RUSSIAN OIL SUPPLY LIKELY BY APRIL

ISLAMABAD: Pakistan would hopefully start receiving oil from Russia at cheaper prices by the coming April and modalities have been finalised in this regard, Petroleum State Minister Musadik Malik informed the upper house of the parliament on Friday.

The negotiations with Russia over the provision of oil at cheaper prices were finalised in 45 days, the minister told the Senate session, presided over by Chairman Sadiq Sanjrani. Following these negotiations, an initial agreement was arrived at, the minister said, adding that a joint declaration was issued after successful negotiations between the two sides.

Russia has assured that it would provide oil to Pakistan at prices cheaper than it was offering to other countries, he said. The commercial aspect of the oil deal between Pakistan and Russia would be finalised by next month (March), Malik said. Moscow has also assured Islamabad that its petroleum products would reach here between 20 to 21 days, he stated, adding that talks with Russia for trade in different fields were also under way.

The oil agreement with Russia will help Pakistan meet its 20 per cent crude oil import requirements, the minister said. Malik said Pakistan cannot directly purchase oil and gas from Iran keeping in view sanctions imposed on the latter. Instead, he said, the focus is on promoting barter trade with Iran. Liquefied petroleum gas (LPG) is brought to Pakistan from Iran through barter trade, he added. Speaking on the floor of the house, Power Minister Khurram Dastgir said, the federal government is bringing a policy on solar energy for the provision of cheaper electricity to the consumers using this technology. The government, he said, intends to introduce solar energy as an alternative to fossil fuel.

R 4-2-2023

LARGEST REFINERY SHUTS DOWN: LACK OF DOLLAR INFLOWS, RUPEE FREE FALL RESTRICT CRUDE IMPORTS

KARACHI: Pakistan’s largest oil refinery has shut down for about a week due to the unavailability of crude oil as the US dollar shortfall and massive rupee devaluation hit its crude import capacity. Cnergyico PK Head of Consumer Sales Syed Adeel Azam, in a letter to the Ministry of Energy (Petroleum Division) dated January 31, 2023, said “Cnergyico refinery (formerly known as Byco Petroleum) shall shut down from February 2, 2023 and will restart production from February 10, 2023 in line with our crude oil vessel arrival timeline”.

The refinery has installed processing capacity of 156,000 barrels per day of crude oil for the production of petrol, diesel, furnace oil and other petroleum products.

“The industry is on the brink of collapse if immediate steps are not taken in respect of arranging financing to ensure imports,” Oil Companies Advisory Council (OCAC) said in a letter to the Oil and Gas Regulatory Authority (Ogra) late last week.

“Due to the increase in oil prices and successive depreciation of Pakistani rupee over the last 18 months, the trade finance limits available from the banking sector have become inadequate. As a result of the recent devaluation alone, the LC (letter of credit/ import) limits have shrunk overnight by 15-20%,” wrote OCAC.

“It is requested that the banking sector be immediately requested through the State Bank of Pakistan to enhance the limit of our member companies (including Cnergyico),” the letter added.

Earlier, the refinery reported to the stock market in October 2022 that recent floods had washed out roads and bridges connecting the refinery to markets. They have adopted alternative routes, but that is causing serious losses in addition to the one incurred on account of rupee devaluation.

The company’s share price dropped 3.18%, or Rs0.13, and closed at Rs3.72 with trading in 7.49 million shares at Pakistan Stock Exchange (PSX) on Friday.

The company recorded net sales of Rs52.7 billion in the first quarter (Jul-Sept) of current fiscal year compared to Rs34.4 billion in the same period of last year, which was due to increased oil prices and sharp rupee depreciation.

“Extremely low refinery throughput resulted in a gross loss of Rs4.6 billion compared to the gross profit of Rs751 million in the same period of last year,” the company said in its first quarterly report.

TR 4-2-2023

NEPRA APPROVES 10-YEAR INDICATIVE GENERATION CAPACITY EXPANSION PLAN

ISLAMABAD-National Electric Power Regulatory Authority has approved 10 years Indicative Generation Capacity Expansion Plan (IGCEP-2022-31), which emphasises on the use of indigenous resources for power generation and phasing out furnace oil usage for power generation by 2031.

