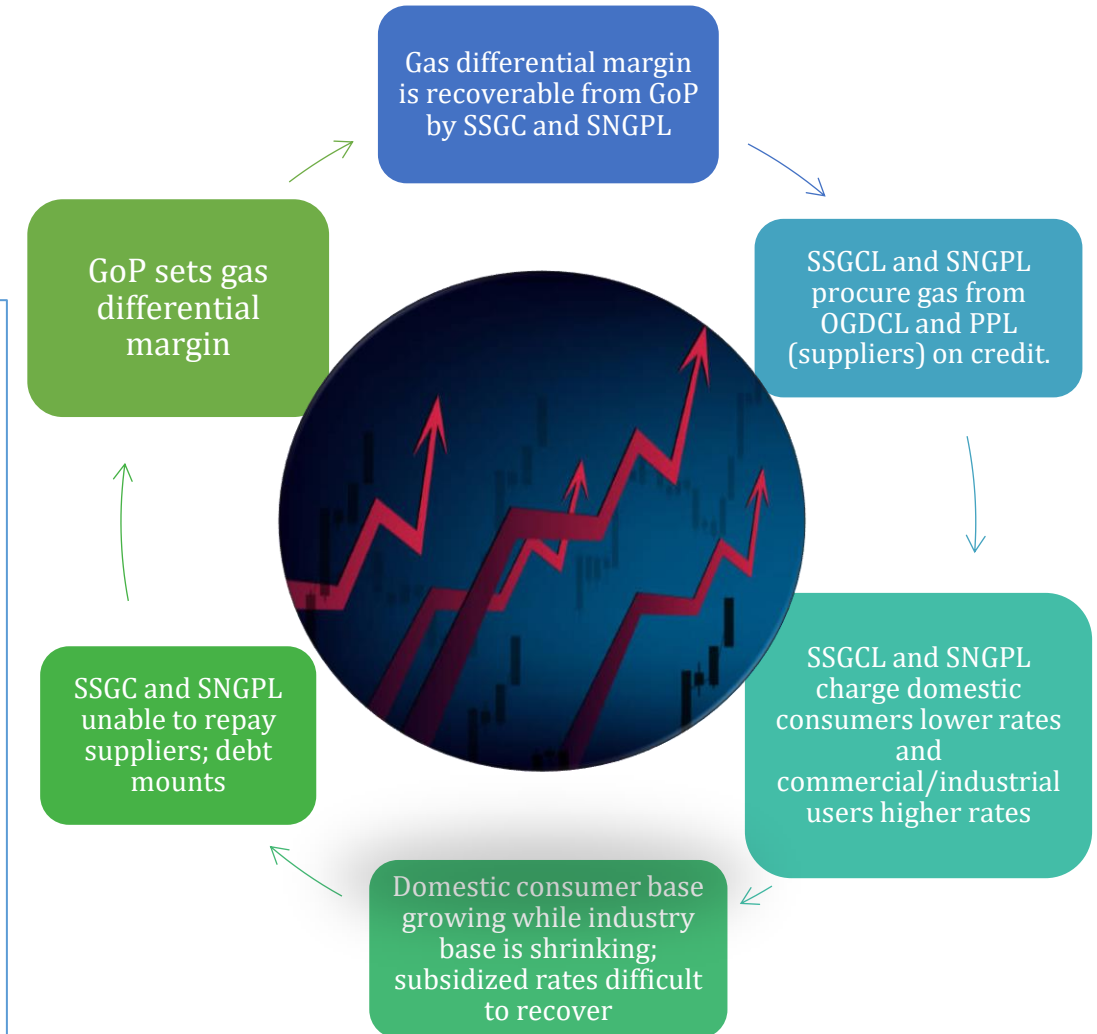
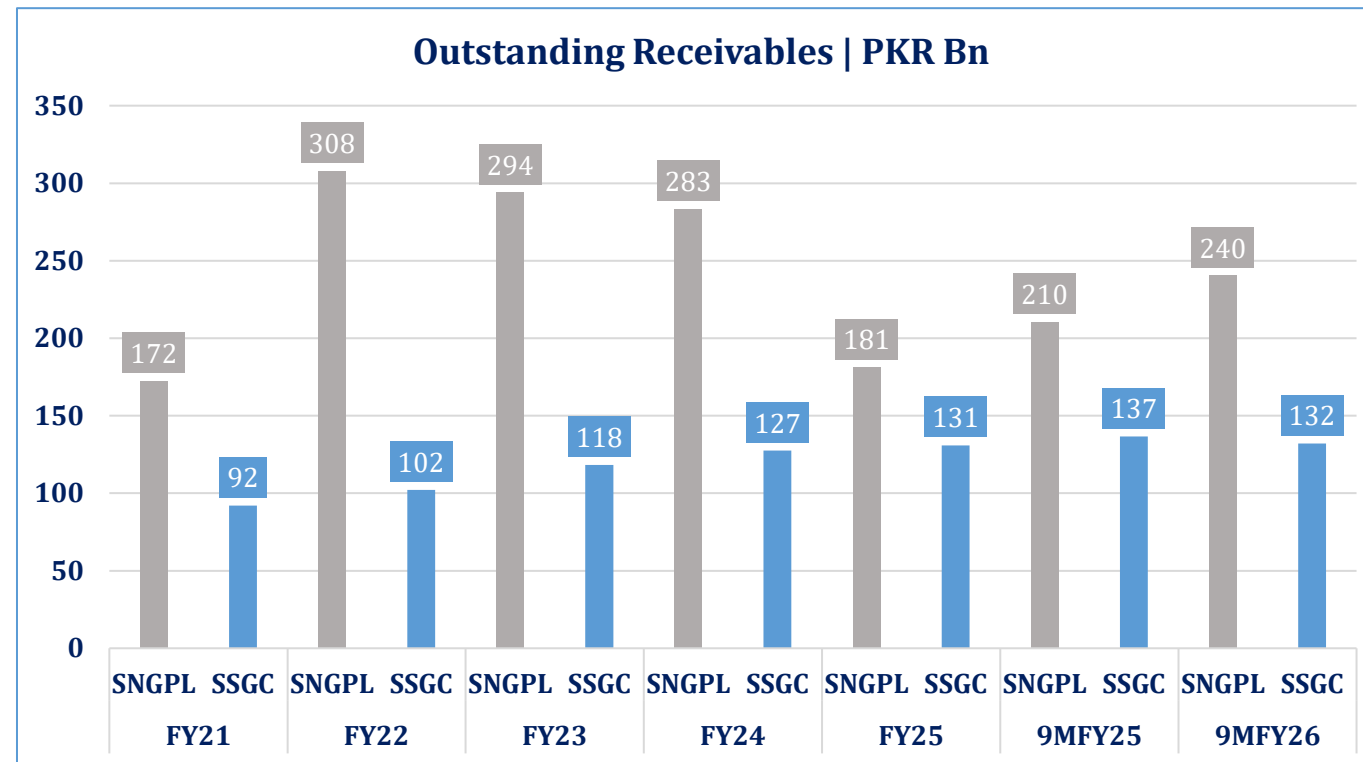
- Global LNG prices remained relatively stable through 1Q–3QFY26, ranging between ~USD10.9–13.0/MMBtu. However, prices increased sharply in 4QFY26, rising to ~USD17.7/MMBtu.
- Imported RLNG prices also reversed their earlier decline, rising from ~PKR2,255/MMBtu in 4QCY25 to ~PKR3,516/MMBtu in 2QCY26, an increase of ~56%. This was the highest level in the series and broadly reflects the same global supply disruptions. The increase marks a reversal of the price relief seen during CY25 and highlights Pakistan's exposure to international LNG price volatility.



