DAWN

Gas price reform

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THE Economic Coordination Committee has taken the right decision in turning down the gas price increase proposed by Ogra, the gas sector regulator. The determination drawn up by the regulator sought a near tripling of the price of gas across all consumer categories, with the brunt of the impact borne by the poorest domestic consumers. Interestingly, the fertiliser sector saw the smallest increases in the determination. The regulator seemed to be looking out for the commercial interests of publicly owned gas distribution companies in drawing up the determination, rather than taking the consumer and the public interest into account like it is supposed to as a neutral body. The ECC turned down the price increases determined by the regulator, but now must go further to reform gas pricing as a whole if it is to free the sector from the clutches of the vested interests of bureaucracy and industry. The recorded message released by the government after the meeting said only that the decision to increase the price had been postponed till the subsidy could be rearranged and approval of the prime minister obtained.

This does not go far enough. A real party of change would seek to reform the gas pricing mechanism altogether rather than just tinker with the price and call it a day. The government's role in setting the price of gas needs to give way to market forces. As in the case of petroleum products, gas price reforms need to link the cost of the vital fuel to international markets, and let the end user price fluctuate accordingly. The price of petrol and diesel at the pump is set by Ogra at regular intervals using a formula that takes the international market price as a benchmark while ensuring uniform prices across the country. There is no reason why the same cannot be done for natural gas as well, while keeping it affordable for the poor.

Until such deeper price reform is initiated, the government will find itself wrangling with the same issues and fending off the same political challenges to its decisions as previous dispensations had to do. And its decisions will end up looking the same as well, which will be a challenge to the ruling PTI's self-image as a party of change. The pricing methodology being used by the regulator is woefully outdated and not revising it is not the path to the future. Instead of debating whether the decision ought to be referred to the Council of Common Interests, or where the burden of the increase should fall, one would expect a finance minister with a corporate background to ask why it is necessary for public-sector gas companies to be getting 17pc return on assets in the first place, a central feature of the gas price methodology. From there, the reform conversation opens up by itself.

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