RS103B SANCTIONED FOR CIRCULAR DEBT: THE FIRST TRANCHE OF ADDITIONAL POWER SUBSIDIES WORTH RS335B AGREED WITH IMF

ISLAMABAD: The government has sanctioned Rs103 billion in additional subsidies to reduce the power sector's mounting circular debt amid disclosure from Prime Minister Shehbaz Sharif that the outstanding dues of Chinese power plants have surged to Rs450 billion.

The Ministry of Finance gave the subsidy to settle the claims of K-Electric (KE) and Azad Jammu and Kashmir. The Rs103 billion unbudgeted subsidy is the first tranche of additional power subsidies worth Rs335 billion that Islamabad had agreed to pay under an understanding with the International Monetary Fund (IMF) in February, according to government sources.

At a time when the Power Division was in process of clearing additional subsidy claims, the PM revealed that the "outstanding dues of the Chinese power plants have increased to Rs450 billion". The PM made the statement while addressing a meeting of the parliamentary party.

PM Sharif said that the Chinese dues had mounted to Rs450 billion despite his government paying Rs150 billion to the Chinese producers during the past one year.

In breach of its commitments under various agreements signed with the Chinese power producers, Pakistan has not been able to pay the cost of electricity in a timely manner due to the poor performance of the power sector and a shortage of foreign currency.

The Chinese power plants are facing an acute shortage of raw material – primarily coal – required to run the plants and are so far showing restraint by not triggering dispute settlement mechanisms.

The huge outstanding dues on account of power purchases underscores the financial meltdown of the power sector due to fewer budgeted subsidies, higher line losses, low recovery of electricity bills and inefficiency of the public sector.

For the current fiscal year, the government had budgeted Rs570 billion in power subsidies, which after a recent understanding with the IMF, will now surge to a minimum of Rs905 billion.

An official from the finance ministry said that the funds will go to Central Power Purchase Agency-Guaranteed (CPPAG), which will settle payments with the IPPs as well. The money has been given as an advance subsidy, which will be adjusted against the claims filed by the energy ministry for the current fiscal year.

The reconciliation of power sector subsidies remains an issue, as the finance ministry officials said that despite repeated requests, and a decision made by the Economic Coordination Committee (ECC), the Power Division is reluctant to provide year-wise details of the outstanding subsidy.

Of Rs103 billion, an amount of around Rs49 billion will be adjusted against the KE claims and the remaining Rs54 billion against the AJK claims.

A taskforce, constituted by the PM, to resolve issues related to KE was negotiating a package of documents to reach a sale purchase agreement, payment of tariff differential subsidies and resolution of other disputes.

Power sector losses are on the rise despite a significant increase in prices. In February, the government approved increasing electricity prices in the range of Rs3.3 to Rs15.52 per unit for residential consumers, farmers and exporters to recover an additional Rs237 billion in four months.

The revised circular debt management plan showed that despite a significant increase in prices, and an additional Rs335 billion subsidy, the circular debt stock will jump to Rs2.37 trillion by June this year.

Circular debt, that was earlier projected to come down to Rs2.1 trillion, will now grow to Rs2.374 trillion – an addition of Rs261 billion despite a massive surge in electricity prices.

The cabinet had also approved deferring the repayment of Rs283.3 billion in debt obtained for retiring the old circular debt for two years. The deferment, however, has put an additional burden of Rs3.23 per unit on electricity consumers on account of debt servicing costs on delayed payment.

Sources said that under the IMF-Pakistan understanding, an additional subsidy worth Rs115 billion will have to be paid in April.

While the Power Division had requested the release of over Rs200 billion, the finance ministry agreed to only Rs103 billion.

The second tranche of Rs115 billion will be given to pick another KE subsidy worth Rs67 billion and Rs36 billion to settle the outstanding dues of exporters. The remaining Rs12 billion will be given to the Balochistan tube-well subsidy.

The last tranche of Rs120 billion will be released in June to settle the dues of the exporter's subsidy, Kissan package, fuel cost adjustment, KE, AJK and Balochistan, according to the sources.

