

KP PLANS TO MARKET CARBON CREDITS THROUGH WORLD BANK

PESHAWAR: The Khyber Pakhtunkhwa government has developed a plan to market through the World Bank its carbon credits on account of generating clean hydel and solar power without polluting the environment. Carbon credit, a permit which allows a country or organisation to produce a certain amount of carbon emissions, can be traded globally with other companies with larger carbon footprint.

In this connection, the energy and power department has moved a note to the KP chief secretary's office, requesting him to authorise it for approaching the World Bank for provision of technical assistance and facilities for certification and marketing of the province's carbon credits to enable the department to claim its due share by marketing these assets owned by the provincial government in a better way.

The KP government through Pakhtunkhwa Energy Development Organisation (Pedo), has a legitimate claim of its share in the market as Pedo has been generating clean energy for the last almost three decades, reads the note prepared for claiming the carbon credit. At present, Pedo has been generating 161.8MW hydel power through hydropower projects (HPP) for the national grid, 28,884KW through community-owned micro hydel power stations and 16,054.67KW through various solar projects on daily basis.

The energy department has already shared the data of power generation with climate change and environment department to calculate tonnes (t) of carbon dioxide (CO₂) equivalent (e) or tCO₂e. "In this regard Pakistan Environment Trust (PET), an Islamabad-based not-for-profit organisation, has approached Pedo through the KP government to market its carbon credits. PET has estimated that these projects can fetch US\$60 million annually for KP," reads the note. It further states that from the discussion with PET, it is presumed that they are going for the offset market only.

The World Bank is overall supervising this operation globally under the Paris Agreement. The Climate Warehouse is a global public metadata layer empowering a new global carbon market infrastructure through a decentralised information technology platform built on blockchain technology, under the umbrella of the World Bank. It aims to mobilise climate action toward the Paris Agreement objectives by enhancing transparency and environmental integrity of carbon credit transactions and international carbon markets.

The Kyoto Protocol was adopted in 1997, which entered into force in 2005. Currently, there were 192 parties to the Kyoto Protocol, which operationalises the United Nations Framework Convention (UNFC) on climate change by committing industrialised countries and economies in transition to limit and reduce greenhouse gases (GHG) emissions in accordance with agreed individual targets.

The UNFC itself only asks those countries to adopt policies and measures on mitigation and to report periodically. It binds developed countries and places a heavier burden on them under the principle of common but differentiated responsibility and respective capabilities because it recognises that they are largely responsible for the current high level of greenhouse gases.

A senior official of the energy and power department told Dawn that the note for claiming carbon credit has been forwarded to the chief secretary three days ago. "We will start processing our case through World Bank after chief secretary's approval," the official said. He said the energy and power department has completed all the groundwork for claiming the carbon credit. "We have summoned an internal meeting of all stakeholders including Pedo on Monday in this regard," he said, adding the energy department has also directed Pedo to calculate the data of power so far generated in KP through hydel and solar projects.

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FOREX FIRMS 'DEPOSITING \$10M IN BANKS DAILY'

KARACHI: The uncapping of the dollar rate has started yielding positive results with panic selling of export proceeds gathering pace in the last three days. Meanwhile, exchange companies have also begun depositing up to \$10 million a day in banks. Sources in exchange companies and banks said liquidity has improved substantially due to the inflow of export proceeds, higher remittances and elimination of speculative trading. Exporters who were previously reluctant to sell their holdings have finally realised that the dollar's speculative level is coming down.

In the last three days, the dollar rate lost Rs7 to close at Rs269.28 on Friday. The price of the greenback touched Rs277 in the interbank market and Rs283 in the open market. However, higher inflows in both banking and open markets got rid of the speculative prices. "Exporters fear that a further decline in dollar prices could cost them billions. It resulted in panic selling of export proceeds," said Atif Ahmed, a currency dealer working in the interbank market. The exact amount of dollars that exporters are keeping abroad is unknown. Under the law, they have to surrender dollar proceeds within six months of exports.

The currency market hoped that talks with the International Monetary Fund (IMF) would be successful, leading to the inflow of dollars. "For the last one week, we have been depositing on average \$10m to banks every day," said Zafar Paracha, general secretary of the Exchange Companies Association of Pakistan (ECAP).

Exchange firms were "dry" before the uncapping of the exchange rate. That's because the managed exchange rate created a huge gap between the interbank and open market dollar rates, paving the way for a strong black market. The illegal market offered higher than the official dollar price and drained hundreds of millions dollars to the undocumented segment. A big share of it was smuggled into Afghanistan. "Demand in the open market vanished as 90 per cent of the open market consists of sellers as only 10pc clients are buying dollars," said Mr Paracha. Buyers in the open market were mostly those people who were doing illegal dollar trading. "They were buying from us and selling the dollars to the grey market," he said.

