SUMMARY of the [Energy inflation], [Editorial], [Published on May 23rd, 2024]

On Tuesday, the Oil & Gas Regulatory Authority (Ogra) reduced the average gas prices for SNGPL by 10% and SSGC by 4%, based on the revenue needs of these public utilities for the next fiscal year. For SNGPL, this translates to a reduction of Rs179.17 per mmBtu, and for SSGC, Rs59.23 per mmBtu. However, SNGPL customers won't benefit from this reduction because the government plans to recover Rs581 billion in tariff differentials not charged over the past six years. This decision may lead to a gas price increase of up to 87% for SNGPL customers next year. The

government is likely to spread this hike over several years to mitigate the impact on consumers. Additionally, plans to increase gas and electricity prices in the new fiscal year have been shared.

Energy inflation has significantly contributed to the rising cost of living in recent years. Although headline inflation has decreased from its peak of over 38% last May to just above 17%, the planned energy price hikes could drive prices up again in FY25. To secure another loan from the IMF and maintain economic stability, the government has committed to raising gas prices from August and the base electricity tariff from July, alongside increasing taxes to boost revenue by 1.5% of GDP. These measures will further increase inflation, placing additional financial strain on households, especially those with low to moderate incomes.

The upcoming budget and associated financial measures will determine whether the elite or the general population bears the burden of IMF-mandated adjustments. The widening gap between the wealthy and the poor is exacerbating social tensions in Pakistan. Without addressing this disparity, the government may face escalating protests and instability. Financial relief is essential to prevent further social unrest.

Easy/Short SUMMARY:

The Oil & Gas Regulatory Authority has reduced gas prices for SNGPL and SSGC, but SNGPL customers won't benefit due to the government's plan to recover past tariff differentials. This could lead to a significant gas price hike. Energy inflation has been driving up living costs, and planned increases in gas and electricity prices may worsen the situation. To secure an IMF loan, the government will raise energy prices and taxes, further straining households. The upcoming budget will show whether the financial burden falls on the elite or the general population, amidst growing social tensions.

SOLUTIONS of The Problem:

Implement Gradual Price Increases:

- Spread the gas price hike over several years to minimize the immediate impact on consumers.
- Monitor the effects of price increases on inflation and adjust policies accordingly.

Protect Vulnerable Populations:

- Introduce targeted subsidies or financial assistance for low- to moderate-income households.
- Enhance social safety nets to cushion the impact of rising energy costs.

Improve Energy Efficiency:

- Promote energy-saving technologies and practices to reduce overall consumption.

- Invest in renewable energy sources to diversify the energy mix and reduce reliance on fossil fuels.

Enhance Revenue Collection:

- Implement measures to increase tax collection efficiency and broaden the tax base.
- Ensure fair taxation policies that do not disproportionately burden the lower-income population.

Address Social Inequality:

- Develop policies to reduce the income gap between the wealthy and the poor.
- Invest in education, healthcare, and job creation to improve the economic prospects of lower-income groups.

IMPORTANT Facts and Figures Given in the article:

- Ogra reduced SNGPL gas prices by 10% and SSGC prices by 4%.
- SNGPL customers won't benefit from the reduction due to the government's plan to recover Rs581 billion in tariff differentials.
- The gas price hike for SNGPL customers could be up to 87%.
- Headline inflation has decreased from over 38% last May to just above 17%.
- The government plans to raise gas prices from August and the base electricity tariff from July.
- Taxes will be increased to boost revenue by 1.5% of GDP.

MCQs from the Article:

1. Why won't SNGPL customers benefit from the gas price reduction announced by Ogra?
   A. Because the government plans to recover past tariff differentials

B. Because of an increase in gas consumption
C. Because SSGC prices are higher
D. Because of a decrease in gas supply

– Correct Answer: A. Because the government plans to recover past tariff differentials

1. What is the estimated gas price hike for SNGPL customers next year?
A. 10%
B. 20%
C. 50%
D. Up to 87%

– Correct Answer: D. Up to 87%

1. What was the peak headline inflation last May?
A. Just above 17%
B. Over 38%
C. 25%
D. 50%

– Correct Answer: B. Over 38%

1. When does the government plan to raise gas prices?
A. From June
B. From July
C. From August
D. From September

– Correct Answer: C. From August

1. How much does the government plan to increase revenue by raising taxes?
A. 1% of GDP
B. 1.5% of GDP
C. 2% of GDP
D. 2.5% of GDP

