

Gas price notifications, Govt to expedite passage of legislation, IMF told

ISLAMABAD: Federal government has begun to expedite the passage of legislation on regular and timely notifications for end consumers' gas tariffs as agreed under the \$6 billion International Monetary Fund (IMF) programme.

The officials of Ministry of Finance, Ministry of Petroleum and Ogra have held at least two meetings with a two-member delegation of the IMF on progress in formulating a legal mechanism for notifying gas prices promptly, sources said. The government had initially agreed to implement this condition by 31 December 2019.

Sources further maintained that the IMF team was assured that an amendment to Ogra Ordinance 2002 is likely be laid before parliament in March which would grant the necessary powers to the regulator to notify gas prices without involving the government to avoid delays.

The government is also facing pressure from the IMF's visiting team on the delay in notifying 214 percent tariff increase as proposed by Ogra for effectively by 1 January 2020.

The Economic Coordination Committee (ECC) met under Adviser to the Prime Minister on Finance Hafeez Sheikh on Tuesday (February 4, 2020) and put off a decision to increase gas prices for the third time, while constituting a committee to brainstorm the impact and alternatives to price hike. Earlier, the ECC on 20 January and 29 January deferred the summary twice regarding gas prices increase.

Reports indicate that the decision was deferred due to the higher than expected rate of inflation which as per the Monetary Policy Statement, State Bank of Pakistan, "have been on the high side and there remain near term risks to inflation primarily from food price shocks and potential increases in utility prices."

Sources claim that the government may implement the Ogra proposed raise in gas charges with retrospective effect when consumption in the upcountry areas declines significantly.

The government as per IMF condition committed to "ensuring regular and timely notifications for end-consumer tariffs in the gas sector" besides "submission of changes to the OGRA Act for CCI approval by end-December 2019 to eliminate the gap between regular semi-annual tariff determination and notification."

On December 23, 2019, Council of Common Interests (CCI) approved a summary "Amendment in OGRA Ordinance 2002- IMF's Extended Fund Facility (EFF) for Pakistan 2019-2022 Structural Benchmark and performance criteria".

The amendment in Section 8(4) empowers OGRA to notify gas sales prices when government does not advise sales prices under Section 8(3) within 40 days. This amendment will ensure timely biannual revision in gas prices, sources maintained. Ogra decides revision in gas prices twice a year - on January and July. It sends its decision to the federal government for adjustment in taxes, if any, and to notify the new price for the consumers. The government cross subsidizes gas prices which impacts different category of consumers differently.

If Ogra ordinance is amended gas prices would be passed on to the consumers after six months without any delay that would result in improving the financial health of the gas utilities - Sui Northern Gas Pipeline Limited (SNGPL) and Sui Southern Gas Company (SSGC), the official of Petroleum Division said.

On 16, September 2018, PTI Government increased natural gas prices by up to 143 percent to recover Rs94 billion from consumers with retrospective effect from July 2018. The previous government of Pakistan Muslim League (PML)-N had not notified increase in gas prices for four years.