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<p>LAHORE - The sub-committee of the Economic Coordination Committee (ECC) has approved long-term plan regarding gas availability to the ailing fertilizer sector. Implementation of plan will improve availability of gas, which may result in urea price decline. Approval from the committee makes the case of fertilizer sector very strong for the upcoming ECC meeting.

{loadposition content_adsense300}Industry experts said that under the approved proposal, fertilizer sector would not require to lay down a 1,000km pipeline to have a dedicated gas field. Fertilizer sector will use the existing Sui network and only 136 km line would be laid down by the SSGC. This is a positive development for the fertilizer sector in general, and Engro Fertilizer in particular, as they would not require investing in the pipeline anymore, thus phasing out the opposition to utilising the funds from Gas Development Infrastructure Cess (GDIC).

Fertilizer companies will be signing Gas Purchase Agreements (GPA) directly with the E&Ps. Under the new Petroleum Policy, E&P companies are now allowed to sell 10 per cent of their gas directly to the consumer; bypassing Sui companies. This will help fertilizer companies ensure uninterrupted gas supply.

Under the new framework, both Sui companies are expected to supply gas from the E&P fields on a tolling basis to fertilizer companies. Since the gas supplied to the fertilizer sector would be on a tolling basis, Sui companies would not be able to divert this gas to any other sector. It has been seen in the past that gas being diverted from fertilizer companies to other sectors despite govt guaranteed contracts with the fertilizer industry. However, with the implementation of this arrangement, certainty of gas supplies to the fertilizer sector could be assumed to a great extent.

Engro Fertilizer is expected to gain most from the implementation of the long-term plan as it would bring its Enven plant into full production. As per industry sources, fertilizer sector is making arrangements for Engro to receive gas in short-term as well, which would be a major trigger for the company�s earnings.

Fatima and Engro would be the least impacted fertilizer companies under a price cut scenario due to their long term contract of low-feed gas prices. Faujis (FFC and FFBL), on the other hand, are expected to bear the brunt of declining urea prices due to their relatively less-efficient plants and comparatively higher feed gas tariffs.</p> <p>�</p> <p>Courtesy: The Nation</p>