The IGCEP 2022-31, submitted by NTDC, also forecast the retiring of power plants with the capacity of 8021MW from the system during the life time of the plan. The plan will be revised annually. It will act as a primary document for adding new capacity for generation to meet future electrical demand in a scientific and systematic manner, thus avoiding the boom and buswt cycles that have become a recurring issue in the country.

The IGCEP-2022 builds on the plans laid down by the preceding iteration and proposes a gradual shift from an energy mix heavily dominated by imported fossils like coal, furnace oil and RLNG towards one pillared by indigenous sources of energy, including hydel, Thar coal, wind and solar. Furnace oil is expected to be phased out by 2031. Similarly, electricity generation from RLNG and imported coal will drop to 2% and 8%, respectively, in 2031. At the same time, there will be a substantial increase in the electricity generated by hydel, wind and solar PV. The contribution of hydel, wind and solar PV which currently stands at 28%, 4% and 1% respectively will be increased to 39%, 10% and 10% respectively, thereby increasing the total share of green electricity to around 59%. The IGCEP-2022 also provides details for six additional scenarios, simulated to cater for any unforeseen events in the future. These include scenarios dealing with lower and higher electrical demands as well as four sensitivity scenarios dealing with early commissioning of Diamer Bhasha Hydropower Project in 2029, commissioning of Chashma Nuclear (C-5) in 2029, inclusion of local coal power projects in 2027 and 2030 and unconstrained addition of projects based on renewable energy.

However, the Authority has raised certain observations to the submitted IGCEP-2022-31 including (a) delay in submission of the IGCEP contrary to provisions of the Grid Code; (b). changes in the approved set of assumptions including new ones for the preparation of the IGCEP-2022-31: (c) observations of the stakeholders regarding input of data different what they submitted, (d) dropping bagasse and indigenous coal based projects. (e) more emphasis on energy security; (f) complete absence of 100 MW block annually for new technologies including hybrid of wind/solar PV, waste to energy, Concentrated Solar Power (CSP), Power to X (P2X), electricity generation through green hydrogen and solar PV with battery backup projects as proposed by relevant agency, which need to be addressed, (g). non-submission of complete TSEP; (h) impact of upcoming competitive market.

In consideration of its observations, the Authonty directed NTDC to adhere to the provisions of the Grid Code especially PC-4 and PC-4 1, which is applicable document and binding, thus submitting the next revised iteration of the IGCEP-23-32 within the given timeline without any exception before 30th June 2023 after consulting all stakeholders including the provinces/AJK and GB. The Authonty may review/revise IGCEP anytime on its own or on the recommendatron/request of any stockholder/province/AJK and GB. The Authonty considers that output/results of IGCEP are directly linked with the provided input. The Authority has observed that for the IGCEP-2021-30, NTDC used the CCI approved assumptions which have been broadly maintained but there are a few differences as well. In order to avoid any confusion, the Authority directed NTDC to have the assumptions approved from it for the iteration of IGCEP-2023-32. The Authority has observed that in the current IGCEP-2022-31, there is huge emphasis on utilizing indigenous resources and more than 77% of the installed capacity will be based on the said sources. The Authority considers that in the changing global dynamics there is a need to even further increase the use of indigenous resources of energy. The Authority directed NTDC to further review the said proposition and provide a scenario including both the C-5 and 2 x 1320 MW local coal projects in the next iteration.

The Authority has observed that there is issue of municipal waste in the country which is causing multiple problems of health and environment. One of the most efficient use of this solid waste is to use it for power generation as it has very good calorific value but no WiE projects have been considered in the submitted IGCEP due to non-provision of data and other related information from the relevant agencies. The Authority directed NTDC to liaison with the relevant provincial and federal agencies and get the required information to have a suitable quota for waste projects and other emerging new technologies including hybrid of wind/solar PV, concentrated solar power (CSP). The Authority further directed NTDC to consult all the relevant stakeholders and come up with a proposal for inclusion of suitable block of capacity on the said technologies. The regulator considered that in order to have Least Cost Generation, it is imperative that IGCEP and TSEP are submitted simultaneously to have proper and a fair estimate of the end consumer cost of a project. The Authority directed NTDC to coordinate with MoEPD and the provincial govt to expedite the formulation of the required criteria on top priority basis.