– Correct Answer: B. 1.5% of GDP

VOCABULARY:

1. **Slashed** (verb) (□□□□ □□): Reduced significantly.
2. **Prescribed** (adjective) (□□□□□): Set or recommended officially.
3. **Arbitrary** (adjective) (□□□□□ □□): Based on random choice or personal whim, rather than any reason or system.
4. **Tariff** (noun) (□□□□□): A tax or duty to be paid on a particular class of imports or exports.
5. **Differential** (noun) (□□□): A difference between amounts of things.
6. **Inflation-stricken** (adjective) (□□□□□ □□ □□□□□□□): Severely affected by inflation.
7. **Headline inflation** (noun) (□□ □□□□□ □□□□): The total inflation within an economy, including commodities such as food and energy prices.
8. **Fiscal** (adjective) (□□□□): Relating to government revenue, especially taxes.
9. **Subside** (verb) (□□□□ □□): Become less intense, violent, or severe.
10. **Opprobrium** (noun) (□□□□□□): Harsh criticism or censure.

□ *Attention Please!*
We appreciate your commitment to acquiring knowledge through our summaries. Please be reminded not to remove the attribution label affixed to this article. It is crucial to acknowledge the source and the effort invested in creating this summary. We discourage any unauthorized distribution without proper credit. Thank you for your understanding and cooperation. □

□ *Explore More Summaries, Solutions, and Vocabulary Meanings!*
□ Join our WhatsApp Channel for timely and comprehensive summaries of the latest articles, along with well-crafted solutions and helpful vocabulary meanings. Click the link below to join now:
□ Dawn Article Summaries
WhatsApp Channel Link
https://whatsapp.com/channel/0029Va7tT3o35fLnJeFbpS2y

www.dawn.com
Energy inflation
Editorial
3 – 4 minutes
Listen to article

ON Tuesday, the Oil & Gas Regulatory Authority slashed the average prescribed gas prices of SNGPL by 10pc and SSGC by 4pc in view of the revenue requirements of the two public utilities for the next financial year. On average, SNGPL consumers should pay Rs179.17 per mmBtu less during the next fiscal year, while SSGC customers should get relief of Rs59.23 per mmBtu.

However, that will not happen where SNGPL customers are concerned, because the government intends to recover from them the tariff differential of Rs581bn not passed on to them during the last six years. A report in this paper estimates that the Ogra determination of SNGPL's financial losses on account of average price increases from FY19 to FY24, which were not passed on to consumers in full by the government for fear of a political backlash, provides the authorities room for a hike of up to 87pc in the company's gas prices next year. Chances are the government might not recover the entire amount from inflation-stricken gas consumers in one year and may spread it over a few years. The authorities have already shared their plans to raise both gas and electricity prices from the new fiscal year.

Energy inflation has been a major cause of the surging cost of living over the last couple of years. Even though headline inflation came down to just above 17pc last month from its peak of over 38pc last May, the planned hike in energy rates could again push up prices during FY25.

With the government trying to secure yet another loan from the IMF to preserve the country's new-found economic 'stability' and improve its credit rating, the authorities have also shared with the Fund their plans to raise gas prices from August and the base electricity tariff from July. In addition, the government would be required to increase taxes to boost its revenues by 1.5pc of GDP. These measures will again drive up inflation, burdening the people with even more costs. The household budgets of the majority, especially those in the low- to moderate-income bracket, are already stretched thin; further erosion in their purchasing power and reductions in real wages will thrust them far beyond breaking point.

The upcoming budget and the financial measures accompanying it will determine who will bear the ever-increasing burden of IMF-mandated adjustments: the elite classes, or the hapless majority. The widening gap between the haves and have-nots is already tearing apart Pakistan's social fabric.

Unless the government can plug this gap, matters will spiral out of control, and it will be difficult for politicians and policymakers to deal with the ensuing chaos. Protests against economic policies and high prices are growing and are not likely to subside without financial relief.

Published in Dawn, May 23rd, 2024