

# Govt failed to provide guidelines to oil refineries - Adil Khattak

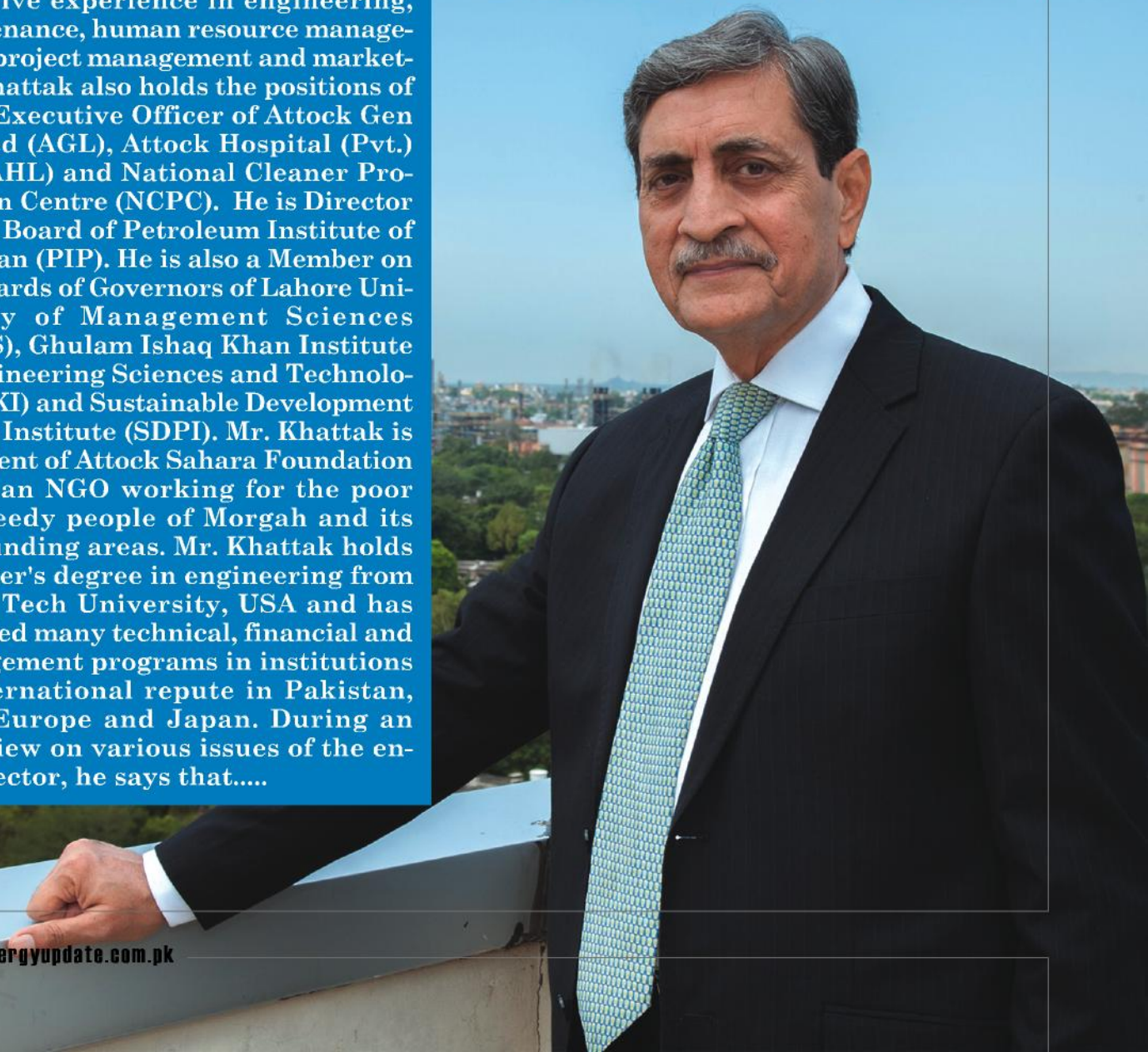
*An interview with Chief Executive Officer of Attock Refinery Limited*

■ By Halima Khan

**A**dil Khattak, Chief Executive Officer of Attock Refinery Limited (ARL) since 2005 has been associated with the Attock Oil Group for the last 44 years. Mr. Khattak has extensive experience in engineering, maintenance, human resource management, project management and marketing. Khattak also holds the positions of Chief Executive Officer of Attock Gen Limited (AGL), Attock Hospital (Pvt.) Ltd. (AHL) and National Cleaner Production Centre (NCPC). He is Director on the Board of Petroleum Institute of Pakistan (PIP). He is also a Member on the Boards of Governors of Lahore University of Management Sciences (LUMS), Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI) and Sustainable Development Policy Institute (SDPI). Mr. Khattak is President of Attock Sahara Foundation (ASF) an NGO working for the poor and needy people of Morgah and its surrounding areas. Mr. Khattak holds a master's degree in engineering from Texas Tech University, USA and has attended many technical, financial and management programs in institutions of international repute in Pakistan, USA, Europe and Japan. During an interview on various issues of the energy sector, he says that.....