The Authority has noted that NTDC has not considered impact of upcoming competitive market on the demand which is going to be in operation maximum by April 30, 2023 as the required moratorium will automatically be lifted. The Authority considered that NTDC must liaise with the CPPA-G to have a fair estimate of the potential defection of the demand due to competitive market and accordingly make provision for the same. The Authority expressed its concern that there is very less emphasis on the OSM which is also very critical. The Authority directed NTDC to have a close liaison with all the relevant agencies to have updated estimates of the OSM for incorporating in the IGCEP. The Authority has observed that there is great emphasis on the induction VRE of wind and solar being cost effective.

Nation 4-2-2023

K-ELECTRIC FUNCTIONING WITHOUT AGREEMENT SINCE 2015, SENATE TOLD

ISLAMABAD: The Senate was informed on Friday that K-Electric was operating without any formal agreement since 2015 and the accumulated payables against the country had climbed to Rs490 billion till December 31, 2022. Minister for Power Khurram Dastgir Khan told the house during the question hour that efforts were under way to resolve payment issues with K-Electric and a new agreement was expected to be signed in the next few weeks. He said with a view to resolving various issues between the government and K-Electric, including the recovery of pending amount, the Prime Minister Office has set up a task force under the chairmanship of PML-N leader Shahid Khaqan Abbasi. “Once the task force finalises its recommendations for recovery of pending dues, the same will be adopted after approval of the federal cabinet accordingly,” he said, adding that dues against K-Electric had started accumulating since 2015.

In reply to another question, Mr Khan said the government was providing electricity to five export-oriented sectors at Rs19.99 per unit to boost the country's exports. He said the government was taking steps to generate low-cost electricity in the country.

The minister said the government had abolished sales tax on solar panels and it was introducing solar projects as alternative to fossil fuels in energy production.

The minister said the federal government buildings were being solarised and micro-solar grids were being introduced in rural areas to provide low-cost electricity to the masses.

Oil import from Russia

In reply to a question about import of oil from Russia, the Minister of State for Petroleum Musadik Malik said commercial terms would be finalised by the end of March. He said soon after that the country would start importing oil from Russia and the first oil shipment was expected to arrive in April. He said the contract with Russia for import of oil would help the country meet its 20 per cent crude oil import requirements. Answering a supplementary question, he said import of oil from Iran would be difficult due to US and European countries' sanctions against Tehran. He said some trade was going on with Iran on barter basis.

The Minister of State for Law and Justice, Shahadat Awan, informed the house that work on Diamer Basha dam, Mohmand dam, Tarbela 5th extension, Harpo hydropower project and Attabad Lake hydropower projects was on track and assured the house that these projects would be completed in time. He said that after completion, these power projects would generate 6918MW electricity. He said these dams would also boost agriculture production by bringing more land under irrigation.

Decline in FDI

The government and the opposition traded barbs after Parliamentary Affairs Minister Murtaza Javed Abbasi informed the house that the net foreign direct investment (FDI) had decreased by 58.7 per cent during the current financial year (July-December) as compared to corresponding period of 2021-22.

The minister said the net FDI had decreased to $460.9 million from $1,114.8m as compared to corresponding period 2021-22. Quoting from the State Bank of Pakistan (SBP) data of 2021-22, he said the net FDI stood at $1,867.8m, which was 2.6pc higher than the amount of $1,820.8m in 2020-21.

In February 2022, the FDI decreased 33.7pc to $90.8m from $137.0m and the net FDI during July-October 2022 decreased to 45.5pc to $396.0m from $726.5m.