Distribution | Gas

Financial Risk | Circular Debt

- Pakistan's gas sector circular debt reached PKR~3.4tn, or 2.7% of GDP, as of December 2025.
- SNGPL's receivables increased to PKR~240bn in 9MFY26 from PKR~210bn in 9MFY25, while SSGC's declined marginally to PKR~132bn from PKR~137bn. This reflects a notable buildup in SNGPL's receivables, in contrast to the relatively stable position of SSGC.



Distribution | Gas

Recent Developments | Gas Pipelines

- The Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline is designed to transport up to ~33bcm of natural gas annually (~3.2bcfd) from Turkmenistan through Afghanistan to Pakistan and India, with Pakistan's planned offtake at ~1.3bcfd. The project remains important for diversifying Pakistan's gas supply amid declining indigenous production.
- Construction activity on the Afghanistan section has accelerated, with Afghanistan's Ministry of Mines and Petroleum reporting that ~102 km of pipeline had been laid as of Jul'26. Turkmenistan is targeting completion of the first leg up to Herat by end-CY26, although a firm timeline for extending the pipeline further towards Pakistan has not yet been announced.
- Accordingly, TAPI remains a medium- to long-term gas supply option for Pakistan rather than a near-term source, with further progress dependent on completion of the Afghan section, financing and coordination across participating countries. This assessment reflects the fact that construction is currently concentrated around the first Afghan leg.
- Under the Iran-Pakistan (IP) Gas Pipeline, Pakistan had approved development of an initial ~80 km segment from the Iran border towards Gwadar in Feb'24. However, the project remains stalled amid U.S. sanctions and unresolved contractual issues, while Pakistan and Iran continue discussions over its implementation.
- As of Aug,'26, Pakistan is seeking up to a ~50% reduction in the price of Iranian gas along with lower contracted volumes to improve the project's commercial viability. Current government estimates place IP gas at around USD10.6/mmBtu at USD80/bbl Brent, compared with ~USD9.18/mmBtu for LNG under PSO's SPA-2, while progress on the pipeline would also remain dependent on relief from U.S. sanctions.



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.

Distribution | Gas

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.

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 bowzers.
- 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.

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	

Distribution | Gas

Local | LPG Licenses

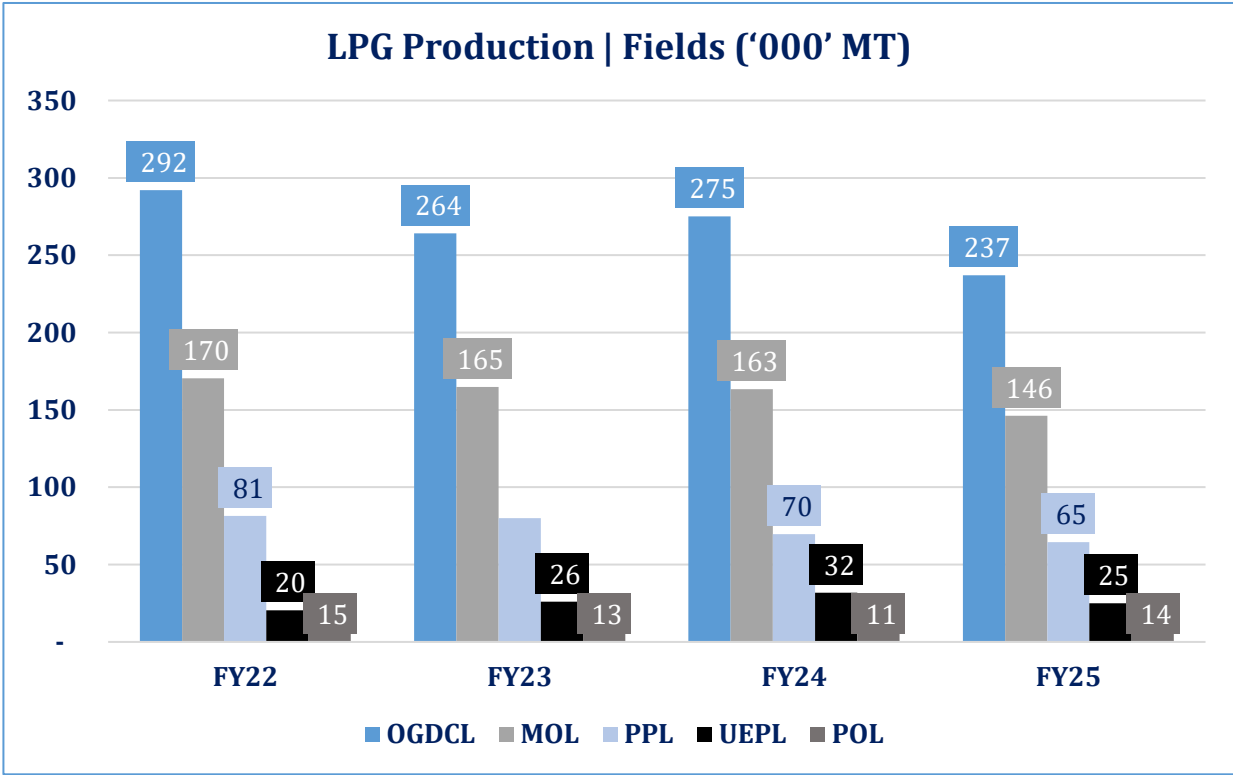
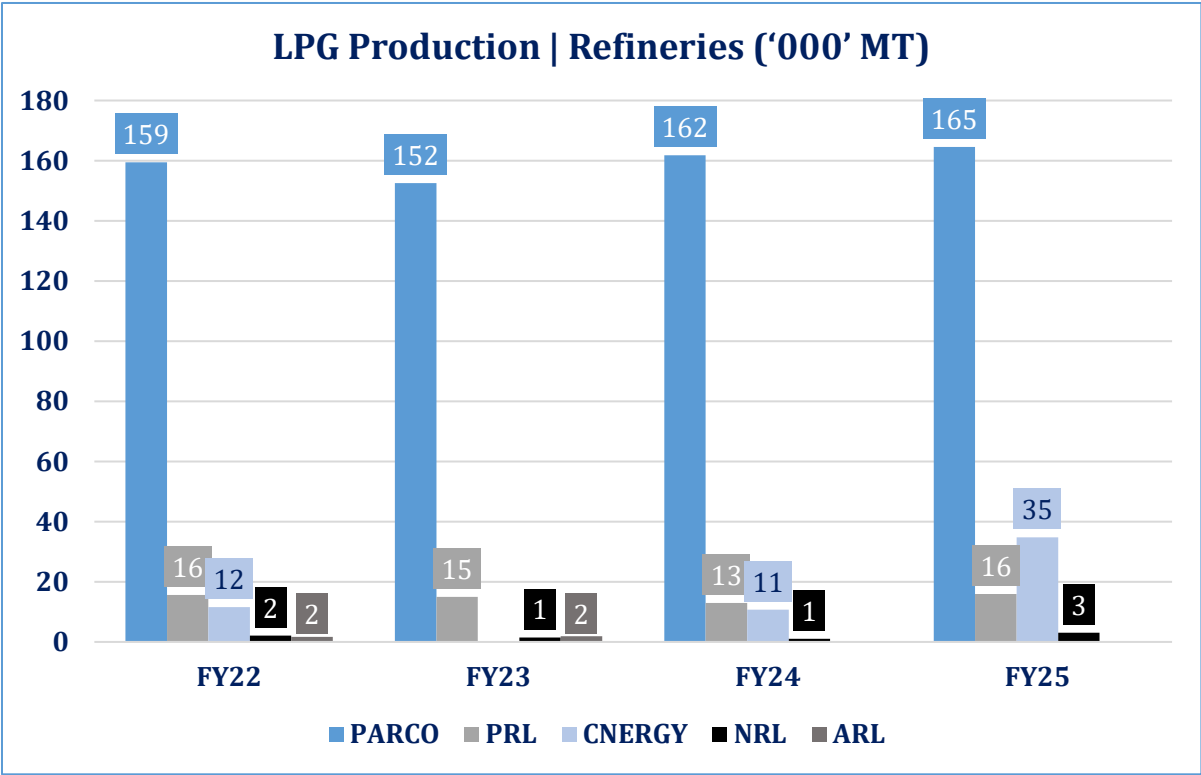
- OGRA has simplified the procedure for granting LPG licenses, and the same is granted on a fast-track basis once the requirements are met.
- During 9MFY25, ~29 permits for the operation of LPG storage & filling plants, ~100 licenses for the construction of LPG storage & filling plants and ~47 licenses for road bowzers 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 Bowzers)			
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