Remittances have also started increasing in banks and exchange companies as a direct result of the uncapping of the exchange rate. "The uncapping was a vital decision... it was the only solution to eliminate the speculative forces causing an artificial hike in dollar prices and massive smuggling," said Mr Paracha.

Bankers said foreign investment in government papers will also begin as nowhere in the world are such high rates available. The government offers about 17.9pc on treasury bills and Pakistan Investment Bonds (PIBs).

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GOVT TO REVISE POWER TARIFF MECHANISM FOR AJ&K

ISLAMABAD: The federal government is said to have decided to revise electricity tariff mechanism for Azad Jammu & Kashmir (AJ&K) as Power Division has opposed supply of electricity to it as a bulk consumer, well informed sources in Finance Division told *Business Recorder*.

The decision was taken at a meeting in Finance Division presided over by Special Assistant to Prime Minister on Finance and Revenue Tariq Bajwa. According to sources, Additional Sectary, Power Division briefed the meeting on both legacy and current issues pertaining to tariff, infrastructure, subsidies and governance/ administrative matters pertaining to electricity supply and consumption for AJ&K.

Chief Secretary and Secretary Energy AJ&K briefed the meeting on fiscal challenges, including outstanding settlement with Water and Power Development Authority (WAPDA) on Net Hydel Profit (NHP)/ Water Use Charges (WUC). Secretary Power Division, Rashid Mehmood Langrial recommended a separate tariff category for consumers of AJ&K, suggesting that Net Hydel Profit needs to be recovered through tariff at a rate which is being charged in Pakistan and that AJ&K cannot be charged in the bulk consumer category.

SAPM on Finance noted that the current tariff regime in AJ&K is not efficient and creates cash flow issues for both AJ&K and the federal government. After discussion with stakeholders following decisions were taken: (i) Power Division to submit a request to FBR for treating electricity supply to AJ&K by the ex-WAPDA Discos as zero rated; (ii) Water Usage Charges be paid to GoAJ&K on priority; WAPDA to settle the matter of Water Use Charges for Mangla Hydropower project within 15 days. WAPDA shall contact Secretary Power Division in case of any difficulty in the matter; (iii) Power Division to initiate process for revision of tariff mechanism through introduction of a separate category for AJ&K on bulk consumption or Discos' rates.

The process shall be completed within two months; (iv) Power Division and GoAJ&K to pursue the matter of establishment of a Disco in AJK, as per ECC's decision of March 20, 2019; (v) The tripartite agreement signed among WAPDA, M/o Water Resource and GoAJ&K shall be amended to include Neelum Jhelum Hydropower project as decided by ECC on March 20, 2019.

The action may be completed within 15 days; (vi) Power Division and GoAJ&K to workout actual consumption of different categories of domestic consumers, as well as, the subsidy amount on actual basis for consumers of GoAJ&K within 15 days; (vii) GoAJ&K shall file tariff petition for the power projects in AJK such as Jagran Hydropower project.

Power Division to assist the GoAJ&K in this regard; and (viii) GoAJ&K to improve bill collection and develop a quarter-wise annual plan accordingly. Power Division will assist GoAJ&K in firming up the plan within 15 days.

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SCOPE OF INSPECTION UNDER COS ORD: SC SETS ASIDE IHC JUDGMENT

ISLAMABAD: The Supreme Court has set aside the Islamabad High Court's judgment for not differentiating the scope of inspection under Section 231 and investigation under sections 263 and 265 of the Companies Ordinance.

A two-judge bench comprising Justice Syed Mansoor Ali Shah and Justice Ayesha A Malik declared the provisions (Section 231, 263 & 265) of the Ordinance, which relate to inspection and investigation, are distinct. The SECP, on 26-07-2012, issued a notice to Saif Power Limited, a public limited company, and passed an order against the company on the same date that it wanted to inspect its books of account and books and papers in terms of Section 231 of the Ordinance. The order also said that the inspection was to be carried out to scrutinise the record and books of account of the company with reference to the causes of concern stipulated within the order.

The petitioner (Saif Power) challenged the order before the IHC, which was dismissed on 6-6-2022. Effectively, the SECP issued a notice and order under Section 231 of the Ordinance, while, in fact, exercising powers under Section 265 of the Ordinance, without meeting the necessary requirements of the said section.

The High Court allowed the investigation on the understanding that no auditors were appointed under Section 252 of the Ordinance, hence, the SECP could appoint its own auditors/inspectors to look into the violations and illegalities contained in the order. At the same time, the High Court finds that an inspection under Section 231 of the Ordinance is administrative in nature to look into the affairs and accounts of the company; that it is for conducting a preliminary inquiry into the affairs and accounts of the company, and so concluded that the petitioner's challenge that it is an investigation under the garb of an inspection is not made out and the petition was dismissed.

