

Gas tariff hike to bring Rs200 bn to state kitty

ISLAMABAD: The Petroleum Division has proposed recovery of Rs200 billion from the gas consumers from July 1, 2019 including Rs100 billion from domestic consumers and Rs100 billion from industrial, commercial, fertilizer, CNG and power sector.

The domestic consumers will be given one slab benefit costing Rs20 billion. In the domestic sector, 25 percent of the cost of delivered gas that standing at Rs738 per MMBTU up to 155 percent has been proposed to the Economic Coordination Committee.

In case of approval by the ECC, the federal cabinet will approve the proposed increase. However, under the proposed gas tariff increase, the first slab category consumers will face zero increase in gas tariff.

The second slab consumer will experience 25 percent of the new cost of delivered gas whereas the third slab category is to face 50 percent increase, fourth slab consumers 75 percent and fifth slab consumers 100% increase in tariff and sixth and seventh slab consumers will face increase of 155 percent of Rs738 per MMBTU, a senior official of Petroleum Division told The News.

The bulk consumers such as industrial, mercurial, fertilizers, CNG and power sector have been proposed to face the 31 percent of the new cost of delivered gas. The said increase will help the government to earn revenue of Rs100 billion.

This time, the government has linked the gas price increase in tariff with the cost of delivered gas in percentage term. The official said one slab benefit to the domestic consumers will cost Rs20 billion that will be shifted in the tariff of industrial, commercial, fertilizer, CNG and power sector.

He explained that in proposed 31 percent hike in gas tariff for industrial, commercial, fertilizers, CNG and power sector, the Rs20 billion loss incurred on account of one slab benefit was included.

The government has extended commitment to the IMF that it will not add more to the existing circular debt in gas sector that currently stands at Rs180 billion. And to ensure the commitment, the PTI government will increase the gas tariff from July 1, 2019. The government will also increase the electricity tariff by Rs1.50 per unit from July 1, 2019 determined by the Nepra.

Under the commitment with IMF, the government is bound to increase the gas tariff from July 1, 2019 ensuring no further emergence of circular debt. Under one of the prior actions, the official said ensuring no increase in circular debt to qualify IMF loan program of \$6 billion, the government will increase the tariff ensuring zero increase in circular debt from now onward as the existing circular debt stands at Rs180 billion.

“We have proposed hike in the gas tariff but less than the increase determined by the Ogra for domestic gas consumers and will also achieve the target of zero increase in circular debt determined by the IMF. However, the gas consumers will be provide one slab benefit,” he maintained.

Khalid Mustafa