

Pakistan's energy crisis was due to the lack of strategy and political will. Discuss (2020)

Introduction:

It is without exaggeration and beyond the doubt that energy has become one of the most significant needs of human beings. The utility of energy has greatly evolved over the last century. The whole range of human activities depended on energy.

Energy prosperity has become very crucial to overcome fundamental social problems such as poverty, hunger, disease and ~~illiteracy~~ illiteracy.

According to **World Bank report - 2018**

as many as **50 million** people in Pakistan live without connection to the electric grid.

Major issues with Pakistan's energy sector were highlighted by the **Asian Development Bank** in its **central Asia Regional Economic Cooperation Energy outlook 2030**. The

CAREC report which said that country's population grows at 2 percent per annum

which increase the stress on the industry.

The report also mentioned that a quarter

of the population still does not have access to power.

Darkness Looms: "Pakistan's Energy Woes"

Pakistan, the energy crisis is the single largest drain on the economy, which cuts gross domestic product progress by more than 2 percent each year. This crisis stems from the policy of fuel mix transformation introduced almost 20-25 years ago, when imported furnace oil became the primary source of power generation, rather than a greater diversification of energy.

① Origins of the Crisis:

2007 is considered the starting point of the energy crisis, the issue has its roots in policy decisions taken two decades ago. A major crisis was actually averted in the 1970s when the government launched the massive **Mangla** and **Tarbela** dams, leading to a short lived period of robust hydro-driven energy generation that ably

Date: _____

responded to demand. However, a period of strong economic growth in the 1980s, energy demand soared, supply and infrastructure could not keep up. **24 January 2023** a wave of darkness engulfed Pakistan as its aging power grid strained to meet the country's demand for electricity.

Pakistan's energy problems are deep and complex, being rooted more in shortages of governance and political will than of a pure supply.

⑥ Political Inaction Fuels Pakistan's Energy Crisis:

(i) Policy Instability:

Frequent changes in government and shifts in political priorities have resulted in policy instability in the energy sector. As new governments come into power, they may introduce new policies or modify existing ones, leading to uncertainty for investors and energy companies. This uncertainty can discourage long-term planning and investment.

in the sector.

(ii) Inconsistent pricing policies:

Politically motivated ^{at} decisions on energy pricing such as keeping electricity or fuel prices artificially low for populist reasons, can create imbalance between supply and demand. Subsidized energy prices may lead to increased consumption and wastage, putting a strain on the energy infrastructure and exacerbating financial losses for energy companies.

(iii) Favoritism and Patronage:

Political interference can lead to favoritism and patronage in the awarding of energy contracts and licenses. This can result in the selection of less qualified or less efficient companies for energy projects, comprising the ~~over~~ overall performance and quality of the Project.

iv) Delayed Reforms:

Reforms in the energy sector that are necessary for its sustainable development

Date: _____

may be delayed or avoided due to political considerations. For instance restructuring state owned energy companies addressing circular debt issues, or implementing energy conservation measures might face resistance from political stakeholders.

v) Inefficient Resource Allocation:

Political interference can influence resource allocation decisions, leading to investments in energy projects that may not be the most economically viable or environmentally sustainable. This can divert resources away from critical projects that could have more significant impact on addressing the energy crisis.

vi) Non-payment of Bills:

Political pressure may lead to delays in the payment of energy bills by government entities or influential individuals, contributing to circular debt problem and affecting the financial health of the energy sector.

© Mismanagement to blackouts: Weak Strategies:

(i) Energy Demand and Supply Imbalance:

Pakistan's energy demands has been consistently increasing due to population growth, urbanization, and industrial expansion. However, Pakistan has struggled to keep up with the rising demand by increasing its energy generation capacity. This has led to a significant gap between energy demand and supply, resulting in power outages and load shedding.

As per **Pakistan Energy Outlook - 2019**

Pakistan's energy demand has been consistently increasing at an average annual growth rate of around 6 to 7%.

(ii) Limited Investment in Energy Infrastructure:

Pakistan's energy sector has suffered from inadequate investment in developing and upgrading its energy infrastructure. The lack of modernization in power plants and transmission systems has constrained the country's ability to

Date: _____

meet the growing energy demand. Pakistan's aging power plants and outdated transmission system have contributed to transmission losses and inefficiencies. According to **World Bank report** Pakistan's investment in energy infrastructure has historically been lower than what is required for adequate energy supply.

iii) Inefficient Energy Sector:

The energy sector in Pakistan has been criticized for its inefficiency and lack of technological advancements. Transmission and distribution losses are relatively high, leading to wastage of electricity. The inefficiency in the energy sector has added to the financial burden and exacerbated the energy crisis. As of 2021, Pakistan's transmission and distribution losses were estimated to be around 17-18% which is significantly higher than the global average.

iv) Dependency on Fossil Fuels:

Pakistan has historically relied heavily on fossil fuels, especially natural gas and oil.

for its energy needs. This dependence has made the country vulnerable to fluctuations in international fuel prices, which can directly impact its economy and energy affordability.

(v) **Circular Debt issue:**

Circular debt is a major issue in Pakistan's energy sector, where in the government owned power distribution companies struggle to pay for the electricity they purchased from power generation companies. This debt burden has affected the entire energy supply chain and discouraged private investment in the sector. According to **Asian Development Bank - 2021 report** Pakistan's circular debt is **2.3 billion**.

Same statistics were given by **Pakistan (State Bank of Pakistan)**

(vi) **Political Interference:**

Political interference and lack of continuity in policies have hindered the implementation of long-term solutions.

Date: _____

Frequent changes in government have sometimes resulted in shifting priorities and delays in critical energy projects. Policy uncertainty has often deterred private investment in the energy sector, as investors seek stable and predictable regulatory environments.

Conclusion:

Pakistan's energy crisis is a pressing challenge that has arisen due to a combination of factors including policy inefficiencies, lack of diversification in energy sources, infrastructural challenges, circular debt issues, and energy subsidies.

To overcome this crisis: it is imperative for policymakers to adopt a comprehensive and forward looking approach, emphasizing sustainable energy development, diversification, and energy efficiency measures. Encouraging private sector participation, strengthening institutions, and promoting transparency and good governance are also crucial steps toward achieving a more robust and sustainable energy sector in Pakistan.

Date: _____

A concerted effort, backed by political will and commitment, is necessary to secure the country's energy future and ensure energy accessibility and affordability for its growing population and industries.