Distribution | Gas

Local | Supply | LPG Extraction & Processing

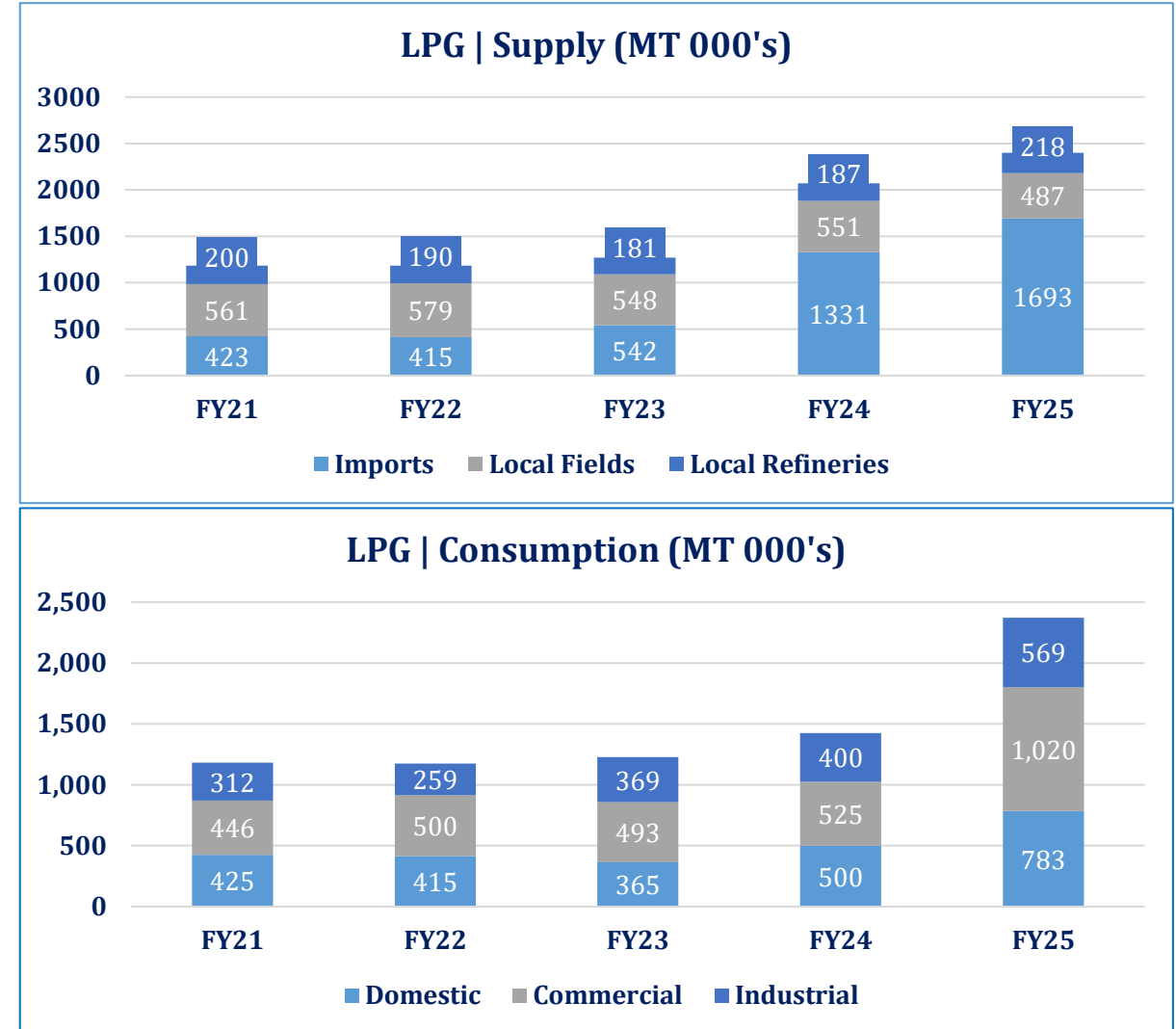
- In FY25, total LPG production declined ~4.4% YoY to ~704,911 MT, with ~69% sourced from gas fields and ~31% from refineries. Field-based LPG fell ~11.6% to ~486,561 MT, in line with declining domestic gas production due to mature fields and limited new discoveries.
- Refinery-based LPG, however, rose ~17.0% to ~218,350 MT, supported by an increase in refinery throughput as higher petroleum demand encouraged greater refinery utilization.
- Overall, the decline in LPG supply was driven by structurally lower field production, partly offset by higher refinery output.



Distribution | Gas

Local | Production & Consumption

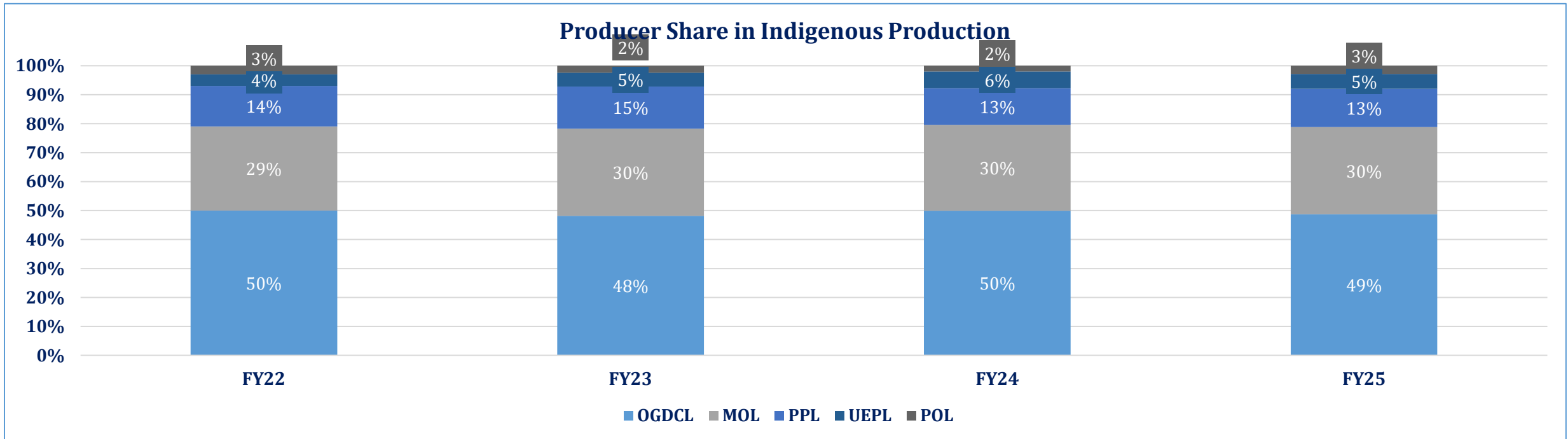
- Pakistan's LPG supply rose to ~2.4 million MT in FY25 from ~2.1 million MT in FY24, driven primarily by a ~27% increase in imports, which accounted for ~71% of total supply in FY25. Field-based output declined ~11.6% on continued depletion, while refinery-based output grew ~17% on higher throughput.
- On the demand side, consumption rose sharply, with commercial demand overtaking domestic as the largest segment, and industrial demand up ~42%.
- This shift plausibly reflects fuel-switching by commercial and industrial gas users away from natural gas, following limited availability of local natural gas, captive-power gas tariff hikes and government policy to phase out captive generation, pushing affected users toward LPG as a substitute fuel, especially for new connections.
- With Jamshoro Joint Venture Limited's (JJVL) LPG-NGL extraction plant having resumed operations in late 2025 after a five-year closure, FY26 field-based LPG production could see a modest uplift relative to FY25, assuming the plant ramps toward its historical output levels and gas supply from SSGC remains uninterrupted under the newly agreed revenue-sharing arrangement.



