DAWN

27th June, 2019

ECC approves up to 191pc hike in gas prices

ISLAMABAD: The Eco-nomic Coordination Com-mittee (ECC) of the Cabinet on Wednesday approved in principle up to 191 per cent increase in gas price and allowed signing of an agreement with Saudi Arabia for formal start of $270 million monthly oil imports on deferred payments.

The ECC meeting, presided over by Finance Minister Dr Abdul Hafeez Shaikh, also approved withdrawal of Rs3 per unit subsidy on electricity rates to export industries, except for peak hours and allowed Rs9bn worth of subsidy on power supply by Quetta Electric Supply Company (Qesco) to consumers of areas with low recoveries.

In doing so, it indirectly gave a go-ahead for notification of about Rs1.49 per unit increase in power tariff already under vetting by the law ministry after the determination of National Electric Power Regulatory Authority (Nepra). The average increase in gas and electricity tariff would be around 25pc and 12pc, respectively.

Allows $270m monthly oil imports from Saudi Arabia on deferred payments

Informed sources said ECC decided that the rise in gas price should protect a maximum of 40pc domestic consumers in the lowest slab.

“The ECC approved the gas price summary of Petroleum Division without any significant change,” said a federal secretary. The average increase in gas rates would be around 25pc as opposed to 31pc recommended by the Petroleum Division based on determination of the Oil & Gas Regulatory Authority (Ogra). The difference would be covered through adjustments in the gas infrastructure development cess, he said.

The increase in gas and electricity rates would be notified with effect from July 1 under an agreement with the International Monetary Fund (IMF) after formal approval by the federal cabinet.

The rise in gas rates would generate about Rs510 billion next fiscal year for the two gas companies and meet their requirements of Rs487bn and create about Rs23bn surplus to take care of previous circular debt. The summary also required a change in the billing mechanism to allow the benefit of one previous slab to domestic consumers.

According to the summary, the tariff for consumers using less than 50 cubic meters will remain unchanged at Rs121 per million British thermal unit (mmBtu) and its monthly bill will also remain so at Rs285. The price for second slab (up to 100 cubic meters) will surge by almost 190pc to Rs369 per unit, from Rs127 per unit at present. The bill of this slab is estimated to go up by Rs361 or 63pc to Rs933 per month from Rs572.

The tariff for third slab (up to 200 cubic meters) will witness a jump of 102pc to Rs533per unit, from Rs264 and would result in a monthly bill of Rs3,872, up by 68pc, from Rs2,305. The price for fourth slab (up to 300 cubic meters) will go up by Rs168pc to Rs738per unit form the existing rate of Rs275 with estimated monthly bill to rise by 122pc (or Rs4,406) to Rs7,995, as against Rs3,589 currently.

The gas rate for fifth slab of 400 cubic meters will increase by about 42pc to Rs1,107 per unit from Rs780 which is precisely the average unit cost of gas supply. The bill for this category will increase by about 6.4pc to Rs14,373 per month from Rs13,508 because of the previous slab benefit. The sixth slab price of above 400 cubic meters will be charged at Rs1,476 per unit instead of its existing rate of Rs1,460. The slab benefit will, however, reduce its monthly bill to Rs25,534 from the existing Rs31,573, down by Rs6,039 or about 19pc.

Meanwhile, the rates for bulk domestic consumers would remain unchanged at Rs780 per unit. Monthly bill for special commercial consumers (roti tandoors) with consumption up to 300 cubic meters will be as per domestic slab but entire consumption above this level would be charged at commercial tariff of Rs1,283 per unit.

There will be a 62pc increase in feedstock for old fertiliser to Rs300 per unit, from Rs185 while tariff for all other categories will rise by 31pc.

Nepra had allowed on June 14 a uniform increase of Rs1.494 per unit in tariff for all the distribution companies (Discos) of ex-Wapda to recover Rs189.64bn from all consumers in 15 months in line with a staff-level agreement with the IMF.

The ECC also allowed some relaxations in laboratory tests for oil imports from Saudi Arabia under one year credit worth $3.2bn and asked Pakistan State Oil to sign formal agreement with Aramco's Product Trading Company (ATC). The oil facility was announced by Saudi Crown prince Muhammad Bin Sultan (MBS) in February this year under an agreement between the Govern-ment of Pakistan and Saudi Fund for Development (SDF), which could not be materialised so far.

Under the proposed agreement, PSO would import crude oil and its products besides LNG worth $270-274m per month on a 12-month credit with the possibility to extend the $3.2bn financing facility for another year. The government will provide irrevocable sovereign financial guarantee for the arrangement.

Given the special government-to-government arrangement, ECC also approved exemption from procurement rules that required competition and allowed for the first time the acceptance of laboratory tests of Incoterms 2010 of the International Chamber of Commerce at the port of origin unlike normal mandatory requirements of testing of imported oil and its products by Hydrocarbon Development Institute of Pakistan — a state regulator — at the port of discharge.

A price negotiation committee of PSO with the addition of two federal government representatives — a director general oil and a joint secretary of finance ministry — will finalise the product prices with Saudi ATC. Ogra had reservations over the relaxation in testing requirement saying the change in yardstick in any should be applicable for all oil imports.

Khaleeq Kiani