**EU:** What is the current situation of Pakistan's refining sector?

**Adil Khattak:** Pakistan's refining sector has been struggling for their survival due to various policy issues over the last two decades. Unfortunately some quarters with vested interests have made concerted efforts in the media to malign the refineries as "Mafias" advocating to shut them down without realizing the grave consequences to the country. While the facts are entirely different, this continuous one-sided tirade has created a negative perception in the government and



public circles especially about the concept of "Deemed Duty" which had been provided to refineries to sustain operations. Local refineries are intrinsically connected to defense and energy security needs and blind reliance on imported fuels increases the risk with disastrous consequences. Unfortunately Pakistan's refining sector is now being expected to operate purely on a commercial basis ignoring that it is highly regulated.

**EU: What is your market share now?**

**AK:** ARL is 12% of total crude refining capacity of Pakistan (2.43/20.2 million tons per annum).

**EU: What challenges are you facing post COVID-19, impacts in your company and in the refinery sector?**

**AK:** The first challenge was the safety of the staff while endeavoring to keep the refinery operational. ARL adopted many strategies including work from home, minimizing social contact by meetings via videocon, physical distancing and use of masks etc. In the refining sector the impact had been huge due to the volatile demand and unpredictable prices of products leading to extraordinary inventory and operational losses. Cumulative losses of all refineries (excluding PARCO) for the period July 2018 to March 2020 was Rs47 billion. ARL loss for the same period was Rs8.9 billion).

**EU: What is the timeframe envisaged for the refineries for recovery of their business affected due to lockdown?**

**AK:** Refineries are presently faced with an existential crisis. It will take several years to cope-up with the losses of the last two years. This is especially hard since refineries such as ARL are still in the process of debt repayment from their last project. The government needs to give a bailout package to the refineries to keep them sustainable which is essential for the country's energy security and protection of oil supply chain.

**EU: Why refinery sector is reluctant to import or produce Euro-V Standards fuel?**

**AK:** Refining sector is not against the import of Euro-V product. Refineries have generally followed GOP directives and have invested heavily to meet product specification targets specified



by GOP for local production. Introduction of unleaded gasoline, increase in gasoline RON from 87 to 90, reduction of sulphur in diesel from 10,000 ppm to 500 ppm. Government needs to understand that refineries need time (3 to 5 years) to upgrade and require massive investments for any change. For decades refineries have requested GOP to provide planned timelines and incentives required for producing environment friendly fuels but unfortunately that was never done.

**EU: According to your viewpoint, what are the major impediments that restricted the progress of the refining sector of Pakistan?**

**AK:** The main reason is absence of a comprehensive Downstream Petroleum Policy which takes into account country requirements for fuels, investment and time frame required, incentives for reasonable rate of return for investor and environmental considerations. "Indian Hydrocarbon Vision-2025" initiated in 1999 transformed the oil sector in India in just two decades because while fostering competition, linkage of energy security and industrial development was

kept in focus. At the outset, investment amount required for the refining sector in 25 years was identified and it was acknowledged that protective tariffs and appropriate pricing mechanism would be necessary to achieve their objectives.

**EU: What are your suggestions to enable investments in the existing refining sector?**

**AK:** Ions of petroleum products However, the scale of the investment needs to be kept in perspective that it took all of Government of Pakistan's best efforts and assurances to secure a \$6 billion loan from IMF while five local refinery companies, that are currently sustaining unbearable losses, will have to manage this on their own. Therefore, these commitments can only be realized if the refineries start generating profits to undertake such a huge investment target. It is imperative that upfront support is provided to manage operations for next five years and to generate enough finances to sustain the new investments/operations post projects. This could be done through a minimum guaranteed return formula in the lines of previous 10-40 Formula or some other fair mechanism.

**EU: What are your future plans to expand your refining capacity?**

**AK:** At present ARL's capacity is optimum according to the crude availability in the North and further enhancement of capacity would depend on new oil discoveries. ARL is planning to invest in upgradation with the view to improve specifications of products to Euro V and further value addition by processing of furnace fuel oil.

**EU: ARL being one of the finest petroleum companies, what CSR activities ARL is involved in and how do you see the future of ARL's CSR in betterment of Pakistan?**

**AK:** As a responsible corporate citizen, ARL believes in sustainable community development and has sizable contribution in the projects of environment, health, provision of clean drinking water to the union councils of Morgah and Kotha Kalan, poverty alleviation, women development and capacity building. Four government schools in ARL premises are being given administrative support and free utilities worth millions of rupees every year. Education and skills development has always remained top priority of CSR activities at ARL. ■