Distribution | Gas

Local | LPG Local Player-wise Supply

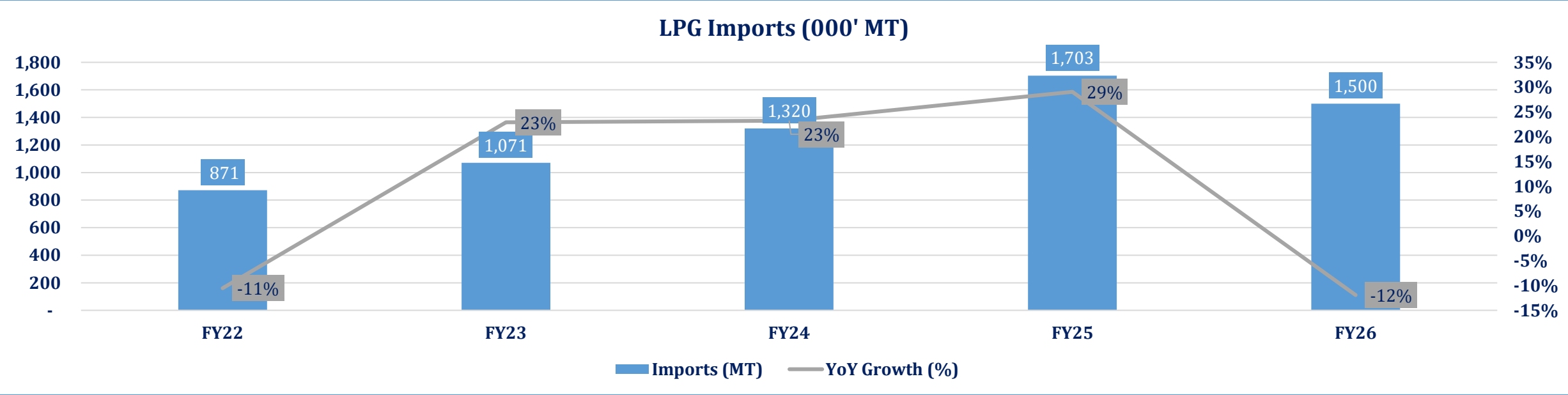
- OGDCL holds the largest share in the indigenous LPG production segment, making it the market leader in exploration and production activity. As of FY25, the company's exploration acreage represented a share of ~40% in Pakistan's area under exploration. In terms of production, OGDCL contributed to ~49%, ~28% and ~34% of the country's total Crude Oil, Natural Gas, and LPG production, respectively, during FY25.
- OGDCL's upcoming projects could partly offset the decline in field-based LPG production. Dakhni Compression, KPD-TAY Compression, Sinjhora Phase-II and Bettani Development are expected to add ~373 MTPD of LPG capacity by FY27, equivalent to ~136,000 MT annually at full capacity. Given OGDCL's ~49% share of field-based LPG production, these projects should provide some support to domestic LPG supply, subject to timely completion and ramp-up.



Distribution | Gas

Local | LPG Imports

- LPG imports declined by ~12% YoY to ~1.50mn MT in FY26 from ~1.70mn MT in FY25, breaking four consecutive years of growth. The decline was driven by stronger local production, which increased by ~15.5% in FY26, reducing reliance on imported LPG. At the same time, higher international LPG prices pushed up import costs, with import value rising ~3.2% to USD~1.09bn despite lower volumes.
- Government targets point to a slowdown in LPG import growth in FY27. Import target for FY27 has been set at ~1.6mn tonnes, only slightly above FY26's ~1.5mn tonnes. Geopolitical risk remains a concern, as renewed tensions with Iran could push up LPG prices and disrupt supplies. Growing imports from Iran could help keep costs lower, but increase reliance on the overland route. Meanwhile, the local production target of 0.75mn tonnes is below FY26's actual output of 0.90mn tonnes. If domestic production again exceeds the target, it could further limit imports.

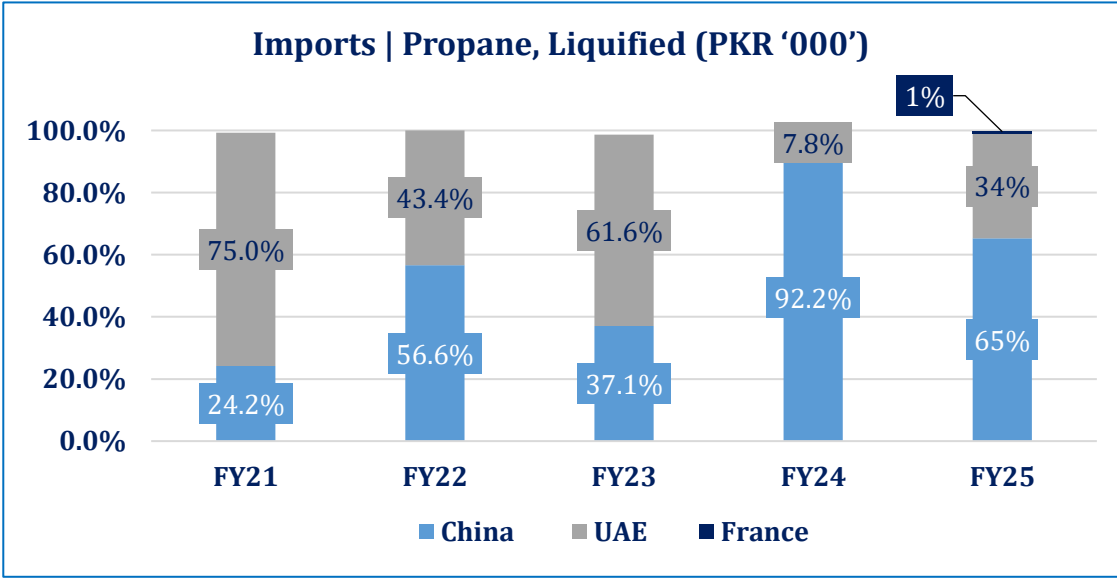
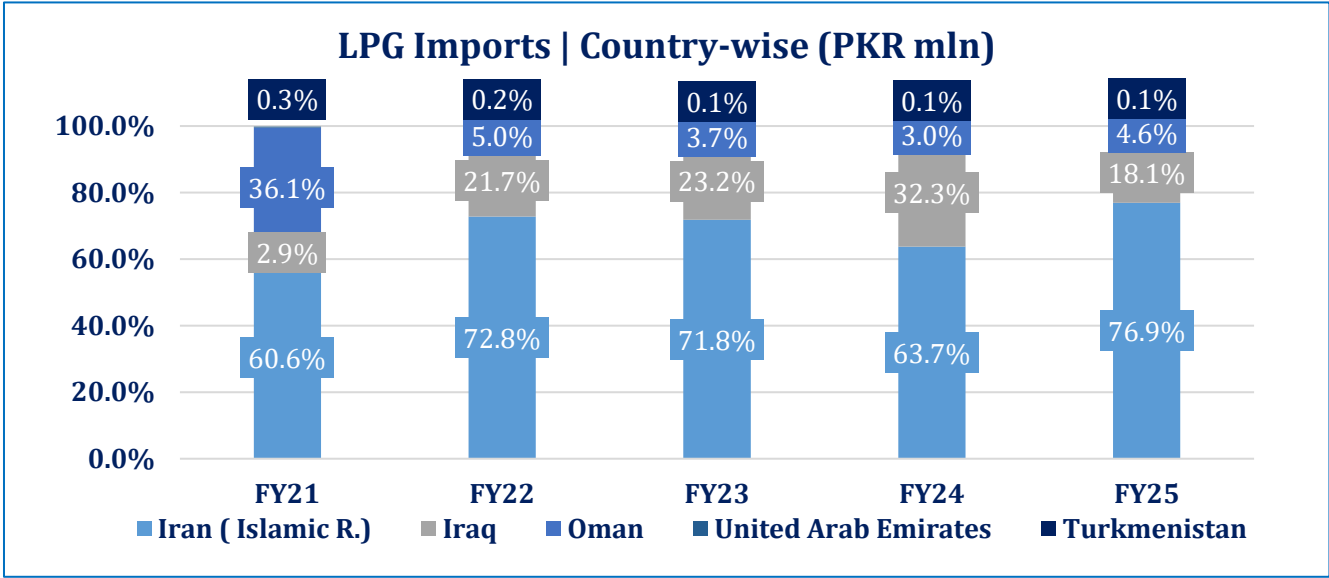


Note: Data pertains to HS Code 2711.1910 for LPG,, and is representative of latest figures available.

