Government decides to substantially raise gas rates

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ABDUL RASHEED AZAD

BUSINESS RECORDER

The government has decided to jack up gas tariff for domestic consumers by 10-15 percent, for industry 15-20 percent, and for fertiliser sector 100 percent, in the coming fiscal year. This was stated by Federal Minister for Petroleum and Natural Resources Dr Asim Hussain while talking to a group of reporters here on Wednesday.

He said that a final decision would be taken in the meeting of the Economic Co-ordination Committee of the Cabinet (ECC) on Thursday. Gas supply to CNG stations and industry in Sindh for two days would remain suspended as per new gas load management plan of the government, he added. He said that about 200 mmcfd gas would be provided to Karachi Electric Supply Company (KESC) to ensure uninterrupted power supply to the people as well as industry.

The move would give relief to residents of Karachi from long hours load shedding as the Karachi Electric Supply Company (KESC) in the absence of sufficient gas and furnace oil supply was forced to resort to unannounced load-shedding for long hours in the financial hub. The government is particularly focusing on reducing cross-subsidy which comes in the range of Rs 35 to Rs 40 billion per annum. Under this system, fertiliser manufacturers are supplied gas at reduced rates and the balance is received from the textile and other industrial sectors in the shape of higher gas prices.

The textile sector has been protesting against cross-subsidy to domestic and fertiliser sectors, saying it leads to an increase in cost of doing business and makes textile products uncompetitive in the international market. He said that a gas load management plan was being prepared in consultation with all stakeholders to effectively tackle gas shortage, especially during winter season.

He said the KESC had requested for 239 mmcfd gas, while it would be provided 200 mmcfd as part efforts to overcome gas shortages. The Minister was of the opinion that gas supply should be cut by 50 percent to independent power producers (IPPs) and they should run on diesel. Regarding petrol shortage, he said the government was taking concrete steps to ensure adequate supply of fuel across the country and as many as 200,000 tons of petrol had been imported, which would help overcome fuel shortage.

Moreover, he said, licences of six oil marketing companies had been suspended for not retaining required POL stocks. He said that suspension of licences would not create further fuel shortage as these companies were too small to affect the situation. He suggested that SSGC and SNGPL needed to form own LPG marketing companies to maintain prices of the LPG at a certain level across the country.

The minister said that the agreement of supply 152 mmcfd gas to IPPs would end on June 30, 2011. He said that his ministry would oppose the proposal to allocate gas for IPPs. Instead his ministry would suggest that IPPs may use 50 percent diesel and 50 percent gas for power generation. The increase in the gas tariff for domestic consumer would further jack up the inflation, which according to official figures at present is around 15-16 percent.

The decision to increase 100 percent gas tariff for fertiliser sector would reduce the use of different fertilisers as the manufacturers would increase commodity prices. The increase in fertiliser prices would also reduce per acre produce of different crops in Pakistan significantly. As per report of National Fertilisers Development Corporation, sale of fertilisers has witnessed 11 percent decrease during January to May during the current fiscal year.

According to the statistics of National Fertilisers Development Corporation, sale of urea fertilisers remained 2.2 million tons which is 11 percent less as compared to same period the previous year. The statistics showed that the sale of fertilisers decreased by 6 percent just in the month of May due to shortage of the commodity in the market.

Analysts are of view that shortage of urea and delay in its import resulted in urea sale decline. They said that record 50 percent hike in the prices of urea is observed during January to June. However, the all Pakistan CNG association has urged the government not to stop gas supply to the CNG sector as after the ending of gas supply agreements with four IPPs there would be 200 mmcfd gas available, while CNG sector requires only 30 mmcfd additional gas for operating seven days a week.

According to a statement issued by the CNG Association it has also requested the government not to consider the recommendations of Planning Commission to increase gas rates. People cannot afford new increased gas tariff and the government had promised that it would not increase the gas rates to benefit any particular sector till the completion of equal gas rate slabs working which is still underway, the statement said.