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To cope with gas deficit: 'Govt decision to shut RLNG supply to CPPS to hurt exports'

ISLAMABAD: The government has made its mind to arbitrarily close down RLNG supply to Captive Power Plants (CPPs), which are industrial connections in nature and are providing electricity to the textile sector at Rs10 per unit (6 cents per unit). And to this effect, officials from FIA and Sui Northern conducted a raid on US Apparel — a textile mill whose exports stands at $400-500 million.

"Petroleum Division wants to cut until March, 2021 the RLNG supply to CCPs to divert it to the domestic sector, but this decision will cost the country a lot as the exports of the country may nosedive and Power Division seems not inclined to reduce the power tariff for export industry that stands at 9 cents, which was last year at 7.5 cents," a senior official at Commerce Ministry told The News.

"And if the gas supply gets disconnected, the exports will go down as the government is providing the electricity to export industry at 9 cents per unit which has forced industrial sector to increase reliance on CPPs, which are being run on RLNG available to the export sector at $6.5 per MMBTU as fuel."

Shahid Sattar, Executive Director of All Pakistan Textile Mills Association (APTMA), when contacted, confirmed the development, saying it is unfortunate that FIA and Sui Northern have started raiding CPPs to disconnect the gas supply. He said, "Under the agreement we are using the gas at cost of $6.5 per MMBTU and if the government wants to disconnect the supply, then the cost of inputs will rise as the government has increased the power tariff to 9 cents from 7.5 cents." He said, "We are producing the electricity at a cost of Rs10 per unit (6 cents) through CPPs, which is being consumed by the industrial sector making pivotal role in boosting the exports of the country, but the decision to conduct raids and close down the gas supply to CPPs will provide 100 mmcfd gas to the government, which will be used to domestic sector to avoid the backlash from masses." "APTMA is ready to give the gas being used by captive power plants but wants in return the reduction of electricity tariff to 6-7.5 cents per unit. Industry is using 4500MW electricity CPPs and more electricity is being used at the cost of 9 cents per unit," Shahid Sattar argued.

He said that Ogra and high courts had already declared the CPPs as industrial connections as the gas infrastructure development cess (GIDC) will be paid accordingly. The textile industry is already working at full capacity and the order book is currently full.

To manage the load and increase the current capacity, machinery worth $2.0 billion has already been ordered and another lot of the same amount is in the pipeline.

Thus, to keep the rhythm going and fulfilling the increased orders, it is vital to keep the current pricing for the industry.