TR 4-4-2023

MPC MEETING TODAY: FURTHER HIKE EXPECTED

KARACHI: The meeting of the Monetary Policy Committee (MPC) of the State Bank of Pakistan (SBP) will be held Tuesday (April 4) for deliberation on key economic issues to decide about the key policy rate. In the previous emergency meeting held on March 2, the committees raised the policy rate by 300 basis points to 20 percent on higher inflation outlook. Analysts are expecting further monetary tightening in the meeting as the inflation is still increasing.

KIRTHAR EXPLORATION LICENCE: ECC APPROVES GRANT OF SECOND TWO-YEAR RENEWAL

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet has approved the grant of second two years' renewal over Kirthar Exploration License Block after it was told that the government is taking various measures to reduce the challenge of the widening gap between energy supply-demand.

The ECC was informed that Pakistan is currently facing a serious challenge of the widening gap in energy supply-demand which is mainly attributed to the natural depletion of major oil/gas fields and the increase in demand and dearth of new big discoveries. To reduce this gap, the government is taking various measures. One such step pertains to the renewal of the exploration license to enable the company to perform exploration activities in the license area. The provision of renewal of license has been incorporated in the rules and policies announced from time to time.

The meeting was further informed that Directorate General Petroleum Concessions has received a request from M/s Polish Oil and Gas Company Limited (POGC) for entry into 2nd two-year renewal of Kirthar Exploration License (EL) and exemption from the condition of Rule 21(4)c of Pakistan Petroleum (Exploration and Production) Rules, 2001, to relinquish 10 per cent of the License area at the end of first Renewal. Kirthar EL is governed by Pakistan Petroleum (E & P) Rules, 2001. In the rules, the discretionary power for grant of renewal lies with the Government. The relevant renewal Rule 21(2) of Pakistan Petroleum Rules, 2001 stated that the government may, subject to the terms of the licence, grant up to two renewals.

The term of each renewal shall be up to two years. However, to avail the renewal of maximum term of two years a reasonable work program comprising at least an exploration well shall have to be offered keeping in view the surface and geological conditions of the licence area.

A holder desiring to obtain such renewal shall make an application at least three months before the expiry of the licence or such lesser period as the DGPC may allow the company has also requested for exemption from the condition of Rule 21(4) c to relinquish 10 per cent of the license area at the end of first renewal, because the company wants to further explore the area for potential prospects.

The government in accordance the regulation of mines and oil fields and mineral development may exempt the company from the applicability of Rule 21(4)c. The case has been reviewed thoroughly taking into consideration the geological complexities of the license area, associated exploratory and operational risks, the significance of the geological and geophysical activities, the security situation of the area, and payment of all government dues and guarantees.

The Petroleum Division proposed to approve the request of the company for entry in to 2nd two years renewal of Kirthar EL, wef, 28-08-2022 in accordance with rule of Pakistan Petroleum (E&P) Rules, 2001, and grant exemption from the condition of Rule 21(4) c of the Rules 2001 to relinquish 10 per cent of the license area at the end of In Renewal in accordance with Section-5 of the Regulation of Mines and Oil fields and Mineral Development subject to that: M/s POGC will drill an exploratory well up to Pub Formation or till 2500 meters depth, whichever is shallower, during the 2ndRenewal period; the company will discharge/clear all financial obligations like training, social welfare, rental for the extended period and any leftover obligations within a fortnight from the approval.

SENATE PANEL UNANIMOUSLY APPROVES MARITIME BILL

ISLAMABAD: The Senate Standing Committee on Defence Monday unanimously, approved the Pakistan Maritime Zones Bill, 2023 (PMZ–2023), which consolidates and amends the law relating to the territorial sea and maritime zones of Pakistan.

The committee was chaired by Senator Mushahid Hussain Sayed. During the meeting, the committee received a comprehensive briefing on the National University of Pakistan Bill, 2023. The proposed university will be a unique model and a public sector initiative with a multidisciplinary scope.

It will focus on strengthening and empowering affiliated colleges and achieving excellence in the advancement and dissemination of knowledge in the fields of natural and applied sciences, engineering and emerging technologies, management sciences, computing, social sciences, humanities and arts, and other such branches of knowledge. The representatives from the HEC and the Ministry of Law voiced their support for the bill. After due deliberation, the committee unanimously approved the bill. The committee also unanimously approved the Pakistan Maritime Zones Bill, 2023 (PMZ–2023), which will enable Pakistan to deal with the matters in accordance with national and international laws, and assert its rights, jurisdiction, and sovereignty in sync with internationally-accepted provisions.