Distribution | Gas

Local | LPG Imports

- Pakistan's LPG sourcing mix shifted significantly toward Iran in FY25, with Iran's share of import value rising from ~63.7% in FY24 to ~76.9%, while Iraq's share declined from ~32.3% to ~18.1%. Oman's share rose from ~3.0% to ~4.6%, while Turkmenistan remained negligible.
- The shift toward Iran continues a multi-year trend, largely sourced through overland trade via the Gabd-Rimdan/Taftan crossing in Balochistan, which offers a cost advantage over seaborne Gulf supplies.
- For propane imports, the sourcing mix also changed, with China's share falling from ~92.2% to ~65.0%, while the UAE's share rose from ~7.8% to ~34.0%.
- The 2026 US-Iran conflict disrupted overland LPG trade through the Gabd-Taftan crossing, with a temporary US sanctions waiver (General License X, effective through August 21, 2026) subsequently permitting a limited resumption of Iran-Pakistan energy trade discussions.

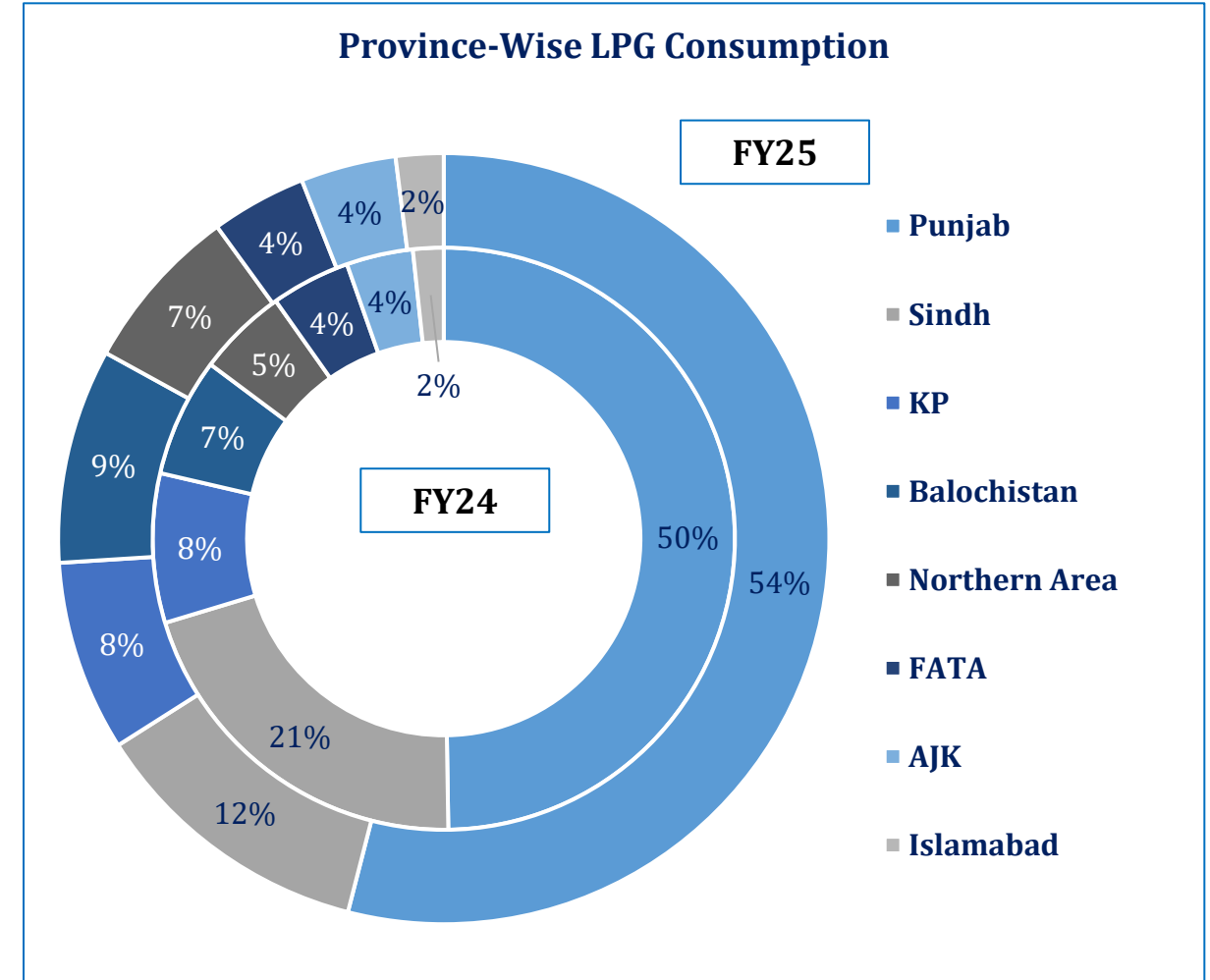


Note: Data pertains to HS Codes 2711.1200 and 2711.1910 for Propane and LPG, respectively, and is representative of latest figures available.

Distribution | Gas

Business Risk | Province-wise LPG Consumption

- LPG consumption remained heavily concentrated in Punjab, with its share increasing from ~49.8% in FY24 to ~54.0% in FY25. In contrast, Sindh recorded the largest decline in share, falling from ~20.6% to ~12.0%. This may partly reflect Sindh's relatively greater access to piped natural gas through SSGC, which may have reduce reliance on LPG among connected consumers. At the same time, weaker industrial and commercial fuel demand and relatively high LPG prices have also constrained consumption in the province.
- Other provinces saw smaller changes, with Balochistan's share rising from ~6.6% to ~9.0% and the Northern Areas from ~5.0% to ~7.0%, while Khyber Pakhtunkhwa remained broadly stable at ~8.0%. Overall, the data suggest a shift toward Punjab, which accounted for more than half of total LPG consumption in FY25, while Sindh's contribution declined notably.



