

Massive gas crisis in the making during winter

ISLAMABAD: The furnace oil lobby has ultimately prevailed and managed to create the situation wherein the Petroleum Division will not be in a position to import more LNG to cater to the needs of the country for winter season resulting in the huge gas shortage in months of December, January and February at the least.

This will put the PTI government on tight rope as the gas crisis can create a difficult situation. The gas crisis will provide space to furnace oil lobby to play and make furnace oil based power plants operational in winter season for electricity generation.

The background interviews of top officials of Power and Petroleum Division suggest that the decision makers in the government influenced by furnace oil lobby did not place the demand of more LNG for winter season requirements despite the fact that top management of state-owned Pakistan LNG Limited (PLL) has been asking the top mandarins for the last six months to place LNG demand for import. At present, two LNG terminals are importing just over 800 mmcf/d gas mainly because of low demand placed by the Power Sector.

However, under the latest scenario, they said, the abrupt demand has been placed on October 25 asking for more import of 450 mmcf/d LNG for winter season requirements, knowing the fact that the import of more LNG in short span of time is extremely difficult as it requires three to four months time under PPRA rules and giving suppliers reasonable time to deliver. The PLL is required to place tenders for import of LNG, but this process takes months to complete. And in case of spot purchasing, the price of LNG would be higher as in winter season the price of LNG in the open market goes higher.

The government of former prime minister Shahid Khaqan Abbasi had worked out a plan to phase out the import of furnace oil in the country for electricity generation and to this effect, it placed the ban on electricity generation through furnace oil based power plants in winter season on the rationale that LNG based electricity is now available which is a much cheaper alternate.

However, furnace oil can be imported on demand basis if the electricity demand increases manifold in summer season, but in winter season furnace oil based power houses will remain closed.

But, no timely pitching of demand for LNG by decision makers is all set to trigger a gas crisis and the country. The PTI government has decided to provide LNG at subsidised rate of Rs600 per mmbtu in winter season to zero rated industry that include textile, leather, carpet, surgical and sports with the aim to increase country exports and earn the much needed dollars, but the LNG of 850 mmcf/d is currently being imported despite the fact that Pakistan has attained the capacity to import 1.2 bcf/d LNG.

If the government reduces the supply of LNG to power sector and diverts it to export industry, then furnace oil lobby will make the furnace oil based power plants even in winter season and generate electricity at Rs15.90 per unit which will be almost Rs6 per unit costly than the LNG based electricity which costs at Rs9.90 per unit.

The furnace oil has been stored for 60 days consumption and will be used for power generation in the winter season and according to Joint Secretary (Power) Mr Zargham Eshaq Khan, the

electricity is being generated as per the merit order and the government will generate the electricity through cheaper and efficient power plants and in case any RLNG based power plant gets shut down on account of annual maintenance, then furnace oil based power plants will be utilised as an alternate. But he said that the government will try to cater to the country's electricity needs through the power plants which run on local gas, imported RLNG, imported coal and nuclear as fuel.

The officials says that if PLL fails to import more LNG of 450 mmcfd and arrange six to eight more LNG cargoes for winter season, then the PTI government may place some cut on supply of LNG to power sector and diverts it to textile, leather, carpet, surgical and sports industry then furnace oil based power plants will be made run to generate electricity.

Khalid Mustafa