The chairman appreciated the efforts of Commodore Dr Syed Mahmood Akhtar Hussain Gardezi, Judge Advocate General of Pakistan Navy, in this regard.

The meeting was attended by Senator Walid Iqbal, Senator Engr Rukhsana Zuberi, senior officials from the Ministry of Defence, Ministry of Law, Pakistan Navy, and the HEC.

WB URGES GHQ TO ALLOW POWER CABLE ROUTE THROUGH POF

ISLAMABAD: World Bank (WB) has urged General Headquarters (GHQ) to allow National Transmission and Despatch Company (NTDC) to route Tarbela-Islamabad West Substation (TSTL) 500 Kilovolt (Kv) line through premise of Pakistan Ordinance Factory (POF) as it will avoid cost and delays, well informed sources told *Business Recorder*. This recommendation was conveyed by the World Bank's Country Director, Najy Benhassine, in a letter to Secretary Ministry of Water Resources, Hasan Nasir Jamy, copies of which have also been sent to Secretary EAD, Chairman WAPDA and Managing Director NTDC.

A World Bank Mission headed by Task Leader Gunjan Gautam and Rikard Lidenis conducting an implementation support mission for Tarbela Fourth Extension Hydropower Project (T4HP) and Tarbela Fifth Extension Hydropower Project (TSHP) from February 20 to March 10, 2023. The Mission was combined with implementation support mission for Dasu Hydropower Stage 1 Project.

World Bank's Country Director for Pakistan, in his letter highlighted the key issues and actions required for improving project implementation. According to him, T4HP produces significant economic benefits for Pakistan. The project was commissioned in 2018, without savings. It provides cheap and clean electricity to the country at a nominal marginal cost. T4HP had generated around 18,500 Gigawatt hours (GWh) of electricity. In comparison to power plants running on imported Regasified Liquefied Natural Gas (RNLG), T4HP has generated economic benefits of over $2.4 billion so far, which is about three times the cost of the project.

World Bank has highlighted the following key issues to WAPDA management:

(i) it must closely monitor repair and replace trash-racks of the raised intakes of Tunnels 3 and 4. Power China Construction Company Limited (PCCCL), the civil works contractor, is repairing the trash racks, which is expected to be completed soon. In parallel, PCCCL should supply and install replacement trash racks that can withstand the estimated discharge velocities. To avoid interruption in the operation of Tunnels 3 and 4, these replacement trash racks along with instruments for measuring velocity and vibration must be installed before the high-flow season of 2024; and

(ii) it should use the remaining IDA Credit 50790 to close-out the main contracts, purchase equipment, and for capacity strengthening. As of March 16, 2023, IDA Credit had an un-disbursed balance of $29.1 million. WAPDA may submit withdrawal applications till October 30, 2023 for eligible project expenditures that are incurred by the Closing Date of June 30, 2023.

POWER DIVISION ASKED TO REVISIT DRAFT PACT WITH KE ON TDS

ISLAMABAD: The Debt Management Office of Finance Division has proposed Power Division to revisit draft agreement on Tariff Differential Subsidy (TDS) with K-Electric with respect to delayed payment keeping in view current economic environment, well informed sources told *Business Recorder*.

Commenting on draft TDS pact, the Debt Management Office, in a letter to Finance Division (Corporate Wing), stated that draft TDS agreement with K-Electric has been reviewed by it in view of possible financial implications on Government of Pakistan. The Debt Management Office has offered following comments: (i) the delayed payment rate is defined as KIBOR + 3.5 per annum, compounded semi-annually. The semi-annual compounding may be removed; (ii) the current 6-month KIBOR is hovering around 21 per cent with an expectation to remain at same levels in short-term.

