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PTEA seeks govt's intervention for restoration of competitive energy tariff

BUSINESS RECORDER High priced energy is adversely impacting the textile industry, the key driver of the country's exports and employment. Govern-ment's immediate intervention is highly solicited for restoration of promised competitive energy tariff of 9 cents/KWh.

Patron-in-Chief Pakistan Textile Exporters Association (PTEA) Khurram Mukhtar, in a statement released on Tuesday, appreciated the announcement made by the government and SIFC regarding removal of the cross subsidy from power tariffs for industrial consumers and urged for its immediate implementation to secure the competitive edge of textile industry in the international market. "This will help control the pile-up of circular debt that continues to grow despite a significant increase in energy prices over the past year," he added.

He maintained that power tariff had exceeded a critical threshold of 12.5 cents/KWh, which made the industry unviable within the region.

Terming high-energy cost as major setback for the country's exports and economy, he said the current power tariff was almost twice the average faced by competing economies like India, Bangladesh and Vietnam.

Economic inefficiencies like cross subsidies and stranded costs embedded in power tariffs cannot be passed on to international consumers. Textile industry is the single largest contributor to Pakistan's foreign exchange earnings, accounting for over half of total exports.

During 2020-2022, when zero-rated industries were provided with regionally competitive energy tariffs (RCET) of 9 cents/kWh, textiles and apparel exports witnessed record growth of 54% - from $12.5 billion in FY20 to $19.3 billion in FY22 in only two years. However, as RCET was withdrawn, power tariffs for export-oriented firms increased to over 14 cents/kWh and the industry could no longer sustain this momentum, causing textiles exports to plummet to $16.5 billion in FY23.

PTEA Chairman Arif Mahmood Qureshi was of the view that the textile industry was the major economic driver accounting for 8.5% to the GDP; however, in first half of current FY, textile exports experienced a concerning 4.97% year-on-year decrease.

“The sector’s drop is a concerning indicator for the economy, which is already confronted with a number of issues, including high inflation, a growing current account deficit, and an economic uncertainty.

The government must take cognizance of serious matter and step up to save industrial sector from disaster as high production cost is holding it back from growing up to full potential. The rival countries, with government support, have accelerated export growth and increasing their market share in global trade.

Textile industry is the only hope for revival of country’s economy, which is currently jolted by high cost of doing business.

The government must take cognizance of serious matter to safeguard country’s exports and employment by bringing down the energy prices as par with the region,” he said.

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