The judgment found that the IHC has misconstrued the requirements of an inspection under Section 231 of the Ordinance and that of an investigation, and has blurred the difference between the two. The judgment authored by Justice A Malik said an inspection under Section 231 is an administrative power exercised by the SECP to ensure compliance of regulatory requirements. This power is limited to the inspection of books of account of a company after recording of reasons for the inspection in this regard. Whereas, an investigation against a company is a serious matter, as it is capable of entailing consequences both financial and penal, which will impact the goodwill of the company.

Consequently, an investigation cannot be ordered except on statutory grounds which include allegations of fraud, illegalities into the affairs of the company, or misuse and misappropriation of funds of the company. It is then the duty of the SECP to consider and weigh multiple factors, such as the nature of the complaint and its source, ensure due process and follow the statutory process in good faith, without any bias, prejudice or ulterior motives.

The Ordinance does not prescribe the same process for an inspection simply because its scope is limited as are its consequences. We find that the order contains specific allegations, for which, it seeks to investigate the matter in order to ascertain the merits of the allegations, this is beyond the scope of Section 231 as the SECP is clearly looking to investigate into the allegations contained in its order dated 26.07.2012 and not to inspect books of account. An inspection is not into the affairs of the company and only limited to books of account and related books and papers. As already stated, inspection is administrative in nature where regulatory compliance is the objective and not a probe into allegations against how the affairs of the company are being managed.

The SC's judgment noted that the IHC's verdict has not appreciated the scope of inspections under the Ordinance and its difference from an investigation. The Supreme Court, therefore, set aside the IHC's judgment. It also declared the order of the SECP dated 26.07.2012 and actions taken thereunder illegal being in excess of the authority under Section 231 of the Ordinance.

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SPECTRUM AVAILABILITY NOT BEING FULLY UTILISED BY CMOs

ISLAMABAD: The government has sufficient spectrum to offer for any future spectrum auction for NGMS in Pakistan; however, Cellular Mobile Operators (CMOs) are taking cautious approach due to economic challenges and uncertainty in the market regarding the launch of 5G, well-placed sources revealed to *Business Recorder*. An official said that the government has spectrum in all ITU bands earmarked for 5G, i.e., 700, 2100, 2300, 2600, and 3300 MHz and above bands which are suitable for 5G. The same can be presented for auction envisaging technology neutral, i.e., for enactment of 4G in 2100, 2300, and 2600, and utilisation of same for 5G as well in the country with limited roll out. Official documents revealed the government has assigned 30 MHz in 2100 band while 15 MHz additional is made available for auction. Further, only 5MHz is assigned in 2300 band, while 95 MHz is available.

The government has 54 MHz in hand in the 2600 band where 140 MHz is in litigation and government hopes to get it released early. Three bands are being considered to be the most suitable for enhancing 4G, as well as, launch of 5G in the country, whereas, remaining make best use for FWA use case for 5G where government has 115 MHz in 3300-3600 band while 185 MHz has been assigned.

The ministry has also drafted “Framework for Frequency Spectrum re-farming” to manage the spectrum dynamically and make it available for newer applications such as 4G, 5G, broadband wireless access, digital broadcasting, etc. As per the Telecom Policy 2015 section 8.5.1, spectrum will be re-farmed where its current use is not in the best social and economic interests of Pakistan, it is underutilised, used inefficiently or its use is inconsistent with international allocations. Incumbent users/ licensees, as per the details of this framework, will vacate their spectrum assignments in a particular band either partially or completely so that the band may be allocated to other users.

Spectrum reframing is a combination of administrative, financial and technical measures aimed at removing equipment of the existing frequency assignments either completely or partially from a particular frequency band. The frequency band may then be allocated to the same or different services. However, the country is facing serious financial crunch coupled with Letters of Credit (LCs) issue and resulting in delay of telecom services-related projects implementation. The limited facility of LCs is insufficient for the telecom sector as it is causing a hurdle in the import of equipment for upgrading mobile networking, besides resulting in a delay in projects for the provision of 4G services, said officials in the Ministry of Information Technology and Telecom. “Even if government launches 5G in the country, how telecom operators will meet the required capacity upgradation,” said the official, adding that government is monitoring the situation while operators are also opted for cautious approach.

All the CMOs had requested the Universal Service Fund (USF) for delaying 10 new projects of around Rs8 billion to be implemented in un-served and under-served areas of the country. Official sources revealed that the CMOs had written a letter to the USF and requested for delaying projects as they are facing serious problems in imports due to restrictions and non-opening of LCs. According to a clause in the USF agreement - force majeure -a USF service provider shall be excused, in accordance with the USF services and subsidy agreement, from certain failures to perform its obligations under the USF Services and Subsidy Agreement if an event of force majeure has prevented the performance of the obligations.