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Power rates going up?

Hike may be precipitated by unsustainable subsidies and the rising prices of oil, gas and coal

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PETALING JAYA: A hike in electricity tariffs is imminent due to unsustainable subsidies for the power industry, along with worldwide price increases in oil, gas and coal, an Energy Commission official said yesterday.

Its senior director Azhar Omar said the government has begun rationalising subsidies and it is only a matter of time before the heavily-subsidised natural gas sector is affected by cuts.

"The subsidy (for natural gas) is unsustainable and will probably be the next (to be reduced). The government is currently subsidising 70% of the price of gas," he said.

He was among a panel of speakers at a public forum entitled "Reforms in Peninsular Malaysia's Electricity Sector" at a hotel here.

Azhar also warned that sources of natural gas are depleting, which would further necessitate subsidy reduction.

Asked by members of the floor about the sort of reforms the

TURN TO PAGE 02 ►

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Govt cannot continue subsidies

► FROM FRONT PAGE

government planned to implement in the power industry, he said much of the details cannot be revealed at the moment as the government has yet to approve the reforms.

“It (the reforms, including the price hike) is imminent, but until the government gives the go-ahead, I can only say it is coming ... but not what is coming,” he said.

Meanwhile, Federation of Malaysian Manufacturers vice-chairman Ramamuthie Varathan said reducing subsidies is a necessary move to achieve the vision of becoming a high-income nation.

“You cannot achieve Vision 2020 without rationalising subsidies. The government cannot afford to continue with such subsidies,” he said.

However, he said the government reduces subsidies gradually so that the impact felt by relevant industries and the people would be minimal.

He added that the government should take steps to ensure that Independent Power Producers (IPP) and Tenaga Nasional Berhad are not charging a premium to maximise profits.