

Centre, Sindh agree to streamline gas supplies

ISLAMABAD: In a major development, the centre on Monday claimed to have secured a broad agreement with the Sindh government for introduction of a significantly higher weighted average cost of natural gas and imported liquefied natural gas (LNG) in future to streamline supplies.

At the same time, Minister for Energy Omar Ayub Khan and Special Assistant to the Prime Minister on Petroleum Nadeem Babar blamed the Sindh government for ongoing gas shortfall in various parts of the country.

They were briefing print media journalists here on Monday. "We have to go for weighted average cost of gas (WACOG) because LNG is also a source of gas and not a petroleum product," said Mr Babar, adding that this would end the dispute surrounding the application of Article 158 of the Constitution. "We are shifting towards WACOG," he said.

Mr Babar said he had in fact taken up the matter at the recent meeting of the Council of Common Interests (CCI) and briefed the participants why it was important. He said the lowest slab of domestic consumers were being supplied domestic gas at Rs121 per unit against the actual average domestic gas price of Rs780 and almost double the cost of LNG.

PM's assistant says 'we are shifting towards weighted average cost'

He said the average cost of domestically produced gas and imported LNG once determined by the Oil and Gas Regulatory Authority (Ogra) could be subsidised by the government or cross-subsidised by various consumer categories. He said Sindh Chief Minister Murad Ali Shah had "agreed to (this proposal) to some extent but linked its implementation to distribution of gas in consultation (with the provinces)".

Mr Babar said he would be going to Karachi for a follow-up meeting with Mr Shah next week as agreed during the CCI meeting. He said the proposal would allow full cost recovery without any bar as to how much gas be imported and distribution network be expanded by the companies.

At present, Ogra is restricted by law to allow WACOG of natural gas and imported LNG because the law defined LNG as petroleum product that did not fall in relevant domain of revenue requirement of the gas companies. The PML-N government had amended the law to declare LNG as petroleum product instead of gas because of financial strength of Pakistan State Oil to place international LNG import orders.

Omar Ayub said the two gas companies had supplied 50 per cent additional gas to the domestic consumers this winter until now, while overall 12pc higher supplies had been ensured through full utilisation of LNG terminal capacity. He said Sindh could have easily rectified its gas supplies by taking LNG supplies but they kept on insisting its rights under Article 158 through its erroneous interpretation.

He said the federal government was of considered view in the light of the legal opinions that every citizen (domestic consumer) had the first right over natural gas and then came other categories like industry or others. If the argument of Sindh is accepted, then KP would claim full control over power production from hydropower plants, Punjab would not allow wheat going to other provinces and prices of petroleum products, wheat and electricity would differ from place to place instead of uniformity.

He said the federal government had written eight letters to Sindh since February last year to facilitate right of way for three major pipelines but none was responded to until very recently.

Mr Babar explained that the objective of Article 158 under the original constitution was in the background of only domestic consumers and to ensure gas supply to people of Balochistan because there was no more than 5pc industrial consumption at the time. The 18th Amendment changed this situation and allowed 'ownerless properties' to rest jointly with the federal and provincial governments.