

Gas price jolt

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THE news that Prime Minister Imran Khan may have given his assent, in principle, to a sharp upward revision in the price of gas across the board has sent shockwaves through industry circles. Domestic consumers are first in the line of fire, since the determination by Ogra upon which the decision was based singles them out as particularly costly in terms of the subsidy being provided. Most specifically, the determination points to those in the first two slabs, the poorest of the poor, to say that the rates they pay must be tripled. It may appear to be a particularly bold move by Mr Khan to approve, even in principle, this determination, which was resisted by the previous government for five years, but a closer look reveals that the decision may have been made without considering all the options first.

There is no doubt that gas prices need to be revised. This is true given dwindling supplies and the growing reliance on imported LNG, with wide pricing gaps between the two. But it is also true at a deeper, more philosophical level. For decades now, we have been telling ourselves a very damaging lie — that gas is cheap and abundant. In reality, it is precious and scarce. The lie is propagated chiefly through the subsidised price which in turn promotes waste and discourages conservation. The reality ought to have been obvious a decade ago, but successive governments have found it hard to take the necessary steps. Their reluctance has brought us to a point where drastic actions are required — the unfortunate duty of the present government. Simple upward revisions as suggested by the gas bureaucracy and regulator will not get the job done. Given such revisions today to meet growing revenue requirements will only postpone by a few years the day of actual reckoning. What is essential is reform in the price of gas, as well as the mechanism through which the gas price is determined. This means allowing market forces to play a larger role in pricing, and allowing the latter to have a bigger part in allocations between sectors. This is the issue that lies at the heart of the matter. Given that the PTI has campaigned on advancing meaningful change in the country, this is the direction the new government should take, instead of rubber-stamping the determination sent by the regulator.

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