DAWN

6th November 2018

Industry fumes as promised gas price reductions fail to appear on latest bills

LAHORE: Industry leaders were up in arms on Monday as one after another they all received gas bills as per the old tariff, in fact slightly higher, as opposed to the steep cuts in gas tariff that they had been promised by the government in September.

"How were the gas bills to industry issued under the old tariff " asked Syed Ali Hasan, Chairman All Pakistan Textile Mills Association (Aptma) at a press conference held in Lahore. He was flanked on either side by industry leaders from leather, carpets, surgical and sports goods, all of whom mostly sat silent and let him do all the talking.

"This is contrary to what was agreed and approved by the government in the wake of the promise made by PTI chief Imran Khan and senior leader Asad Umar."

Hasan spoke angrily of a betrayal, repeatedly asking "what has happened to us? what have they done to us?" He said APTMA has now been put in a position to call a general body meeting, "and whatever is decided by our larger membership, we will act on it."

Before the general elections, Pakistan Tehreek-i-Insaf chief Imran Khan had committed to introducing regionally competitive gas and electricity tariffs for five zero-rated industry. Once coming into power, the new government once again reiterated its commitment. In a meeting with leaders from the exports sector in September, the finance minister conceded their point that exports will not be revitalized so long as energy prices in the country were not uniform and regionally competitive. He agreed at that meeting to bring gas prices down for export sector only, to $6.5 per mmbtu from almost $16 where they were.

That decision was announced with great fanfare by industry leaders and the finance minister presented it in parliament as one of his big achievements, underlining in an energetic speech how his government had extended "a subsidy worth almost Rs44 billion to exporters" in the form of the gas price agreement. In the meantime, all other gas consumers, especially domestic industry, saw steep increases in their tariffs, in some cases near doubling.

The Economic Coordination Committee (ECC) approved the new tariff with effect from Sept 27, but the lower gas price was never notified due to resistance from the gas bureaucracy and lingering questions over who will pay for the differential in cost of imported gas and the new rate the government wanted to sell it at.

"With respect to the notification of weighted average price of $6.5 per mmBtu, it is decided that subsidy on account of RLNG/system gas supply mix has to be reimbursed on monthly basis against notified gas prices as per actual consumption, therefore, the need for such notification of weighted average price doesn't arise," reads a ministry of Finance letter issued on Nov 2.

"Further, as the system gas and RLNG pricing is done under two sets of laws – Ogra Ordinance, 2002 and Petroleum Levy Ordinance 1961 respectively. Therefore, unless the Ogra Ordinance 2002 is amended to include RLNG, the regulator under the present arrangement is unable to notify the weighted average price of US $6.5 per mmBtu for zero-rated industry."

That logjam was broken in October 23, when the finance ministry agreed to notify the old price of gas and pay for the cost of reduced sale price. The finance ministry agreed to pay for the subsidy involved in bringing down the price of gas for Punjab industry, but one billing cycle appeared to have been missed.

It is unclear how far the government will be able to deliver on its commitment to subsidise the price of gas for export oriented industry given its fiscal health, and that talks with the IMF are set to begin on Thursday.

“We were happy after the PTI-led federal government fulfilled its commitment by formally approving the new gas and electricity tariffs. But now it seems retracting from its commitment,” he deplored.

According to industry leaders, due to unjustified and discriminative gas and power tariffs, all zero-rated sectors are in a state of crisis. Of the total 300 textile units in Punjab, 100 have already closed down since they could not sustain operations.

“Once the ECC approved new tariffs, we started running mills on gas, believing that bills would be issued to us under the new tariffs. But after we received the bills with old tariffs (which is double than the new tariff), we fear that we may not even restart the remaining 200 units,” Aptma Punjab Chairman Adil Bashir said.

The Newspaper's Staff Reporter