Distribution | Gas

Local | LPG Pricing

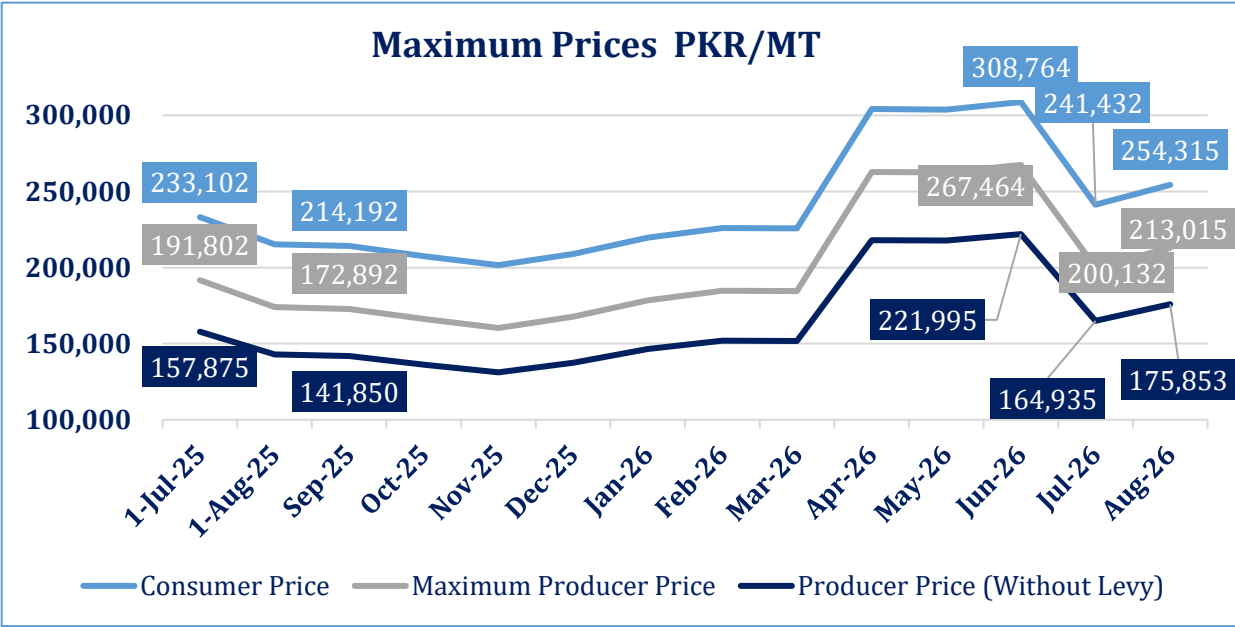
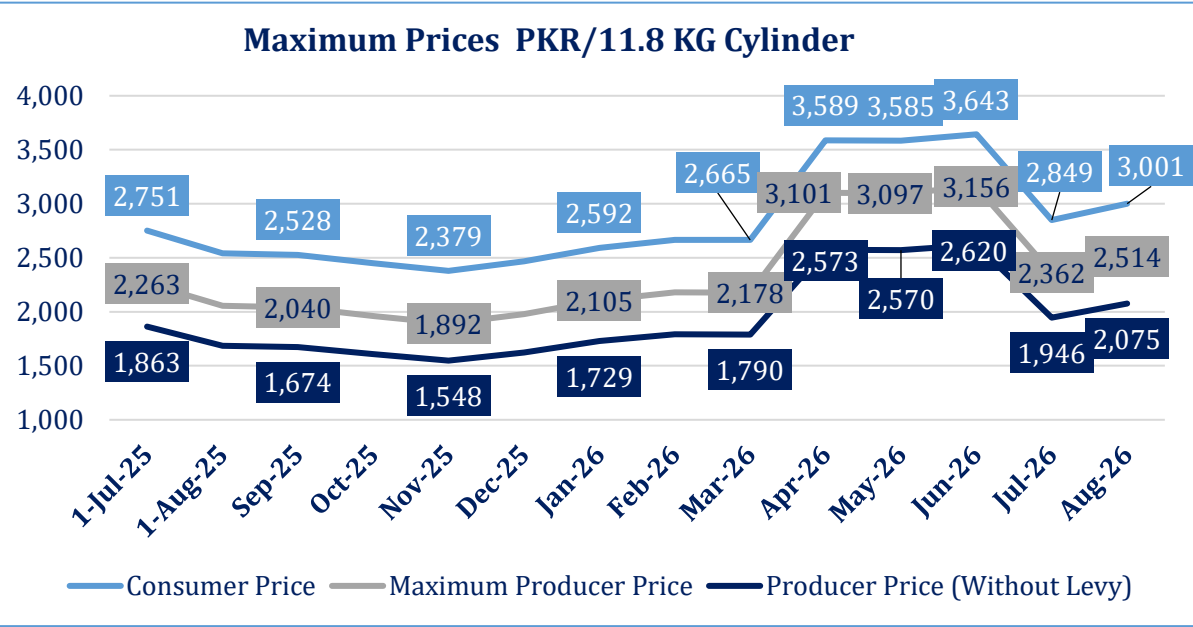
- The LPG Policy 2016 fixes the maximum LPG price at all levels of the supply chain.
- However, producers, marketing companies and distributors may sell below the maximum price determined from time to time.
- The price breakdown depicted is effective as of Aug'26.

Indigenous LPG Price Aug'26	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%)]	175,852	2075
ii. Petroleum Levy	4,669.0	55.1
iii. [i+ii]	180,521.5	2,130.2
iv. 18% GST of (iii)	22,493.9	383.4
v. Maximum Producer Price with GST [iii+iv]	213,015.4	2,513.6
(B) LPG CONSUMER PRICE		
i. Producer's Price (inclusive of GST)	213,015.4	2,513.6
ii. Breakup of Marketing, Distribution and Transportation margin <i>Marketing: PKR~17,000/MT; Distribution: PKR~10,000/MT; Transportation: PKR~8,000/MT</i>	35,000	413.0
iii. 18% GST of (ii)	6,300	74.3
iv. Maximum LPG Consumer Price [i+ii+iii]	254,315.4	3,000.9
v. Maximum LPG Consumer Price	PKR/KG	254.3

Distribution | Gas

Local | LPG Pricing

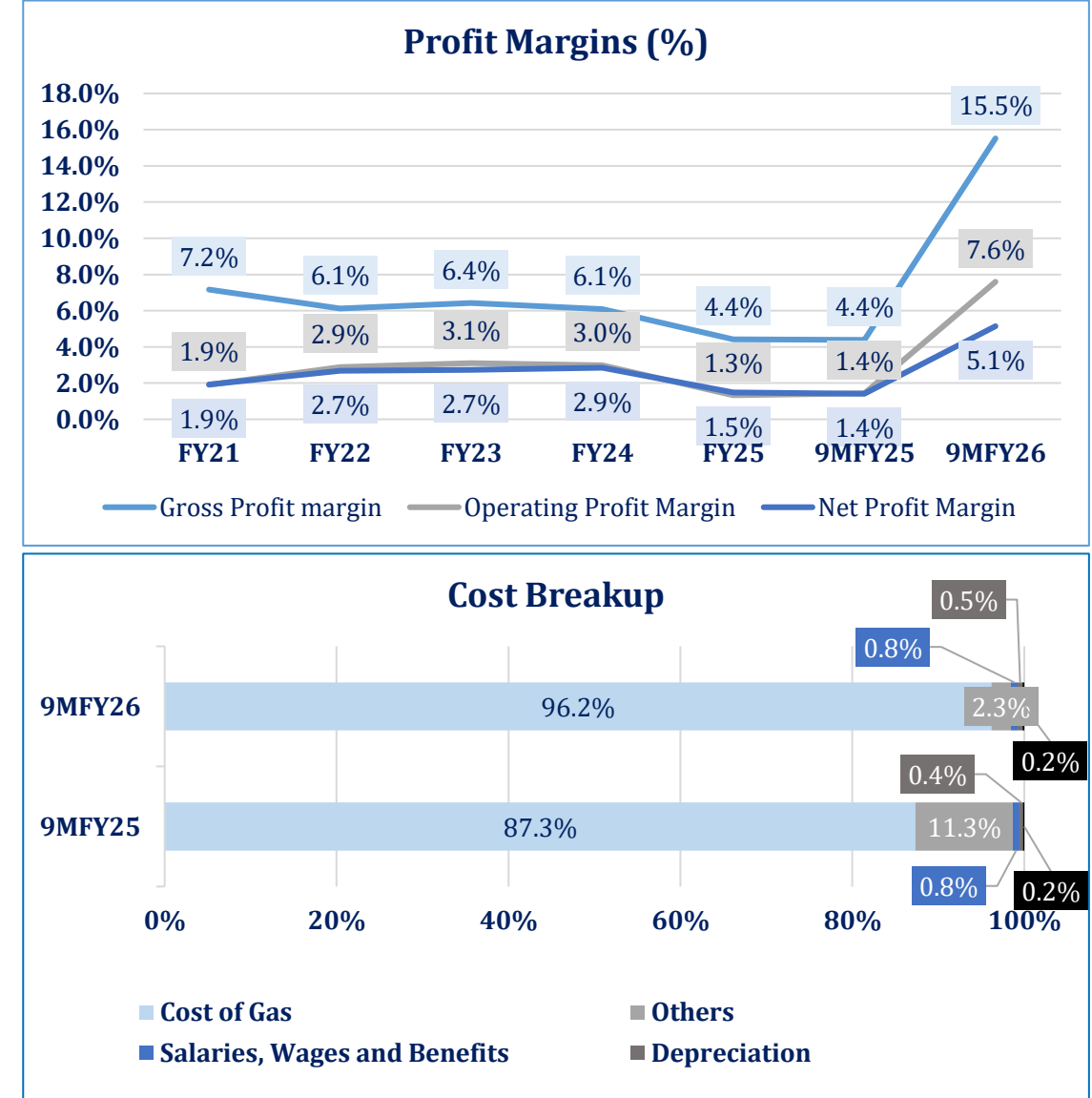
- LPG prices surged from March to June FY26, before falling sharply in July and partially recovering in August. The consumer price rose from PKR~2,665 per 11.8kg cylinder in March to a peak of PKR~3,643 in June, largely reflecting higher international LPG benchmarks amid the Iran conflict and Strait of Hormuz-related supply disruptions. The subsequent fall in Aramco CP led to a sharp ~22% decline in July to PKR~2,849, followed by a modest recovery to PKR~3,001 in August.
- Going forward, LPG prices are likely to remain volatile, with upside risks from international benchmark prices and Pakistan's continued reliance on imported LPG. Saudi Aramco raised its August propane CP to USD~620/MT, contributing to OGRA's ~5.4% increase in the domestic LPG price to PKR~254,315/MT. Import procurement also remains active, with PSO tendering ~2,500 MT and ~900 MT of imported LPG for August, while SSGC LPG continues to procure LPG through CFR-based bidding linked to the international CP benchmark. This suggests that domestic prices will remain sensitive to movements in international LPG benchmarks, freight costs and the PKR/USD exchange rate.



