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DISSECTING your gas bill

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Just one paisa of the gas bill being paid by a consumer, means Tk 35 crores in revenue for the utility companies.

It was with this motivation that the Consumer Association of Bangladesh (CAB) took the Bangladesh Energy Regulatory Commission (BERC) to court demanding explanation for how every last paisa being paid to the utility companies is being used. They filed a writ petition this year forcing the energy commission to justify how they are spending the money they are earning from us.

To put into context, gas prices for all

sorts of consumers (power plants, factories and household users) have seen an across the board price hike of 32.8 percent from the beginning of the month. At the household level, the price increase can be seen as a Tk 175 increase in the gas bill. And since the utility bill is being increased, CAB is asking BERC about the bang for the buck.

"The increase in price is supposed to bear the expenses of importing Liquefied Natural Gas (LNG) from Qatar because our domestic reserves are not being able to keep up with the demand," Monowar Islam, chairman of BERC, had told reporters

companies under Petrobangla are charging consumers supplementary duty and value added tax, and the SD and VAT charged for gas bought from international oil companies, is being transferred to Petrobangla instead of being submitted to NBR," states an NBR report produced in September 2015. The tax body subsequently filed a case against the gas distributor for tax evasion.

Petrobangla began transferring the duty collected to NBR from April 2015, court documents show.

last month. The extra money will be used to pay for LNG imports.

CAB claims that if all fund misappropriation and misallocation in the total gas sector is accounted for, and if profits are minimised, then the government can actually have 13,000 crore taka in hand.

Last year in a report, they stated that the government can save 5467 crore taka just during gas transmission. "This money can be adjusted and used to pay for LNG import instead of charging the consumers," says the CAB report dated June 28, 2018.

Where is the tax we paid?

"The writ petition is saying that the government has been taxing the consumers illegally," informs CAB's lawyer, Jyotirmoy Barua.

There are two types of companies for gas production—national and international. The international companies are called International Oil Companies (IOC), while the national companies are under the ownership of Petrobangla. Looking at the production charts available on Petrobangla's website, most of the gas is produced by international oil companies, with Chevron in the lead.

In 1993, the Internal Resources Division put out an order saying that gas from international oil companies will have no SD and VAT—this was a way to encourage more foreign investment in the sector. But BERC documents submitted to the court shows that the company has obtained taxes worth 44,698 crore 22 lakh taka from consumers.

"Moreover, the National Board of Revenue says that they had not received any money from SD/VAT collection up until 2015," says Jyotirmoy Barua, "So, where is the money?"

This is what NBR said. "In 2009, NBR discovered that all the gas distribution

SPOTLIGHT

"This is textbook theft of people's money," opines Barua.

"This money was used to buy gas from international oil companies," states Petrobangla's lawyer Mohammed Ashraf Uddin Bhuiyan. Barua, however, counters that by stating that it was illegal of the body to take the money from the people in the first place.

"Besides, it is impossible for Petrobangla to determine which gas is from domestic sources and which gas is from IOCs. There are some pipelines that are dedicated for either domestic companies or IOCs, but many lines carry both. So how do we tax them differently if we don't know which is which?"

Where is the gas they were supposed to supply?

The gas bill we pay also covers for the money that distribution companies like Titas Gas lose out to "system loss".

What is system loss? It is, for example, what Titas Gas loses out to illegal gas lines. *The Financial Express* claims that in February there were a million illegal gas lines. This newspaper routinely publishes news of illegal gas lines being severed all over the country.

Dr Shamsul Alam, dean of engineering, and energy advisor to CAB, however, explains that Titas Gas is not only losing money from the system, they are also gaining from the system.

"Households for example are allotted 88 units of gas monthly. Every month they are charged for that amount whether they use it or not, whether they get it or not. The city routinely has gas shortages where households don't get gas," explains Dr Alam.

"When gas meters were first installed, it was seen that households spent their allotted amount of gas over two or three months," he adds. Industries, too, are charged for more than they actually get, Dr Alam states.

"This amount is not accounted for because Titas Gas does not actually measure how much gas they are supplying—they measure

In addition, all gas consumers except household users will now have to pay 10 paisa for every unit as "demand charge", says a BERC order passed on June 10, 2019. CAB is opposing the demand charge in court.

"By not providing the entire volume of gas that distributors are claiming they are supplying, they are causing a gas shortage. Since there is a shortage, there is demand for more gas. This demand was created by the distributors, then why are consumers being slapped with a demand tax?" opines Dr Alam.

Why do Titas's shareholders earn more?

CAB is also questioning why Titas Gas is given 18 percent rate-of-return on paid-up capital, while the other five gas distribution companies are given 12 percent.

Paid-up capital is the money that a company gets from selling shares or stock. Rate-of-return is the money earned by the shareholders on the paid-up capital, or return on investment.

"A consumer's gas bill will be decided after accommodating for the return on investment," explains Dr Alam.

The writ petition states, "As Titas Gas Transmission and Distribution Company distributes 57.26 percent of the total gas, there this action bears significant implications upon the countrywide consumers."

CAB estimated that Titas's shareholders were given the same return on investment as the others, then there would be Tk 15 crores to spare.

How is our money being used?

Turns out, even before the price of gas was increased, consumers have been paying for LNG imports. One taka is taken out of the money we pay for every unit of gas, and deposited to the Energy Security Fund, which is a fund that was created in 2015 to promote research and exploration of gas.