Hence a delayed payment rate in the current scenario will result in around 24.5 per cent per annum, chargeable on actual number of days delayed. Therefore, the timeline committed for TDS payments are required to be followed effectively to avoid financial penalty placed in the current economic environment, the delayed payment not may, therefore, be revisited; and (iii) there is a typo mistake under the heading releases of TDS claims 10 of 2.5 where “eighteen” is written instead of “thirty”.

The Debt Management Office further proposed that the contents of the document from legal and implementing timelines point of view be ensured by relevant departments. Earlier, Finance Division (Corporate Finance), had refused to become part of agreement with K-Electric on TDS, saying Power Division should sign the pact on behalf of the government of Pakistan (GoP), as “Electricity” is its domain under Rules of Business, 1973, well informed sources in Finance Division told Business Recorder.

According to Finance Division, as a matter of principle power subsidies should be restricted to the extent of the fiscal resources available to finance them. Restricting the subsidies to budgeted amounts would also help address the issue of circular debt.

Additional claims in the form of SG/ TSG during the currency of the year need to be avoided. These principles should be conveyed to all Discos. Power Division may get timely approval of the relevant forums for adjustment of tariffs accordingly. As regards the proposed obligations of the GoP in the event of delay in process of TDS claims and charge of interest @ KIBOR+3.5% per annum, Finance Ministry maintains that it would have no objection to the Late Payment Surcharge (LPS), to the extent of budgeted subsidy. The proposed rate of interest appears to be on the higher side which may be adjusted downwards.

Finance Division further stated that KE should be required to provide at the end of each fiscal year relevant record of the subsidy (claims+ releases) along with other required documents for "subsidy audit" to Auditor General of Pakistan for post audit. Terms of Reference (ToRs) of audit should be decided separately. A penalty clause may be considered in the event of non-provision of record.

Finance Division further proposed that Power Division may sign the TDS Agreement on behalf of the GoP as "Electricity" is the domain of Power Division under the Rules of Business, 1973 and all issues of generation, transmission and distribution including provision of subsidy to electricity consumers is the mandate of Power Division.

Finance Division may not be added as party to the agreement as the proposed agreement will set a precedent where other entities would also wish to involve Finance Division in service level agreements between them and their service providers/ vendors.

IMPOSITION OF TWO QTAs: NEPRA APPROVES RECOVERY OF RS20BN FROM KE CONSUMERS

ISLAMABAD: National Electric Power Regulatory Authority (Nepra) on Monday gave its approval for recovery of additional amount of Rs 20 billion from KE consumers within three months through imposition of two QTAs of up to Rs 4.45 per unit as the government has reduced its subsidy.

The power regulator comprising Chairman, Tauseef H Farooqi, Member Sindh, Rafique Ahmad Shaikh, Member Khyber Pakhtunkhwa, Maqsood Anwar Khan, Member Balochistan, Mathar Niaz Rana and Member Punjab, Amina Ahmed officiated the public hearing. Power Division, which submitted Motion on Federal Government, was represented by Joint Secretary (Power Finance) Finance Division, Mehfooz Bhatti along with Naveed Qaisar from CPPA-G.

Power Division has filed two Motions for application of adjustment of QTAs to KE consumers which are as follow: (i) Rs 1.5547 per unit to be applied on consumption of July-August and September 2022 to be recovered in April, May and June 2023; and (ii) Rs 1.48 per unit to Rs 4.45 per unit for different consumer categories to be applied on consumption of February and March 2023 to be recovered in April and May 2023.

Karachi Chamber of Commerce and Industry (KCCI), which was represented by Tanveer Barry, rejected the proposal of federal government and requested Nepra, which itself claims it is a post office, to also side with the business community. The proposed increase for industry is Rs 6 per unit under the garb of QTA previous adjustments. Arif Bilwani, another intervener, opined that if Nepra allows Federal Government's Motion, it will be violation of Supreme Court decision. He also hinted that the decision would be challenged in the court.

