



PRESS RELEASE

All Pakistan Textile Mills Association (APTMA) issued the following Press Release

SUSTAINABLE EXPORT LED GROWTH IS CONTINGENT ON REGIONALLY COMPETITIVE TARIFFS

ISLAMABAD, 7th MAY 2021 – The Chairman APTMA, Mr Adil Bashir requests the government for continuation of Regionally Competitive Tariffs of \$ 6.5 / MMBtu of Gas/RLNG and 7.5 cents / kWh of electricity. Pakistan's export industries (including textiles) witnessed an exceptional growth of 9% in 9 months of FY21. The increase in export demonstrates the competitiveness of Pakistan's exports –when inputs are provided at regionally competitive prices, exports was achieved despite an unfavourable international environment.

Regionally Competitive Energy Tariffs across the entire Textile Value Chain are critical to sustaining enhanced exports, investment and employment. According to sales tax data at a Finance Standing Committee, FBR has confirmed that more than 75% of the product of the textile sector gets exported.

The industrial electricity tariff of our competitors is much lower than Pakistan making us uncompetitive in the increasing market competition. Our objective to become an export "powerhouse" cannot be achieved until power tariffs are revised to a competitive and stable level. The differential in rates of Rs 22 for SMEs/indirect exporters and Rs 12/Kwh for Large industrial units with captive RLNG/gas generation is unsustainable and undesirable.

Furthermore, unfettered continued RLNG/Gas supply to the textile industry at regionally competitive rates is essential if the unprecedented momentum in expansion of capacity and exports is to be maintained. The policy of suspending gas/RLNG supply to CPPs is discriminating as;

1. The integrated textile units will continue to get gas/RLNG while depriving the entire SME sector that employs 70% of the industrial labour resulting in a 40% enhanced cost of conversion as the SMEs will be forced out of business.
2. Sindh and KPK based mills will obtain stay orders under Article 158 of the Constitution, only Punjab's captive connections will be cut off.
3. Grid electricity is not of the quality that can run highly sensitive electronic equipment. Major expansion of the Textile Sector has been jeopardized as the number of units switching from gas/RLNG to grid to avail the incentive of lower marginal rates has been reversed to avoid the loss of production.

4. The bigger groups/industries have coal and HFO based CPPs installed and can continue to operate on captive generation whereas the SME sector will not be able to sustain the pressure.
5. A significant number of mills have recently invested in new gas/RLNG generation equipment based on meeting efficiency criteria as espoused by the government.

Industry fears that the Power Sector will not be able to deliver on a sustained stable and competitive basis which will negatively impact market sentiments. Competition is the key principle for the development and expansion of the energy market and wheeling is the first step.

The operation of an open market is the only long-term solution for competitive energy tariffs. World Bank, IMF, ADB and various international consultants have also advised Pakistan to move towards a free-market model with multiple buyers & sellers to revive the power sector and make it transparent.

Whereas Wheeling Regime will help GOP save subsidy provided on current tariffs of BPCs/Industry being B3/B4 industrial connections and export sector. The recent amendment to the NEPRA Act has specifically removed proviso to Section 22 which signals that the legislature is very clear that as we move towards an open market there is no room for cross-subsidies.

International markets operating on open access highlight that power markets don't impose cross-subsidies on open access customers. To move towards a competitive power market regime in Pakistan, the government must consider opening up the power sector by capping capacity to initially ~1000 MW of maximum power wheeled through the national network as a test case. Once the market matures, this capacity may be further modified as per requirements to establish a proven and successful competitive power market in Pakistan catering to industry needs at affordable rates.

Forwarded for favor of publication in your esteemed newspaper / transmission.

ADIL BASHIR
Chairman APTMA