Instead, in April 2018, a policy was issued by the Energy and Mineral Resources Division, and it was decided that a large part of the fund will be used to import LNG. Expenditure statements submitted by Petrobangla to the court shows that almost every transaction made from the Energy Security Fund since last year, has been for, and related to, the import of LNG. Most of the money, in fact, was spent on actual purchase of LNG.

No money was spent on gas exploration projects to expand our own natural resources.

"In addition, Tk 0.46 is taken out of the bill for every unit of gas to put in the Gas Development Fund, but the government has

no explanation on how this money has been used," says Barua.

There is more. "Money from these funds is given to gas companies as is—it is given as a loan and the companies are charged an interest," explains Barua. Invariably the money paid by companies as interest to the government, is passed on to the end-consumer.

"Consumers are giving the money for the two funds, and they are also bearing the burden of the interest charged for using the money that they gave in the first place. How does this make sense?" says Dr Alam.

More hidden charges

Both Dr Shamsul Alam and Barrister Jyotirmoy Barua claim that many of the increases in that different componential charges that made up the final jump of gas price from Tk 7.38 per cubic metre to Tk 9.8 per cubic metre were done keeping profit in mind. In fact, the price increased to Tk 12.88 per unit, but the government subsidised it to Tk 9.8.

"The charge increases in the selling price should be based on the cost, not in addition to it," says Dr Alam.

The idea is this: theoretically, utility companies are not supposed to make a profit because according to the law of the land, all natural resources belong to the people. The gas bill being paid to the utility companies is supposed to cover the operational costs of providing gas to the people.

The increase in transmission costs from Tk 0.1565 (16 paisa) to Tk 0.4235 (42 paisa) is one example of a cost that was done keeping profit in mind.

"At the time of the public hearing it was admitted that the transmission cost required is Tk 0.2565 but the charge was fixed earlier at Tk 0.1565. They [BERC] could have increased the charge by Tk 0.1 to adjust the requirement but they, without following the findings in the public hearing, most arbitrarily fixed the charge to Tk 0.4235," states the writ petition filed by CAB. The writ is referring to a public hearing held by BERC to discuss the increase in gas prices.

"The arbitrary decision of BERC has been passed with malafide intention to facilitate the Gas Transmission Company Ltd (GTCL) for illegal gain [...]," it continues to assert.

CAB is also impugning the increase in distribution charge, claiming that it is leading to profits.

"The transmission charge is also fixed based on all assets whether they are being used or not," said Dr Alam. For example, the Bherama-Khulna pipeline is not in use.

CAB states that the the Bibiyana-Dhonua and Hatikomurul-Bheramara pipelines are barely used as well. "Yet their operational costs are passed onto the consumers," explains Dr Alam.

"There has been no deficiency in gas distribution, and there was a yearly surplus of 470 crore 97 lakh taka. Without adjusting the surplus money with the distribution charge, BERC rather set up a uniform distribution charge for all Distribution Utilities for an amount of Tk 0.25 irrespective of their revenue requirements," insists the writ petition. The extra money will lead to huge surpluses, CAB says.

The list goes on. BERC will now be buying gas from BAPEX (Bangladesh Petroleum Exploration and Production Company Limited), the company that extracts gas out of the ground, at a rate of Tk 3.0414.

"BAPEX cannot arbitrarily state a price. That power jurisdiction lies only with the government. This increase in price is being passed on to the end consumers, so they are being charged for it," explains Dr Alam.

Why the battle over pennies?

Most BERC officials who could be spokespersons for the body refused to comment on this case, because it is a sub judice matter. One high official, however, requested anonymity and told this correspondent, that the allegations made by the writ petition, are baseless.

"They essentially are accusing us of corruption. The rise in gas prices did not happen as a result of corruption. A few people may be corrupt but 99 percent of the body is not corrupt," he states.

There is the highest chance that many of this newspaper's readers will not even notice that cooking fuel just got costlier. At a certain section of the Mirpur Bauniabandh slum, however, is a narrow lane that divides people who boil their water before drinking, and people who don't. The reason? One side has working gas connections and the other side doesn't.

The row of corrugated tin houses built tottering upon the banks of a lake overflowing with trash do not have working gas connections and find it too expensive to pay for LPG cylinders that cost Tk 1,600 a pop, and barely last a month. So, they use firewood—unfortunately, at Tk 12 per kilogramme, it is still too expensive to "waste" on boiling drinking water.

"I am a domestic helper, I cannot afford to boil water," said Asha, a mother of a three-year-old girl. She feeds her daughter unfiltered water straight from the tap. Last year, a WaterAid study showed that all samples of tap water in slums were laced with fecal matter.

On the other side of the road are tenement buildings. We entered one building to see that entire families live in one room, with each floor accommodating up to four families. A two-stove burner for each floor is the prime reason why the families choose the building.

"I pay a higher rent so that I can boil water and cook using gas," said Shabana Begum, a young mother of four children. The family of six all live in one tiny room for the privilege of a gas connection.

It is people like Shabana who will be impacted by the Tk 175 increase in household gas—and an increase in prices has a direct impact on their health, on whether or not they will drink boiled water. When a large portion of our population have to pinch for pennies to pay for the rise in gas prices, should we not question what we are paying for and how our money is being used?



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