Naveed explained that the government had increased tariff of Discos which was charged from July to September 2022. Nepra had determined KE's tariff of Rs 43 per unit. It is now up to the government to extend or reduce amount of subsidy already being given to the consumers. "Multiple times we can request the Authority to revise the KE's tariff through Federal Government Motion as a substantial subsidy is being given to KE consumers. Whatever the government decides with respect to subsidy we will file a fresh Motion," said Naveed. He maintained that average tariff of domestic consumers is Rs 43 per unit. However, the government was charging Rs 7 per unit from protected domestic consumers using up to 200 units monthly who are 40 per cent of total domestic consumers. The remaining difference is being picked up through subsidy. It was noted that KE consumers are well aware that they are charged Discos tariff. He further stated that no one is paying Rs 43 per unit. KE's base tariff is Rs 28.23 per unit as after addition of new QTA adjustments it would be Rs 33.54 per unit. However, Discos tariff will be Rs 28.30 per unit which implies KE's tariff would be higher by Rs 5.25 per unit for three months.

It was revealed that the government is also extending subsidy to industry of Karachi to equate them with consumers in other parts of the country. Naveed explained as per Nepra's decision of June 2022, subsidy of Rs 147 billion is being given to domestic consumers of KE, Rs 26 billion to commercial consumers, Rs 6 billion to schools, colleges, mosques, dispensaries, industrial consumers are receiving Rs 101 billion, housing societies Rs 7 billion, and agriculture consumers Rs 2.8 billion. After removing QTAs, the amount of net subsidy will stand at Rs 150 billion for consumers of Karachi if tariff remains the same, he said.

CCP GUIDELINES ON DECEPTIVE MARKETING

ISLAMABAD: The Competition Commission of Pakistan (CCP) has devised comprehensive guidelines regarding deceptive marketing practices being used by advertising firms.

The measures have been taken to protect the consumers against incompetent and unethical behaviour reflected in the endorsement content being disseminated by utilising various means or tools of communication. The guidelines explain various forms of deceptive marketing practices prevalent in the market and how businesses can ensure not to engage in such violations. They draw upon issues raised in cases involving false or misleading advertising and other deceptive marketing practices that the CCP has resolved or adjudicated since 2008.

The guidelines also cover key concepts such as the principle of net general impression, material information, false and misleading information, and implied and expressed claims among others.

The guidelines also comprise general information and illustrative examples based on jurisprudence developed through the commission’s decisions over the years, intended to guide all stakeholders.

The guidelines also touch upon the method of filing a complaint, remedies available under competition law, and the enforcement powers available to the Commission. The guidelines have also been made available on the official website of CCP.

The CCP said the stakeholders should study the Competition Act in conjunction with these devised guidelines and seek legal advice where necessary.

Dawn 4-4-2023

E-COMMERCE PLATFORMS URGED TO BE CAUTIOUS ABOUT ONLINE MARKETPLACES

ISLAMABAD: The Competition Commission of Pakistan (CCP) on Monday warned the “E-Commerce Platforms” to make adequate disclosures and remain very cautious while promoting/ marketing goods through online marketplaces.

According to the CCP guidelines for the “E-Commerce Platforms” issued on Monday, with the advent of internet, e-commerce has witnessed a boom in recent years and has emerged as an independent sector, thereby, widening the scope/possibility of deception. Thus, in the online marketplace, e-commerce undertakings may have a greater responsibility in making representations and placing adequate disclosures. Platform operators and ecommerce businesses share equal responsibility and are expected to exercise caution while promoting/marketing goods.

Importantly, undertakings should display all material information accurately on platforms/websites/product pages as well as complete terms and conditions in a clear and conspicuous manner. For example, details should be disclosed relating to price, quality, quantity, mode of payments, return, refund, exchange, warranty or guarantee, delivery or shipment, and any grievance redressal mechanism(s) in place, etc, CCP added.

R 4-4-2023

SENATE ADOPTS UNANIMOUS RESOLUTION TO CHALK OUT ROADMAP AGAINST RIBA

The Senate on Monday adopted a unanimous resolution to chalk out a practical roadmap for eliminating Riba and establishing an interest-free financial and economic system in the country. Presenting a couple of proposals for eliminating the interest-based system from the country, the mover of resolution Jamaat-e-Islami’s Senator Mushtaq Ahmed urged the government to establish a permanent division and its subordinate task force under the administrative control of the Ministry of Finance. He said the government should enact laws for prohibiting individual and collective interest-based business in the country. He said the government should eliminate Riba from various financial institutions, including National Investment Trust Unit, House Building Finance Corporation, Pension and Savings Fund, Consumer Finance and others. He further said a task force may be established with the responsibility of implementing recommendations of reports of all previous committees, commissions, and task forces established regarding the elimination of Riba. According to the resolution, the Senate recalls Article 38 (f) of the Constitution which stipulates the elimination of ‘Riba’ as early as possible expressing concerns that for the last 75 years the curse of ‘interest’ was not eliminated from the country.

