DAWN

27th February, 2020

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Exporters' key demands on energy tariff accepted

ISLAMABAD: The government on Wednesday accepted major demands of the export sector, including the textile industry, particularly relating to energy sector tariff.

Under an agreement, the zero-rated industries, including textiles, would be provided electricity at an all-inclusive rate of 7.5 cents per unit (kWh) and gas at $6.5 per unit (million British thermal unit or mmBtu) until June 30 this year.

The government would also immediately withdraw electricity bills issued to the export sector with effect from January 2019 which had included a series of surcharges, quarterly adjustments and fuel price adjustments, All Pakistan Textile Mills Association (Aptma) chief executive officer Shahid Sattar told Dawn.

The combined impact of these decisions was estimated at about Rs50 billion.

Electricity bills issued from January 2019 to be withdrawn

Mr Sattar said the government also accepted a demand of the industry to allow import of liquefied natural gas (LNG) directly by the private sector. He said LNG would be available at about $5.5 per mmBtu through private sector imports, compared to $8-10 through the public sector.

"The meeting resolved all outstanding issues relating to energy tariff," said a statement issued by the power division after talks between the government and a delegation of Aptma and zero-rated industries.

The government team included Minister for Power and Petroleum Omar Ayub Khan, Minister for Economic Affairs Hammad Azhar, Special Assistant to the Prime Minister on Petroleum Nadeem Babar, Adviser to the PM on Industries and Commerce Abdul Razak Dawood and Punjab Governor Chaudhry Mohammad Sarwar.

The statement said the meeting discussed all matters relating to textile and other zero-rated industries. "It was decided that the government will provide a maximum of Rs20bn additional subsidy for power and petroleum in the next year's budget," it said, adding that the government team expressed its resolve to provide all-out support to these industries for better economic growth of the country.

Mr Sattar said the export sector told the government that it would not need additional subsidy next year provided it was allowed to import LNG through its own sources. "The government team accepted this demand," he added.

The export industry had been threatening for the past two months to close down factories and businesses after the power companies issued bills at higher rates and that too with retrospective effect from January 2019.

The National Assembly's Standing Committee on Finance and Revenue had earlier ordered suspension of increased power rates for export industries and their retrospective recovery and took up the matter with the prime minister.

The power division had issued a notification on Jan 13 this year which the industry and the parliamentary panel termed "unauthorised" as it increased electricity rates for the export sector from 7.5 cents per unit to about 13 cents.

The parliamentary panel had ordered the power division to go back to the Economic Coordination Committee (ECC) and the federal cabinet for reversal of incentives to export industries if there was insufficient subsidy allocation in the budget.

The export industry had been promised by the government in February 2019 that they would be provided electricity at 7.5 cents per unit, including all surcharges. This was to entail about Rs30bn subsidy. The package was fully implemented under a duly issued notification after the ECC approval until the power division issued a fresh notification on Jan 13 under which the subsidy was limited to 7.5 cents as base tariff and all add-ons were put on the consumers.

The all-inclusive subsidised power rate of 7.5 cents was a major policy plank of the present government to boost exports and was duly approved by the ECC in its meeting on Oct 24, 2018, followed by its endorsement by the cabinet and then issuance of a statutory regulatory order in January 2019. A further notification was issued on Feb 8 last year to clarify that 7.5cents per unit tariff was all inclusive.

The export sector then complained to the Prime Minister Office about 'non-implementation' of the export-sector support package involving subsidised gas and electricity rates and the power division had on Jan 13, 2020 directed the distribution companies to bill all additional charges like financial cost surcharge, Neelum-Jhelum surcharge, taxes, fixed charges, quarterly tariff adjustment and fuel price adjustment in addition to 7.5 cents, raising the aggregate cost to 13 cents per unit. To make the matter worse, the add-ons and surcharges were applied retrospectively from Jan 1, 2019.