Distribution | Gas

Business Risk | Importers and Distributors

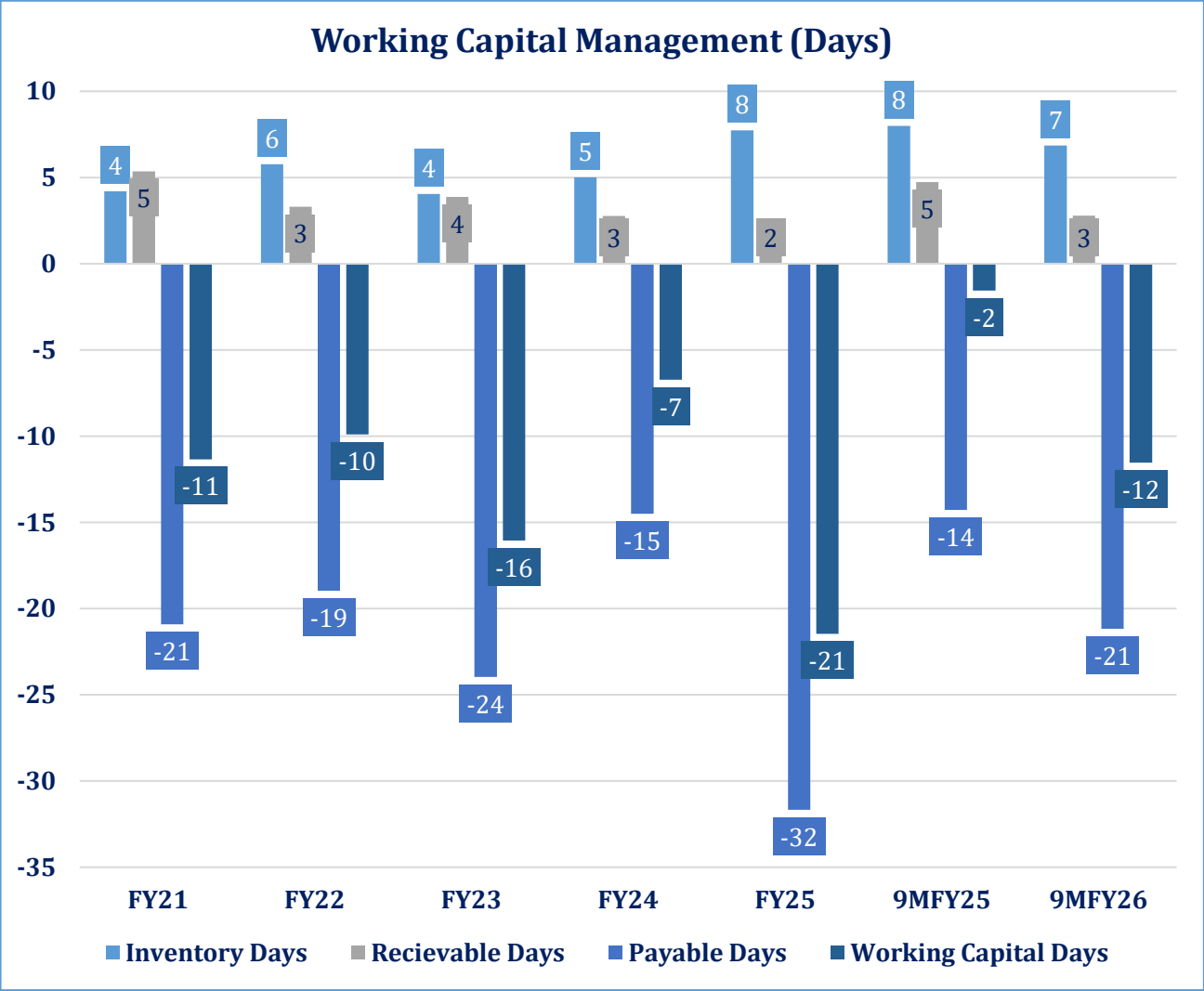
- Sector profitability remained under pressure through FY25, with gross margin declining from ~7.2% in FY21 to ~4.4% in FY25, while operating and net margins also fell to ~1.3% and ~1.5%, respectively. This reflected the sector's rising reliance on imported LPG, which is exposed to international prices, squeezing margins when procurement costs increased.
- The trend reversed sharply in 9MFY26, with gross margin rising to ~15.5%, operating margin to ~7.6%, and net margin to ~5.1%. The improvement was mainly supported by driven by declining international LPG prices relative to the regulated selling price ceiling. This significantly widened the spread between selling prices and input costs, resulting in a strong recovery across all profitability levels.
- The sector's cost of sales declined by ~24.7% YoY in 9MFY26, mainly reflecting lower LPG procurement costs and reduced import-related expenses. Within the cost structure, gas procurement remained the largest expense, increasing its share of total cost of sales from ~87.3% to ~96.2%, despite a decline of ~17.0% in its absolute cost.



Distribution | Gas

Financial Risk | Working Capital Management

- Working capital days moved from ~-2 in 9MFY25 to ~-12 in 9MFY26, mainly because payable days increased from ~14 to ~21 days. This means the Sector relied more on supplier credit in 9MFY26, while inventory and receivables were managed slightly more efficiently, with inventory days falling from ~8 to ~7 and receivable days from ~5 to ~3.
- Working capital days improved from ~-7 in FY24 to ~-21 in FY25, mainly due to a sharp increase in payable days from ~15 to ~32 days. Inventory days increased slightly from ~5 to ~8 days, while receivable days improved from ~3 to ~2 days. Overall, the change was driven mainly by higher payables, suggesting greater reliance on supplier financing in FY25, likely reflecting increased cost pressures and reliance on expensive imports.