It acknowledged the decision of the Federal Shariat Court for the elimination of Riba from the country and also appreciated and supported the decision of the government, State Bank of Pakistan and National Bank of Pakistan for withdrawal of appeals against the decision which was encouraging for establishing an interest-free financial and banking system in Pakistan. Seconding the resolution, Minister of State for Finance and Revenue Senator Aisha Ghaus Pasha said the Riba-free economy was the topmost priority of the incumbent government.

Times 4-4-2023

EXPONENTIAL GROWTH OF AI: NEED FOR GLOBAL REGULATIONS TO KEEP MISUSE IN CHECK

The past few months have been all about the rise and popularity of Artificial Intelligence (AI) and lately, people all over the world have started to compare it to the computer and smartphone revolution. It is no secret that AI is here to disrupt and very soon, people will incorporate it into their lives similarly to computers, smartwatches, smartphones and virtual assistants.

AI has taken massive strides since November 2022 (when ChatGPT became publicly available) that even technology giant Google, feeling threatened, rushed to complete its own AI technology, Bard, which was in progress.

Recently, OpenAI, the firm behind the creation and launch of ChatGPT, launched an upgraded version of AI known as GPT-4. This propelled AI to the next level and unleashed its potential far more than even tech entrepreneurs could have imagined. While AI can be a huge benefit for the mankind, it also comes with a few costs and the global tech leaders have begun to imagine what destruction AI can cause.

Subsequently, last week, Tesla founder Elon Musk and a group of artificial intelligence experts and industry executives called for a six-month pause in developing systems more powerful than OpenAI's newly launched GPT-4, in an open letter citing potential risks to society. "Powerful AI systems should be developed only once we are confident that their effects will be positive and their risks will be manageable," said the letter issued by the Future of Life Institute. This is seemingly a positive step towards regulation of AI in the world as it calls for limiting the technology for the next six months.

Moreover, countries are beginning to introduce AI regulations to deal with its adverse use. The UK government recently announced to introduce laws surrounding AI. On the other hand, Italy took a different step and banned ChatGPT in the country over privacy concerns.

All this points to the fact that soon the world will have universal AI regulations much like social media which will help stop criminal activity and misuse of the new technology. With social media, the regulations were not created for a long time following its launch. Later, privacy became the main concern for which laws were enacted. Similarly, content creators, particularly on YouTube, were initially free to do whatever they wanted and it was only when the service grew exponentially when the laws were adopted. With laws targeting AI being discussed before its mass adoption by the globe, it is less likely to be misused and it seems like an excellent step.

However, the signatories in the letter could also be supporting it because they fear that AI will soon take over their jobs or reduce their worth in the market. For a long time, Elon Musk rallied for AI-supported Tesla cars, therefore it came as a surprise when he called for pausing advancement in AI. Similarly, many officials from Google also signed it when it became clear that Alphabet Inc was already working on their own AI bot. This seems to be a conflict of interest and fear of breaking a monopoly.

Surprisingly, no tech firm or other company has stepped up to aid the creation of rules and regulations for AI, rather, they all called for stopping its advancement. There seems to be an ulterior motive behind the latter. On the flip side, there is a dire need to regulate AI because with the pace of its progress, it seems like it will hit a new peak every few months. The gap between the release of two revolutionary AI technologies, ChatGPT and GPT-4 was just 4 months.

The features offered by the newer version have already exceeded expectations. However, while the two services detect and block misuse, the security barriers in place will likely be broken in the near future because hackers are already at work. Moreover, since the number of users of the two services grew exponentially, a data leak can be quite dangerous for the entire world. While it is a right move by the companies to detect the threats posed by AI, they should also take a step forward to introduce global regulations rather than to pause the progress of AI.

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