Highlighting major reasons for the FDI decline, he said they include Covid-19 pandemic, high cost of doing business in the country; macroeconomic pressures such as the current account and balance of payment deficit; and disruption of food supply and energy prices due to the war in Ukraine. PTI Senator Faisal Javed said the reasons stated by the minister for the sharp decline in FDI were not acceptable. He said althought the government had claimed Covid-19 was one of the reasons for decrease in the FDI, an upward trend had started during the pandemic. "This is an issue of trust deficit." Murtaza Javed Abbasi blamed the PTI government's policies for the decline in FDI.

Dawn 4-2-2023

SECP REVISES DATE FOR IFRS 9 APPLICABILITY

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has revised the effective date for applicability of International Financial Reporting Standard 9 - financial instruments for Non-Banking Finance Companies and Modarabas.

The SECP has amended SRO 273 (I)/2020 dated March 30, 2020, SRO 321(I)/2020 dated April 17, 2020, and SRO 800(I)/2021 through the issuance of a notification on Friday.

According to the notification, the SECP has modified the effective date for applicability of International Financial Reporting Standard 9 - Financial Instruments in place of International Accounting Standard 39 (Financial Instruments: Recognition and Measurement) for Non-Banking Finance Companies and Modarabas, as "Reporting period/year ending on or after June 30, 2024 (earlier application is permitted)."

R 4-2-2023

64% GREY VEHICLES IMPORTED: ILLEGAL VEHICLES IN MARKET ARE VALUED AT RS32.5 BILLION

ISLAMABAD: The auto industry has complained that the import of vehicles by grey market has been on a constant rise, which has hurt the business of local manufacturers and distributors.

It says the import of vehicles by official distributors and companies stands very low as they are facing restrictions on opening Letters of Credit (LCs) due to dollar crunch in the country.

Pakistan Automotive Manufacturers Association, in a recent letter to the State Bank of Pakistan, pointed out that LC curbs had choked the import of all completely knocked down (CKD) components and auto parts.

However, officials of the auto industry argued that the grey market had continued to hit the legal industry as the share of those vehicles reached 64% out of the total vehicles imported in the last fiscal year. They remarked that most of the industries failed to generate green and positive numbers due to mismanagement and the auto sector was no different.

While the domestic auto sector was in doldrums owing to the rising US dollar rate and the dip in demand due to weak spending power, the official distributors and companies engaged in vehicle imports also borne the brunt, they said.

Industry officials emphasised that the country needed foreign investors to come in and penetrate the market for more competitive products, but if the grey areas prevailed over the regulated arenas, the investors would be discouraged.

According to the data of vehicles imported in fiscal year 2021-22, the official distributors had a market share of only 16.75% whereas the share of vehicles imported by companies was around 19.20%. It meant that the remaining 64.05% share, amounting to Rs32.5 billion worth of vehicles, was held by the grey area, the industry officials said.

These are used and refurbished vehicles, most of which are unregulated with no tax payments and also include non-customs-duty-paid vehicles, which directly impacts the national exchequer.

These refurbished vehicles create environmental hazards as well. When the world was moving towards lower emissions and electric vehicles, the grey market was not being governed properly, argued the industry officials.

The vehicles imported by the official distributors such as BMW, Audi, Mercedes and Rinco LLC had an import value of approximately Rs8 billion whereas the vehicles imported by the companies such as MG, Range Rover, Chery, Proton, KIA and Changan were worth around Rs9.7 billion.

TR 4-2-2023

LIKELY OUTPUT DIP IN FEB, MAR: INDUS MOTOR OFFERING FULL REFUND WITH INTEREST TO CUSTOMERS

KARACHI: Amid the current economic crisis, Indus Motor Company (IMC) is offering a full refund with interest to its customers due to a production dip expected in February and March. With an eye on the future and a focus on sustainability, IMC is also determined to introduce the Hybrid Electric Vehicle (HEV) with the highest localization in the SUV category in Pakistan.

This comes as a beacon of hope in a challenging time, where the local auto industry is facing multiple hurdles and the prevailing economic conditions show little signs of improvement.

CEO Ali Asghar Jamali acknowledged the tough times for the local auto industry and stressed the importance of support from the government to overcome these challenges and propel the industry toward a brighter future. He highlighted the ongoing restrictions on CKD kits as one of the major issues impacting the auto industry, causing manufacturers to only operate at 40-45% of their capacity.