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

Distribution | Gas

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.

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.

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.

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	FY26	FY27
Natural Gas (Gaseous State) (2711.1100)	Federal Excise Duty	PKR 10/ 1 Tariff Unit	PKR 10/ 1 Tariff Unit
	Custom Duty	5%	5%
RLNG (2711.1100)	Custom Duty	5%	5%
	Sales Tax	18%	18%
	Federal Excise Duty	PKR 10/ 1 Tariff Unit	PKR 10/ 1 Tariff Unit
	Additional Custom Duty	0%	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

Distribution | Gas

Local | SWOT Analysis

- Clean, safe, efficient, environmentally friendly fuel
- Duopoly: only SSGC & SNGPL in the sector
- Continually rising demand
- Capital-intensive; low entry barriers for incumbents
- Stringent regulatory approvals needed to enter
- Indigenous production; low cost

- Rising circular debt (largely a pass-through for SSGC/SNGPL & LPG via tariff mechanism not a direct margin hit)
- Exchange rate risk from rising import reliance; dwindling forex reserves (also largely pass-through, though timing gaps strain working capital)
- Rising gas theft, transmission & distribution losses (UFG) Declining local reserves
- Russia-Ukraine conflict raising LNG import competitiveness/cost



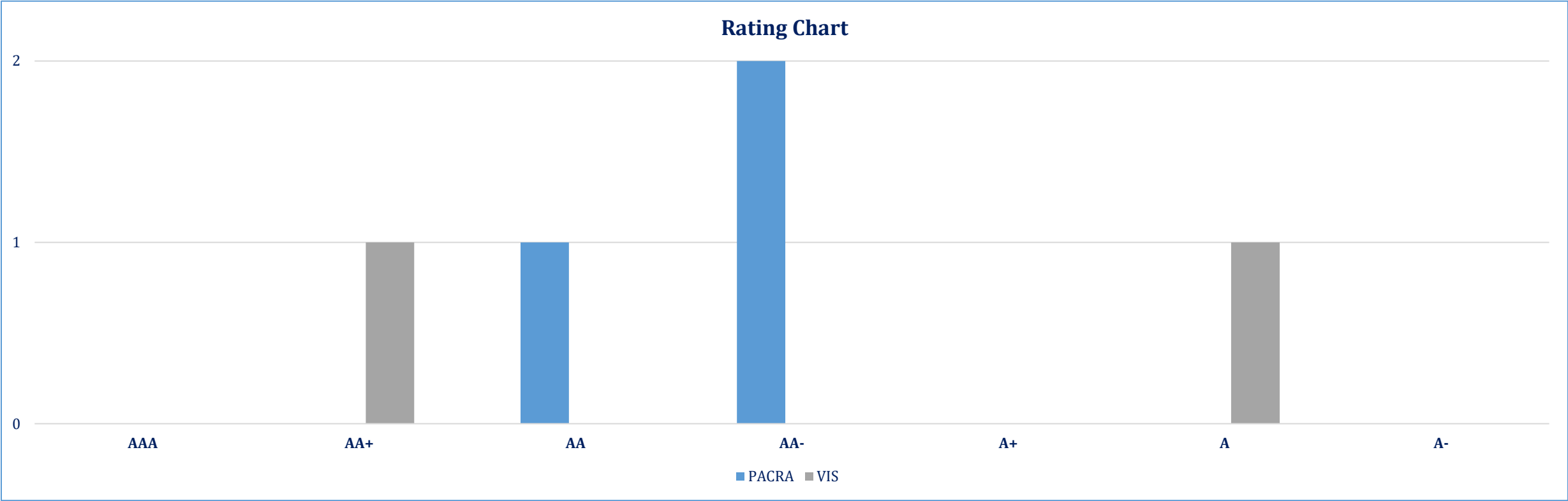
- Structural reforms requiring huge investments
- Greater reliance on imports.
- Supply gap, depleting reservoirs.
- Aging infrastructure
- Limited regassification capacity at the import stage.

- 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.



Distribution | Gas

Outlook: Stable

- Pakistan's GDP (nominal) in FY26 reached PKR ~126.9Tn, reflecting a YoY growth of ~11.3% in nominal terms, compared to ~8.3% in FY25. Within the economy, agriculture accounted for ~23.5% of GDP, industry contributed ~18.1%, while the services sector held the largest share at ~58.4%. Looking ahead, the GoP has projected real GDP growth of ~4.0% for FY27
- Indigenous gas supply is expected to remain on a structural decline, with production projected to fall from ~2,634 MMCFD in FY24 to ~1,266 MMCFD by FY34, reducing its share of total supply from ~73% to ~25%. In the near term, LNG demand is likely to remain subdued, with imports already falling from ~6.0mn MT to ~3.7mn MT in 9MFY26 as industrial and power-sector users shift toward solar and other alternatives. TAPI and IP pipelines could provide longer-term supply diversification, although delays make near-term impact uncertain.
- Gas distribution companies are likely to remain under financial pressure, with net margin falling from ~1.2% to ~0.9% and operating margin from ~6.6% to ~5.4% in 9MFY26. Working capital also remains stretched, with payable days increasing from ~403 to ~483 days, while circular debt reached ~PKR3.4tn by December 2025. Further tariff delays and weak cash recoveries could continue to pressure liquidity and borrowing requirements.
- LPG offers a relatively more favorable outlook, supported by fuel switching and higher indigenous supply. Local LPG production increased ~15.5% in FY26, while imports declined ~12% YoY to ~1.50mn MT. Further capacity additions of ~136,000 MT annually could support domestic supply, although the FY27 import target of ~1.6mn tonnes indicates continued import dependence. LPG prices and margins will therefore remain sensitive to Aramco CP, geopolitical risks, freight costs and PKR/USD movements.
- The government, with World Bank support, is considering restructuring SNGPL and SSGCL by separating transmission and distribution. The plan would create one National Gas Transmission Company (NGTC) and four provincial distribution companies. It also proposes a new Multi-Year Tariff (MYT) system, third-party access to pipelines and gradual opening of gas trading to private players, with ~20% of gas volumes potentially released in the first year. If implemented, the reform could improve cost transparency, UFG control and collections, helping address the sector's ~PKR3.4tn circular debt. However, the impact would likely be gradual rather than providing an immediate solution to the existing debt burden.
- The restructuring would also change how SNGPL and SSGCL generate and report margins, making historical profitability less directly comparable. Greater private-sector participation could increase competition and reduce the companies' current monopoly position. However, opposition from SNGPL/SSGCL and potential delays in implementation remain key risks, meaning the near-term impact on the sector's credit profile is likely to remain limited.

Bibliography

- PACRA Internal Database
- Oil and Gas Regulatory Authority (OGRA)
- Pakistan Bureau of Statistics (PBS)
- Ministry of Energy (Petroleum Division)
- Ministry of Finance (MoF)
- Pakistan Economic Survey 2023-24 (PES)
- Companies’ Financials
- Energy Information Administration (EIA)
- Global Energy Monitor
- BP’s Statistical Review of World Energy, 2024
- Organization for Economic Co-operation and Development (OECD)
- Observatory of Economic Complexity (OEC)
- State Bank of Pakistan (SBP)
- World Bank
- International Monetary Fund (IMF)
- Federal Bureau of Revenue (FBR)

Research Team	Aiza Khalid Supervising Senior Research Aiza.khalidf@pacra.com	Aisha Yousaf Associate Research Analyst Aisha.yousaf@pacra.com
Contact Number: +92 42 35869504		

DISCLAIMER

PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. The information in this document may be copied or otherwise reproduced, in whole or in part, provided the source is duly acknowledged. The presentation should not be relied upon as professional advice.