

Looming energy disaster is quite avoidable

EDITORIAL (January 07, 2013) : Electricity supply to textile units in Punjab remained uninterrupted for 16 hours-a-day on orders from Prime Minister Raja Pervez Ashraf and according to All Pakistan Textile Mills Association (APTMA) its members have not complained and appear to be greatly satisfied - for the moment. A meeting at the PM Secretariat ordered the Water and Power Ministry to supply power to textile mills in Punjab for 16 hours. Obviously, this is being done to avoid laying off around 10 million workers. The pressure from such an unsavoury situation could lead to further worsening of law and order and hurt government's electoral prospects. This was precisely the reason behind PM's orders. The questions that still need answers are: (a) How long will this fire-fighting continue? (b) Is this situation sustainable? (c) And, why is the government shying off from taking tough decisions? All signs clearly indicate that the energy shortages are slowing down the economy and its continuous slide could lead to horrendous consequences! The world on the average consumes 0.24 metric tons of fuel to produce one megawatt of electricity. However, we consume 0.68 metric tons of fuel to produce the same, ie, one megawatt of power. Line losses should be below 12 percent of the electricity dispatched. It is not so in Pakistan. Line losses are anywhere from 25 to 40 percent on average. The average efficiency in power generation is said to be less than 20 percent instead of over 30 percent. We are producing less than 10,000 megawatts of electricity per day - this includes gas-powered as well as hydel production besides using furnace oil. The suppressed demand is around 10,000 megawatts. And, the shortfall is believed to be around 7,500 MW as of date. With a growing population we need to produce at least 10 percent more electricity every year to achieve growth target of 6 percent or more. The only reason power supply situation has improved temporarily because three tankers loaded with 65,000 metric tons of fuel oil were delivered at Karachi. Pakistan State Oil has been on the verge of default on its international obligations and the Ministry of Finance is providing Rs 3 billion per day of subsidy. The whole budgeted amount of subsidy (Rs 170bn) has been spent within the first five months of the financial year. Circular debt, which had touched a Rs 232 billion mark, did come down to Rs 176 billion, because of new loans (through issuance of fresh Term Finance Certificates) from banks to the government. Circular debt is now once again rising. Payables to PSO that had dropped from Rs 16 billion to Rs 4 billion have gone up once again to Rs 12 billion. Letters of Credit of Rs 190 billion to import furnace oil in the next three months are in the pipeline. PSO has to meet its financial commitments. Repercussions of any default by PSO are not only difficult to comprehend but could take weeks to rectify. The government seems to be caught in a catch-22 situation or in a situation from which there is no scope because you need to do one thing before doing a second, and you cannot do the second thing before doing the first. Ministry of Water and Power wants oil to be supplied by Ministry of Petroleum and Natural Resources irrespective of whether entities under its wing timely pay for the fuel or not. Ministry of Petroleum and Natural Resources wants funds to import furnace oil or domestically purchase it from refineries and wants Ministry of Finance to pay for it from the Federal Budget. Ministry of Finance initially refuses to oblige but when ordered by the big bosses it has to comply with. On numerous occasions commitments were made by the Water and Power Ministry to improve recovery of billed amount for electricity but the gap between electricity supply and money recovered from

consumers keeps on widening. So as long as this yawning gap is plugged from the budget - and the oil continues to flow - we shall be burning all our taxes to pay for it because the Discos cannot recover the billed power supply. It may be true that the problem of circular debt as well as growing energy deficiency was inherited by the present government but after nearly five years, the situation instead of improving has worsened even though an integrated energy plan was submitted as far back as 2008 by a committee of experts led by the former Shell boss Farooq Rehmatullah. It suggested removing the public sector entities from under their respective ministerial divisions and placing them under an independent and autonomous board of directors to manage them. The Dr Hafeez Sheikh Committee reiterated this and a half-hearted attempt made to form a board for Gencos. But in this powerless board the Chief Executive continues to be at the beck and call of minister of water and power and even a powerful and competent secretary Nargis Sethi is yet to produce positive results because of a daunting political environment. An additional and irksome problem a private sector Chief Executive faces is the frequent and demeaning appearance before a parliamentary committee to explain the reasons behind whatever had been done over a decade ago when he was not at the helm. Unless and until these Discos and Gencos are handed over to a private sector entity with requisite experience against a golden share - nothing will work. Experience of Kapco and AES in the power sector itself should be an eye-opener. Private sector management will need government support in the initial phase to overcome deep-rooted issues of labour and opposition to corporatisation through introduction of good business practices. One does not know when this journey on a right course will commence. It is too late for the present coalition setup to make the change; however, at the cabinet level, one could reorganize the ministerial assignments. Natural Resources Wing of Ministry of Petroleum and Natural Resources needs to be transferred to Ministry of Water and the Power and the Power Wing of this ministry could be handed over to Petroleum Ministry. In this way only one minister and his secretary would be required to provide uninterrupted and requisite energy to the country. After all water is a natural resource like other minerals which are neglected by the Oil Ministry which has been busy firefighting on two fronts - electricity and gas. Transferring Natural Resources to Ministry of Water will give size to this ministry and keep the political boss at the helm satisfied of his importance. Then Ministry of Petroleum & Power could be turned into a Ministry of Energy to implement the Energy plan - presently gathering dust - to save this country's economy from ruination.

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