The depreciation of the rupee, rising inflation, and tighter fiscal and monetary measures have also negatively impacted the auto industry, dampening consumer demand.

The CEO IMC also mentioned that the State Bank of Pakistan has replaced the quota system for auto manufacturers with a priority list that prioritizes essential imports, leaving little room for auto imports. The pending LC payments have resulted in significant financial losses. Despite these challenges, IMC has pledged not to lay off any employees and is even offering interest-free loans to its suppliers. The CEO emphasized the critical role of government support in overcoming the obstacles facing the auto industry, including promoting political stability, improving trade relations with neighboring countries, and adopting daylight saving.

R 4-2-2023

STEEL BAR PRICES SCALE NEW PEAK

KARACHI: Steel bar prices have reached another all-time high of Rs288,500 per tonne, showing a jump of Rs12,000 per tonne, due to shortage of raw material and current economic conditions as cited by the steel bar makers.

Amreli Steel Limited (ASL) has informed its Lahore region dealers regarding a new price of Rs288,000 per tonne for 9.5-10mm size, followed by Rs286,000 for 12mm and above size.

For Islamabad region, the rate of 9.5-10mm and 12mm and above steel bar sizes is Rs288,500 and Rs286,500, effective from February 2. The company informed its customers that it would not take new orders due to raw material shortage in the country.

Mughal Steel has also announced a jump of Rs12,000 per tonne in rebar prices from February 3. Union Steel informed its business partners for not taking any new booking from February 3.

Association of Builders and Developers Chairman Altaf Tai said the builders and developers have closed their projects costing billions of rupees and hundreds and thousands people have lost their jobs due to ever high prices of construction materials especially steel bars. He urged the government to allow import of construction materials from neighboring countries on the basis of barter to defuse the current situation, otherwise builders and developers will be forced to move their investments to other countries and that move will be detrimental to Pakistan's economy.

Cement

Despite a recovery of 5.24 per cent in domestic sales of cement in January, the overall volume of local despatches fell 14pc to 23.62 million tonnes in the first seven months of 2022-23. Cement despatches, including both local and exports, increased 1pc in January to 4m tonnes against 3.96m tonnes.

According to the All Pakistan Cement Manufacturers Association (APCMA), local cement sales in January were 3.58m tonnes versus 3.41m tonnes a year ago, up 5.24pc. Exports plunged by 24.13pc from 551,006 tonnes in January 2022 to 418,067 tonnes last month. During the first seven month of 2022-23, total cement despatches – domestic and exports – were 25.77m tonnes, down 18pc during the corresponding period of last fiscal year.

Domestic sales stood at 23.62m tonnes against 27.47m tonnes during the same period last year, showing a reduction of 14pc.

Exports were also down 45.4pc as volumes shrank to 2.15m tonnes during the first seven months of 2022-23. A spokesman for APCMA said the continued political instability during the last few months and its serious effects on the economy were hurting the cement industry. He mentioned that cement makers are facing several challenges owing to the difficulty in opening the letters of credit (LCs) for coal, spare parts and other consumable items required in the smooth operation of plants. He said the government must ensure that LCs are opened on a timely basis to avoid any supply disruptions and factory closures.

As per the latest reading of the Sensitive Price Indicator (SPI), average cement retail prices during the week ending on February 2 went up 1.68pc to Rs1,060 per 50kg bag from a week ago. The average price for the week ending on February 3, 2022, was Rs735. Sunny Kumar of Topline Securities linked the fall in cement sales during the last seven months to a slowdown in construction activities, overall economic slump and higher construction costs.

Exports continue to show a declining trend due to a global economic slowdown, higher interest rates and unfavourable export pricing. He said some recovery is anticipated going forward. Flood rehabilitation programmes will gain pace as the country prepares for general elections and the post-winter season. Declining coal prices can also provide support to the sector's margins going ahead, he added.

Dawn 4-2-2023

RUSSIA MULLS TURNING TO ISLAMIC BANKING OVER CLOSURE OF WESTERN FINANCIAL MARKETS

Russia will start an experimental pilot project on implementing Islamic financial practices in several regions with Muslim-dominated population.

