



## Gas price increase

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**IT is no secret that gas prices need to be sharply revised upward across the country but successive governments have been reluctant to advance the matter due to the deep political ramifications associated with it. Gas is the most important fuel in Pakistan's economy, and its pricing regime today is a vast, sprawling patchwork of different rates set for different consumers through administrative means. For decades, it has been pointed out by many experts as well as donor agencies that without major gas pricing reforms that give market forces a greater role, further investment in the gas sector — whether upstream or in transmission and distribution — will be difficult to arrange. In fact, without that investment, Pakistan's gas sector has descended into greater inefficiencies, with mounting losses, politically determined expansion plans, and industrial groups wrangling hard around the politics of the 'merit order list' as well as pricing.**

It is against this backdrop that the Oil and Gas Regulatory Authority has forwarded its recent price determinations, seeking an average 46pc price increase for gas in the country, to the interim government. The idea is right, but there are two problems. First, this is a huge policy decision and must be taken by an elected government, not an interim one. Despite the difficulties that elected governments face in implementing the price reforms required in the gas sector, it would be a mistake to try and advance such an important policy via the caretaker setup. Second, the reasons behind Ogra's move are entirely the wrong ones. Gas pricing reforms must be advanced with a view to inculcating the judicious use of the fuel, encouraging future investment, and weaning industry off its addiction to cheap, subsidised gas as the source of its profits. They should not be advanced to pay for the inefficiencies of public-sector gas utilities, to meet their revenue requirements or underwrite their growing losses. This is why an interim government cannot be trusted to oversee such a large exercise — its short stint in power means it is more likely to be misled by the bureaucracy to tie the country to a pricing regime that has long-lasting implications for the future of the economy. Whatever difficulties elected dispensations may face when it comes to carrying out gas pricing reforms, seeking shortcuts carries greater risks and must be avoided.

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