

### Gas prices

If anyone thought that the worst of the punitive economic policies were over, the government served a timely reminder on Wednesday that they may only just be starting. The decision of the Economic Coordination Committee (ECC) of the cabinet to approve an increase of up to 191 percent in the price of gas is only the first step. The move effectively means that the price of gas for a major segment of consumers will have multiplied within a period of nine months. The debate over how come public-sector gas companies have been showing profits in their accounts for a number of years is effectively over. Joined together by the decision to remove the subsidy on electricity rates for export industries and a Rs1.49 per unit increase in power tariffs, the situation going forward is looking bleak. Gas prices will increase around 25 percent on average next month, while electricity prices will jump around 12 percent. There were reports that the ECC had tried to protest the lowest 40 percent slab of domestic consumers, but this is likely to not be where this stops.

In principle, this rate increase should be where the buck stops. Pakistan would be able to generate Rs510 billion in the next year, which would meet the Rs487 billion requirement of the gas companies as well as leaving a surplus to pay off older circular debt. What appears like a benevolent move to protect the lowest using gas consumers by keeping tariffs unchanged for those using under 50 cubic meters is immediately offset by a 190 percent increase in the price of the second slab of up to 100 cubic meters. This means that the cost per unit for these consumers will increase from Rs127 per unit to Rs369 per unit. In the third slab of up to 200 cubic meters, we have seen a jump of around 100 percent in cost of gas, while the fourth slab will have to pay around 170 percent more.

Ironically, it is those in the highest slab that will receive the lowest increase, partly due to the high rate they already pay. This puts the economy in an even more precarious position, with the burden of the state's failure to run utility companies efficiently being borne by the public. The dual increase in the price of gas and electricity will continue to be heavily criticized. The constant increase in the price of essential utilities will both strain domestic budgets as well as prevent further investments in the economy. Who will invest in Pakistan when the cost of consuming essential inputs cannot be calculated? Price increases are not the best way to solve the circular debt problem in Pakistan. The gas hikes will only add to the public's misery.

### Editorial