CNG: chaos, confusion and conflict

EDITORIAL (November 30, 2012) : Long queues of vehicles can be seen along roads leading to stations selling Compressed Natural Gas (CNG), as majority of CNG stations prefer to remain shut. The owners of closed CNG stations are not willing to sell CNG at a price which they argue is devoid of profit. Vehicle owners who have installed CNG conversion kits (each at a cost of Rs 30,000 to 45,000) are angry at non-availability of CNG fuel. The CNG owners are complaining that the administration is pressing them to sell the utility at a loss. Amid all this confusion, the Oil and Gas Regulatory Authority (Ogra) is holding talks with CNG operators on the pretext that the Supreme Court has asked them to give fair hearings to all stakeholders. Accordingly, it has recommended a CNG price to the apex court. The National Assembly Sub-Committee on Petroleum and Natural Resources wants the government to mediate between the CNG operators and Ogra. The government's hesitancy to do so is quite understandable as it wants to wait for Supreme Court's final order on the subject. It is an unholy mess of our own making. This newspaper for decades has been underscoring the need for deregulating Oil and Gas sector and the fixation of tariff on the basis of BTU value ie equating calorific value of each fuel - gas, diesel, furnace oil and petrol. And, allow the seller (marketing companies) pump operators to fix their sale price. The government needs to get out of price fixation business, opt out of imposing transportation equalisation surcharge and also avoid taxing energy as much as fiscally possible. Let the users pay the international price for domestic gas with no subsidy. Only a clearly spelt-out long-term policy with continuity and consistency will get us out of the energy mess we have gotten ourselves into. There are no two opinions that the previous government of Pervez Musharraf/Shaukat Aziz encouraged vehicle owners to install CNG kits. This grossly erroneous policy was based on the pretext that there is domestic gas available - in plenty - which could not only take care of growing demand but also replace costly imported crude oil as international price for crude oil crossed $100 mark. On the same premise of adequate availability of gas domestically, the same government invited bids for establishing rental power plants on natural gas. Two rental plants were installed as well as two more urea fertiliser factories given licences, which were backed by sovereign guarantees. The premise of natural gas being available domestically in abundance was faulty. The present government, deep in hock and worried about the prospects of gas flows, witnessed battles between various types of consumers not just for higher gas allocation but for cheap natural gas much below the BTU parity with furnace oil and diesel. While the Ministry of Petroleum was trying to scrap the bottom of the barrel unfortunately, Ogra was busy sanctioning new CNG pumps licences to those who had political clout and connections at the top or were willing to grease the palm at Ogra. The plea that vehicle owners have invested in CNG kits as per governmental policy does not hold water. Consumers have invested in electrification of their houses and offices and do not get electricity for full 24 hours. Same holds true for water connections. Consumers do pay monthly charges for water not received. The utility companies have declared - force majeure. CNG station owners have also invested just like to other industry and commercial establishments suffering from energy shortages. We need to prioritise the domestic supply of natural gas as it is getting scarcer. But all this is history. What is the way out now? CNG needs to be phased out through both price rationalisation as well as usage restriction. Let CNG retail price be equated with that of diesel and its use restricted to public transport only ie buses and rickshaws. Simultaneously, natural gas needs to be made available on priority to power sector, industry and the urea producers with no subsidy. It is difficult to undertake the suggested policy

changes with general election to take place in the next few months. But then this is what leadership is all about. The Federal Cabinet members should step forward and rise above petty interests. The choice is ours to make. Later, events will force us to do the same. ***Copyright Business Recorder, 2012***