

How to stop wastage of precious domestic gas

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Pakistan is blessed with the natural gas reserves but years of mismanagement, inadequate exploration activities and poor distribution policies have led to gas deficit of three billion cubic feet per day (bcfd), which is projected by Ogra to touch 6 bcfd by 2030.

Battered by gas shortages and high cost of doing business accompanied by elevating exchange rate, Punjab's textile industry is on verge of closure. Around 70 percent of Pakistan's textile industry is in Punjab, which is extremely exposed to energy shortage and affordability compared with the mills in other provinces operating on uninterrupted gas supplies. Over the last three years, almost 30 percent of textile-oriented industries have closed adding 1.2 million workers in unemployment base.

Overlooking the 18th Amendment, gas is sold at through away price in KPK and Sindh which is causing huge losses to the economy. When it can easily be sold at Rs 1000/MMBTU it is being sold at Rs 488/MMBTU in KPK and Sindh. While, despite being third on the priority list Punjab textile industry is getting only one-fourth of their allocated gas supply and is also forced to pay more than 3 times higher (Rs 1700/MMBTU) than other provinces. The following table shows price discrimination prevailing in provinces.

This price discrimination is not sustainable as bulk of industries and exports originate from Punjab. This disparity in energy prices is hindering Pakistan's efforts to accelerate economic development as a major sector of the economy is crashing.

Moreover, both demand and supply of gas have alarmingly increased in domestic sector. Despite prevailing gas deficit, three lacs consumers are added to gas network every year which aggravates the situation even further. To appease the voters, the outgoing government has also granted approval to 235 gas schemes in January for parliamentary constituencies that cost billions of rupees to the economy. This extra supply to domestic sector also causes losses to the economy as most of the gas is burnt in inefficient home appliances with an average efficiency of 22 percent.

In order to ensure sustainable gas supply and competitiveness, price and priority of gas supplied to different sectors of the economy should be reviewed in a way that productive sectors of the economy that add more value to GDP be given preferential priority in domestic gas allocation and supply. That means allotting second priority to industry ahead of commercial and power and creating a two tier allocation for industry in which export based industry should be given preference. This would allow domestic gas to be supplied to export based industry at Rs 600 in Punjab for at least 9 months a year providing a much-needed relief.

To rectify the situation, more indigenous energy resources should be explored. Proper production, management, distribution, allocation and consumption strategies should be planned. A constitutional amendment is required for proper action plan over existing energy resources and their utilization. All federating units should understand and co-operate with each other on their provincial energy needs and their overall contribution to the national GDP.

More exploration and investments are needed in gas sector. The usage of CNG as an alternate fuel to petrol, owing to the disparity in oil and gas prices should be curtailed.

A comprehensive national energy policy which includes regularization of illegal connections, cancellation of allocations for the transport, ban on gas-run electricity generators and illegal commercial consumers are the immediate policy changes required and must be implemented by the government to overcome this gas shortage crisis in Pakistan.

To achieve the objectives of judicious use of the precious domestic gas in the domestic sector, a two-pronged strategy needs to be implemented through appropriate price signals and energy efficiency standards.

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