**[Reforming at gunpoint](https://www.dawn.com/news/1785733/reforming-at-gunpoint)**

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THIS could be a case study in how not to do things. Common sense tells us that when problems are left to fester for long, they can grow in scale and complexity. Having postponed inevitable adjustments for long periods of time, a moment arrives when the necessary adjustment has to be undertaken in panic, in a short period of time, without the luxury of staggering out its impact, or embedding it within a larger package of reform measures.

This is exactly what has happened with the recent gas price hikes. It is hard to tell whether the hikes applied so far are enough to arrest the growth of the circular debt in the gas sector.

My hunch is no, it is not, and more hikes may need to be applied in the future. But even without that, what has happened in the gas sector is almost a case study in how not to do things.

It has been known since at least the early 1990s that Pakistan’s domestic gas supplies would peak somewhere close to the year 2010. By the early 2000s, these were no longer projections, but empirical facts that were coming into view, about the moment when domestic gas supplies would enter their period of decline. That is why the Musharraf regime mobilised to commence LNG imports, arranging a full package involving a long- term contract and a regasification terminal.

We all know what happened with that: the court assumed corruption was involved, halted the deal, and Pakistan had to wait another decade before another LNG import deal could be signed and activated. The second one was also made the subject of frivolous corruption allegations, but thankfully (for the country) those allegations did not halt LNG imports.

From when they started, in 2015, imports of LNG have grown nearly tenfold, and at the present rates of growth, imported LNG will soon surpass domestic gas in the system. And with this growth comes pricing pressure.

What has happened in the gas sector is almost a case study in how not to do things.

Pakistan’s gas reserves went into decline around 2010. The crippling shortages in the years leading up to the commencement of LNG imports are remembered by all those who lived through them. From that point onwards, it was known and clear to all that gas pricing would have to change in Pakistan. For decades, we had been lying to ourselves with our gas pricing.

By pricing it at nearly throwaway values, we had been telling ourselves that gas is abundant and cheap, whereas in reality it was scarce and precious. Having squandered this vital resource, we have been faced with the unpleasant prospect of repricing gas for well over a decade now. But that wasn’t done.

There was more than a decade in which to make crucial decisions about natural gas. These included pricing, and in addition, allocations. Who will get how much gas at what price? There were at least five major stakeholders in this decision: fertiliser, power generation, textiles, vehicular CNG and domestic consumers. There was a decade and a half in which to get a new pricing regime in place, and allow that pricing regime to reallocate gas among the various stakeholders.

None of that was done. What happened, instead, was that fresh supplies via imported LNG were arranged and the vehicular CNG stakeholders were thrown overboard, mainly because they lacked the organised clout that the other industry stakeholders had. For a while, this worked. Then in 2022 the PTI government undertook crucial pricing reform, bringing in what was called the Weighted Average Cost of Gas (WACOG).

That bill was enacted into law after the fall of the PTI government, and the first pricing adjustment under it came in the summer of 2022, but even that was stalled as politics intervened again. Shehbaz Sharif refused to raise gas prices after having withdrawn fuel subsidies and devalued the rupee. The appetite to apply yet another [price shock](https://www.dawn.com/news/1785455/minister-justifies-ppp-lambasts-hike-in-gas-prices) was gone by August 2022.

The WACOG reform never really took place, because it ran afoul of provincial government rights over first use of domestic gas. Faced with potential court challenges from Sindh and KP, the federal authorities decided to not implement this crucial pricing reform.

The result of these stalled efforts is now before us in the form of a gas price shock. Industry is set to see its gas bills double in the next billing cycle, and so will many households that are in the top consumer slabs.

The government has no choice now. The circular debt in the gas sector was rising by almost Rs350 billion per year according to the caretaker minister for power and petroleum [quoted in *Dawn*](https://www.dawn.com/news/1774847). This stock has now risen to more than Rs2.7 trillion, rapidly catching up with the circular debt in the power sector.

The past two years have seen relentless price shocks administered to the economy. There was the withdrawal of the fuel subsidies, the power tariff hikes, the devaluations, the interest rate hikes, and now the gas price increases. It is not yet clear whether these shocks have now ended or more are yet to come.

What is clear, however, is that running an economy in constant crisis and firefighting mode means the reform agenda becomes subsu­med under the required adjustments.

What ought to have been a reform moment, a time to take stock and devise a package of policies to steer the economy towards a more sustainable direction, has become little more than a moment to swallow one bitter pill after another in an effort to get prices right after a decade of avoiding crucial decisions.

Reforms are not firefighting measures. These relentless price shocks are not setting the economy on the right path. All they are doing is stabilising the ship, and hopefully those running the show can see how difficult that task is. The real reforms come later. But for that moment to arrive, the country cannot be under an interim government.

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