**Replacing hopium with reality-Part - I**

Sheikh Imran Ul Haque

Monday, Jan 29, 2024

The stubborn refusal to look reality in the face and the wish for a good old daddy saviour has been our norm for 75 years. Amidst the advocacy of unrealistic planning, inability to make timely decisions, lacking focus on homegrown measures and not being able to take the bull by the horns we have been dreaming of biogas, hydrogen, creating a market for the rice stubble, the country’s RE potential and coal gasification as our saviour.

Only a country with an analytical mindset can find real solutions. The answer is not by resorting to belief in the things being done in the West. There is a time lag in ability and execution. Per the UN trade chief, the rich world uses green policies to hold back the poor.

History shows the gestation period for structural changes, project development, and execution has had a disconnect with policy and five-year plans void of action plans and strategy. The evaluation of Thar, Reko Diq, EXIMP Bank, privatization, hydel, and nuclear projects including other structural reforms will reaffirm this inability and also identify process improvements to bring about any change – if we want to. But who will bell the cat?

Unless our Planning Commission becomes the equivalent of China’s NDRC which was established as the State Planning Commission in 1952: third-ranked executive department (a constituent of the state council/cabinet) functioning as a macroeconomic management agency with broad administrative and planning control over the economy of mainland China. Its subsidiary is the National Data and National Energy Administration responsible for energy policy, decision-making, formulating development strategies, coordinating energy development as well as international cooperation on energy. The earlier suggestion of PIDC is essential.

Our ostrich phenomenon has continued and there have been meaningful efforts in spurts to develop alternative sustainable resources based on individual initiatives rather than a well-thought-out plan with timely decisions.

A new beginning has to take place with the 13th Five Year Plan (2024-2029) by discarding hopium and challenging Winston Churchill’s “I contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle”.

It has been repeatedly confirmed that raising tariffs does not reduce circular debt and is contained by regular increases in line with cost. Reduction requires distinct alternate measures in parallel.

There is a need to price energy in an understandable unit to enable comparison and fuel choice by consumers and industry. The National Energy Efficiency & Conservation Authority with the Engineering Development Board (EDB) should have followed a target-driven aggressive energy conservation and equipment efficiency programme.

We need to start again aggressively and implement energy conservation with measurable targets of 2.0 per cent improvement every year by 2029 or saving 2.2 MTOE of energy and 8.29MTCO2 per NEECA’s current goals.

Energy security scenario planning (in the Pakistan Energy Outlook 2010-11 prepared by this writer) asks for action to reduce energy import dependency and regular plan updates would have determined a rolling roadmap of enhancing productivity, need to build a trading portfolio with long-term agreements directly with liquefication facilities and refineries instead of expensive spot procurement, developing gas storage in depleted fields, E&P focus shift to offshore, understanding the criticality of regional cooperation and in becoming part of energy networks evolving in our surrounding.

A 5+5-year revolving planning strategy to diversify energy import sourcing has to be driven by geoeconomic and regional cooperation to ensure economic security as we build on our geostrategic focus.

It now needs to define fuel mix based on IGCEP, energy transition fuel (pipeline gas/LNG), coal with a target of 60 per cent RE independently and taking into account the economic corridor from India to Europe, sourcing fuel out of the North American Energy Platform, LPG from Iraq, Central Asia, Saudi Arabia, Russia, Silk Road Rail Access to the Mediterranean Sea and commercial long-term engagement with Qatar, Oman, UAE, Australia, USA, Saudi Arabia and Russia.

Continued rethinking due to a growing need for energy infrastructure, depleting reserves and dependency on imported fuel would have also determined energy provision to consumers in the form of only electricity and 5.7 million gas consumers will be delivered piped gas at imported LPG or LNG price (whichever is higher) with cross subsidy/slabs done away and monthly direct subsidy to 70 per cent of the population using LPG and wood will focus on measures to reduce the ‘dole’ by recipients under a time-driven skill development programme.

We have started to walk the talk and a homegrown solution for captive power plants has introduced a 50:50 blend for nine months and 100 per cent LNG for three months (this year additional benefit for a month has been given). For industrial units, 75:25 blend for 12 months in Sindh and Punjab is presently at $9.7396 and $10.8478/mmbtu with increased gas loadshedding, CNG being priced at LNG cost and going forward spot buying of LNG for consumers to be phased out by 2025.

These ratios will change depending on availability and application only to zero-rated industries registered till June 2022 needs to be done away with. Tax, import duty, and ST subsidy needs definition and need to be given to all listed firms based on the increase in audited exports value, tax paid, volumes increase, investment and/or increase in employment under a progressive ‘slab’ system with blacklisting of audit firms misreporting above in annual accounts including extending Foreign Investment Promotion and Protection Act (FIPPA) to them.

Plans are also being considered to reduce industry subsidization of consumers and to ensure consistency of pricing; the SHC stay and APTMA lobbying will delay matters. Citing Bangladesh has backfired as it went under an IMF programme, and now needs to manage its $5 billion circular debt with increasing CAD. Our refinery industry has now started to export furnace oil when rent seeking was denied.

The long-overdue deregulation of the oil and gas sector starts by rescinding the Marketing Petroleum Act, oil marketing companies determining provincial or national retail prices, doing away with the Inland Freight Equalization Margin, removing the anti-competitive clause in white oil pipeline hindering the Pakistan Railways freight growth and RON differential, high sulfur penalty, and regulatory duty being used to build strategic fuel reserves.

Furthermore, a deregulated environment also requires the removal of the monopoly on import infrastructure in Port Qasim, rebuilding oil piers in KPT as a priority, and connecting the two ports by pipeline pending close to over a decade.

To be continued

The writer is an experienced professional who has held

leadership positions in various companies and organizations. He can be reached at: ihaque58@gmail.com