

## **ECC moved for 30 percent hike in gas prices**

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The Ministry of Energy has moved a proposal to the Economic Coordination Committee (ECC) of the Cabinet for seeking 30 percent increase in gas prices for all categories and 186 percent for domestic consumers of SNGPL to bridge the gas company's revenue shortfall of Rs 102 billion.

Sources told *Business Recorder* that a meeting of the ECC presided over by Finance Minister Asad Umar was informed Wednesday last that both gas companies - SNGPL and SSGCL - are facing revenue shortfall.

As per the proposal for the financial year 2018-19, the revenue requirement of SNGPL and SSGCL was determined by Ogra as Rs 275 billion and Rs 211 billion, respectively against their revenue generation based on current gas sale prices of Rs 172 billion for SNGPL and Rs 157 billion for SSGCL.

Consequently, there will be a revenue shortfall of Rs 102 billion for SNGPL and revenue shortfall of Rs 54 billion for SSGCL for current financial year. The proposal of gas increase was also put to the caretaker government but the Ogra was advised to maintain the category-wise current gas sale prices.

There is a need to increase gas sale prices for all categories as per of Oil and Gas Regulatory authority (Ogra) recommendations to meet the gas companies deficit in revenue.

The Ogra recommended for SNGPL 30 percent increase in gas sale prices for all categories of consumers except domestic sector where an increase of 186 percent was recommended. The suggested increase in domestic sector tariff depicts 50 percent cost recovery for the first slab and 100 percent cost recovery from the second slab.

While for SSGC, a varying percentage of increases have been suggested by Ogra. However, as government is following a policy of uniform gas sale prices across the country, it may be expedient to adopt the prices recommended by Ogra for SNGPL for all consumers across the country.

The category-wise prescribed prices determined by Ogra in pursuance of its Ordinance, 2002 are advised to the federal government. The federal government, within 40 days, is required to advise Ogra category-wise sale price of each consumer for natural gas for notification.

The SNGPL and SSGC are operating on cost plus return on assets formulae under license from the Ogra and as per Ogra Ordinance and License condition, it will determine tariff or total annual revenue requirement of the gas companies comprising; (i) cost of gas, (ii) transmission & distribution costs, (iii) 17.43 percent return (before financial charges & tax) on the value of average net fixed assets in operation for each financial year. This determination of tariff for each of the gas utility company translates into category-wise prescribed prices of natural gas.

The proposal was placed before the ECC with a request for consideration and directions so that sector-wise gas sale prices may be advised to Ogra for notification as gas sale prices for SNGPL and SSGC as well as for fertilizer and power sector consumers to whom gas is supplied directly from fields by Mari Petroleum Company Limited (MPCL) and Pakistan Petroleum Limited (PPL). However, the ECC delayed consideration of the proposal, an official maintained.

