

Govt unveils gas sector overhaul to spur investment

ISLAMABAD: The government on Thursday offered another amnesty to powerful industrialists and opened up the LNG sector from much of the government control that it is currently permeated with. In addition, it has also been decided to cut the number of laws, regulations and approvals relating to the energy sector and offer better incentives to investors so as to improve the country's ranking in the Ease of Doing Business index and revive investor confidence.

Minister for Energy Omar Ayub Khan and Special Assistant to the PM on Petroleum Nadeem Babar announced at a news conference on Thursday that the government had promulgated a presidential ordinance for out-of-court settlement of Rs417 billion dispute with the industry over Gas Infrastructure Development Cess (GIDC).

He said five international companies — Shell, ExxonMobil, Mitsubishi, Trafigura and a French firm — have been cleared by the government to set up a terminal for the processing of imported liquefied natural gas (LNG) without any government permission or involvement. There will no longer be any sovereign guarantees extended to these projects, nor any capacity charges, and no offtake commitments. Instead the terminal operators will only need site allocation from the port authorities, and import LNG and supply it to their own private customers.

The ordinance allowed the industry, fertiliser sector and CNG sector to pay half of their outstanding GIDC bills within 90 days in advance and secure 50 per cent discount on future bills provided they withdraw their court cases. Mr Babar said the government expected around Rs200bn depending on willingness of the consumers, to avail the amnesty scheme, otherwise they would make full payments after adjudication of their court cases. "We believe they will lose the cases because GIDC had been imposed through legal instruments that courts are expected to uphold," he said during the press event.

Five global companies cleared for next LNG terminal; deal offered to industry on overdue GIDC payments

Mr Omar Ayub said the government had decided to facilitate industrialists, investors and common citizens through simplification of procedures and processes to get rid of red tape and "an outdated culture". He said a lot of measures aimed at ease of doing of business would be announced in a few days.

Nadeem Babar said the petroleum division had been working for weeks on the directives of the prime minister to come up with policy reforms and simplification of procedures and it was noted during consultations that many laws and regulations had either become outdated or are of no use in this day and age and were only adding hurdles to business.

He said most of the policy reforms would go through various approval stages and forums and may take a couple of months to come on ground through amendments and repealing laws and regulations as the case may be. An attempt has been made to open up all the sectors, bring in new people and

investors and end existing monopolies whether in the public or private sector. The idea would be to deliver best services at lowest cost and achieve efficiencies at all levels.

In the exploration and production sector, he said the exploration companies required 24 to 30 approvals over a period of 3-4 years to start business. As a result many of the leading international firms that had left Pakistan were now being persuaded to return by cutting down these approvals by a minimum of 10 and ensure remaining approvals take no more than 18 months. He said about 27 new exploration blocks would be offered for open bidding in two-three phases starting December this year and a number of firms from Canada, America, UAE and elsewhere were expected to participate.

Many of the existing gas fields have become commercially unattractive because they are either small, away from the pipeline network or in declining mode. Therefore, the government has decided to offer higher rates on these fields as incentives. He said the government hoped to slow the growing reliance on imported LNG as a result.

In the refining and marketing sector, the SAPM said the companies required 17-25 approvals at present to start a petrol pump. A detailed reviewed showed that only 6-7 approvals were necessary in the public interest like those relating to environment, explosive protection and necessary regulatory clearance.

Likewise, 14-19 approvals were required at present for a petroleum storage under the outdated legal arrangement which would also be reduced to a maximum of 5-6. Also, the existing old refineries would be given exemption from income tax and customs duty for 10 years if they upgrade their facilities to deep conversion while new refineries will also be given attractive facilitation.

In the gas sector, Mr Babar said the government has ordered gas companies to ensure that monthly bills once generated reach the consumers within 48 hours which should have payment window of 15 days. Secondly, the gas companies would be required to automate their system and provide mobile application to allow registration of complaints and their live tracking.

Also, the gas connection for industrial consumers would be ensured within 30 days and the application for connection and its progress will be available on a web portal.

He said all operators of the country's gas fields will be required to produce liquefied petroleum gas from all fields and the government companies like OGDCL and PPL will hold open auction for its sale.