The experiment will take place in Dagestan, Chechnya, Bashkiria and Tatarstan and will last for two years. After that, the authorities will decide on the suitability of the Islamic model for Russia. Alexandr Kazakov, a senior expert at the Russian Association of Experts in Islamic Finance, told Anadolu that it is "time to forget" about the Western financial markets and focus on cooperation with the Arab and Asian countries.

"At the corporate level, it is already obvious that all Western financial centers are closed to Russian capital, we have no choice but to develop affordable alternatives. It's time to forget about the existence of London and concentrate on Beijing, New Delhi, Singapore, Kuala Lumpur and the Gulf countries," the expert said. Kazakov said the State Duma passed in the first hearing the bill on partner financing, where the term "partner financing" suggests financial products based on Islamic principles.

"Once it is adopted, the existence of alternative financial instruments will be recognized at the legislative level in Russia. This is an important political step both within the country and in relation to our real foreign partners," he said.

According to Kazakov, the Islamic banking has been actively developing in recent years with the Middle East being the biggest center for Islamic banking and Malaysia for Islamic security market. Asked if the Islamic financial model can oppose the Western financial system, Kazakov said: “We will live and we will see. The Western financial system is now in a serious crisis. Everything will depend on how it survives this crisis and if it survives it.”

In Russia, there are several successfully functioning retail Islamic financial organizations, he added, and the Islamic finance system has good prospects due to “very voluminous demand” from more than 20 million Russian Muslims, he said. Speaking about the sticking points of Islamic finance, Kazakov said the principal difference is that Islamic finance prohibits charging interests. He recalled that the traditional financial system in both the Christian and Muslim world prohibited usury, however, the interest-bearing loans eventually found their way to European business.

“The Islamic banking offers the partnership, which involves participation in both profits and losses, while interest-based loans should be repaid regardless of the result of the borrower’s activities,” he said.

The Islamic finance includes two basic models — partnership or Musharakah and payment in installments or Murabaha. “Let’s show how both systems work using the example of a conventional mortgage loan. Within partnership — Musharakah — structure the bank together with the client acquires real estate in shared ownership. The client moves into the purchased object and pays the rent to the bank in proportion to the shares, and the client gradually buys out the bank’s share.

“In the second case — Murabaha — the bank, according to client’s instructions, purchases real estate at the spot (current) price — and sells it to the client, who pays in installments with a certain margin to spot price. Technically, the margin can be calculated as a percentage of the purchase price, but from the Sharia point of view, such a trade margin is permissible and does not qualify as usury,” he noted.

Another feature of the Islamic finance is the absence of interest bearing credit cards, the expert added. He also emphasized that Islamic banks in all cases have to ensure that any financial operation is closely linked to sharia-compliant investment or trade and does not hide interest-bearing lending.

“The general principle of Islamic finance is the inextricable connection of financing with the real economy and the impossibility of using money as an object of sale,” he said.—AA

PO 3-2-2023

US SEC ASKS BIG HEDGE FUNDS FOR EMPLOYEE PHONE REVIEW - BLOOMBERG NEWS

February 2, 2023

Feb 2 - The U.S. Securities and Exchange Commission has asked some major hedge funds to review certain employees' personal mobile phones for evidence of business dealings on unapproved channels, Bloomberg News reported on Thursday.

The hedge funds include Steve Cohen's Point72 Asset Management and Ken Griffin's Citadel, the report said, citing people familiar with the matter.

The SEC and Point72 and did not immediately respond to Reuters request for comment, while Citadel said it had no immediate comment.

Last year, the SEC and the Commodity Futures Trading Commission (CFTC) fined 16 financial firms, including large banks such as Goldman Sachs Group Inc (GS.N) and Morgan Stanley (MS.N), a combined $1.8 billion after staff discussed deals and trades on their personal devices and apps, in a sweeping probe of record-keeping practices.

Reuters reported in October that the SEC's probe had expanded to investment funds and advisers.

https://www.reuters.com/markets/us/sec-asks-big-hedge-funds-employee-phone-review-bloomberg-news-2023-02-02/