

Q#7:

## Introduction—Energy Crisis

She was a 10 years old girl, preparing for her exam that is going to be the next day. Suddenly, the whole room went into darkness because of power blackouts. Now she had no other option but to cry. To cry on her dismay, to cry on her country's worsening socio-economic crisis, and energy catastrophe. There are myriads of problems that Pakistan is facing now-a-day, but energy crisis leads the list. Indeed, it has given rise to many other issues. A number of factors contribute to this calamity, such as inadequacy on part of policy-makers, under-utilization of the country vital resources, and fluctuation in oil pricing amid geopolitical shifts. Obstacles are there, but they are not insurmountable. A number of steps can be taken to avert this impending crisis, so that the other sector of country can flourish exponentially.

1

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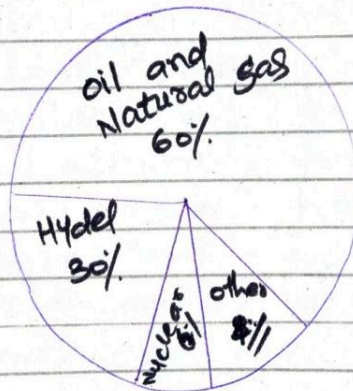
## Energy Crisis

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## Situation in Pakistan

Pakistan's energy crisis is more of an oil price crisis rather than a real energy crisis. This is because the energy sector in Pakistan depends primarily upon oil, and amidst geopolitical scenario of the world, the world is facing a price hike of petroleum products.

### Pakistan's Improper Energy Mix



Source: Ministry of Petroleum and Natural Gas



# Causes of Energy Crisis in Pakistan

## 1- Discrepancies at Policy level

Since, 1980s, International forums have been recommending Pakistan to build small and medium dams in order to avoid any looming energy crisis. But Pakistani policymakers overlooked it, and did not come up with a sound policy that could address the issue of energy crisis. Moreover, the agreement with IPPs in 1990s as a short-term measure weak have on the energy sector of Pakistan, for the government have to IPPs on the installed capacity rather than the produced energy that ultimately becomes burden on national exchequer.

## 2- Fluctuation of oil prices in International Market

Amid Russia-Ukraine war, Europe started shifting towards LNG to avoid dependence on Russian oil. The considerable increase in demand side escalated price of LNG to a greater level, and Pakistan faced severe energy crisis because of cost factor. Moreover, the Pakistani government did not renew its long-term agreements

3

with global lenders. Ultimately, Pakistan has to bear the brunt of spot pricing.

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### 3. Line losses and Power Theft

Line losses during transmission of electricity and power theft are other major issues that aggravates the energy crisis. For instance, around 15% to 20% of total energy get wasted as a result of line losses. Moreover, this problem gives rise to the issue of circular debt. According to the recent statistics, Pakistan's circular debt is \$RS3 trillion.

### 4. Mismanagement of Resources

Pakistan has around 30 trillion USD worth of coal reserves, and yet, the share of coal in its energy mix is less than 6%. The problem with underutilization of coal arises from its under-exploration, which is partly because of poor technology use, partly because of inadequate investment in the sector, and partly a result of poor planning and inadequate private entrepreneurship.

4

### Ways to counter this impending crisis

#### 1- At Policy level: A coherent Procurement strategy

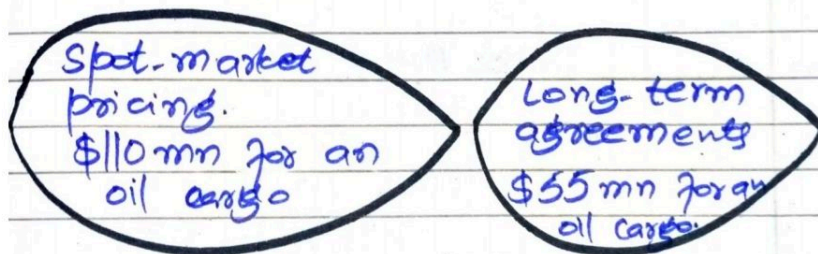


## Ways to counter this impending crisis

### 1- At Policy level: A coherent Procurement strategy

Pakistan needs a coherent LNG procurement strategy that could avoid locking in higher prices for coming decades. This is because oil market is a cruel market, and reliance on spot pricing become disastrous.

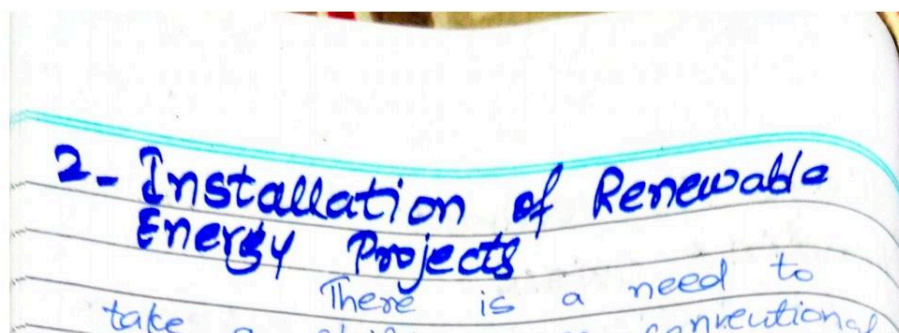
For Example



Source: The Diplomat

Therefore, long-term agreements shields the country from geopolitical shifts and price hikes, and they ultimately decreases the country's exposure to global price volatility. The government of Pakistan is endeavouring to sign a long-term agreement of 25 years with Qatar that is the pragmatic step to avoid future energy shortfalls.

5



## 2- Installation of Renewable Energy Projects

There is a need to take a shift from conventional to renewable energy resources as Pakistan has a great potential for solar, wind and biogas energy. Moreover, it will also address the issue of cost along with the demand side issues.

| RES   | Potential |
|-------|-----------|
| wind  | 50,000 MW |
| solar | 14,000 MW |
| Hydro | 48,000 MW |

## 3- Revamping of EPPs from generation to produced electricity

The government should take immediate steps to revamp the agreements with EPPs; accordingly Bills would be changed on produced electricity instead of installed capacity. This step

would help the country to stabilize the prices, and ultimately prices of electricity would fall to a greater extent.



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## Situational Analysis

The government of Pakistan launched an energy policy to deal with the situation. It invites investments from the private sector, and it permits an investor to generate electricity based on renewable resources at one location and receive an equivalent amount for own use. It also facilitates projects to obtain carbon credits to avoid Greenhouse Gas Emissions. Therefore, it can be rightly argued that the government is endeavoring to come up with pragmatic measure to deal with the situation.

**Conclusion:** To conclude, Pakistan historically has been facing energy crisis because of aforementioned factors, but now there is a need to revitalize this sector by adopting some viable and prudent solutions.