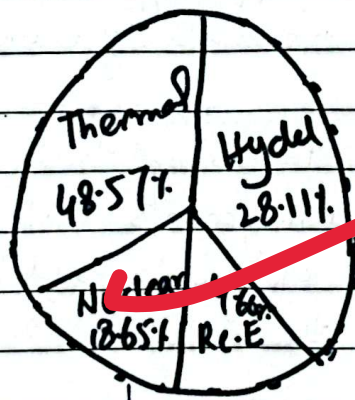


Pakistan's energy crisis was due<sup>to</sup> the lack of strategy and political will. Discuss

## INTRODUCTION

Pakistan since long has faced an energy crisis. These are exasperated by global volatility in the oil markets. Both political will and strategy are key to navigating this quagmire. However, the current situation tells another story altogether.

The Energy Mix of the country is given below



Total: 41,517 MW

Thermal = 48.57

Hydel = 28.11%

Nuclear = 18.65%

Renewable = 4.66%  
Energy

Pie Chart of  
the Overall Energy  
Mix.

(Pak Economic Survey  
2023)

Pakistan's peak demand was recorded on June/July, 2023 of about 36,000 MW. The country has surplus capacity but the problems lie under the radar. They are structural which require both political strategy and will to fix.



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# How THE LACK OF STRATEGY FUELLED THE CRISIS IN: PAKISTAN

## a) Stop Gap Arrangements were made:

Power agreements that comprised of both government-to-government and the modus operandi of the Political rulers was making stop-gap arrangements. Firefighting measures were taken in order to momentarily extinguish the crisis.

(Karkay)  
Rental Power Plants and their contracts were such arrangements that the government of the day did to extinguish the crisis.

## b) Lack of Investments in Transmission and Distribution

The Distribution companies lose billions of Rupees due to T&D Losses.

11 Close to 100 Billion PKR is being lost to T&D Losses by 1 Companies (PESCO, SEPCO, NESCO, HESCO) and the total loss is PKR 22.2 Billion for the overall companies. (NEPRA)



Investments in power generation was made but subsequent investments in distribution was not made.

### c) Power Purchase Agreements are not in favour of the Government.

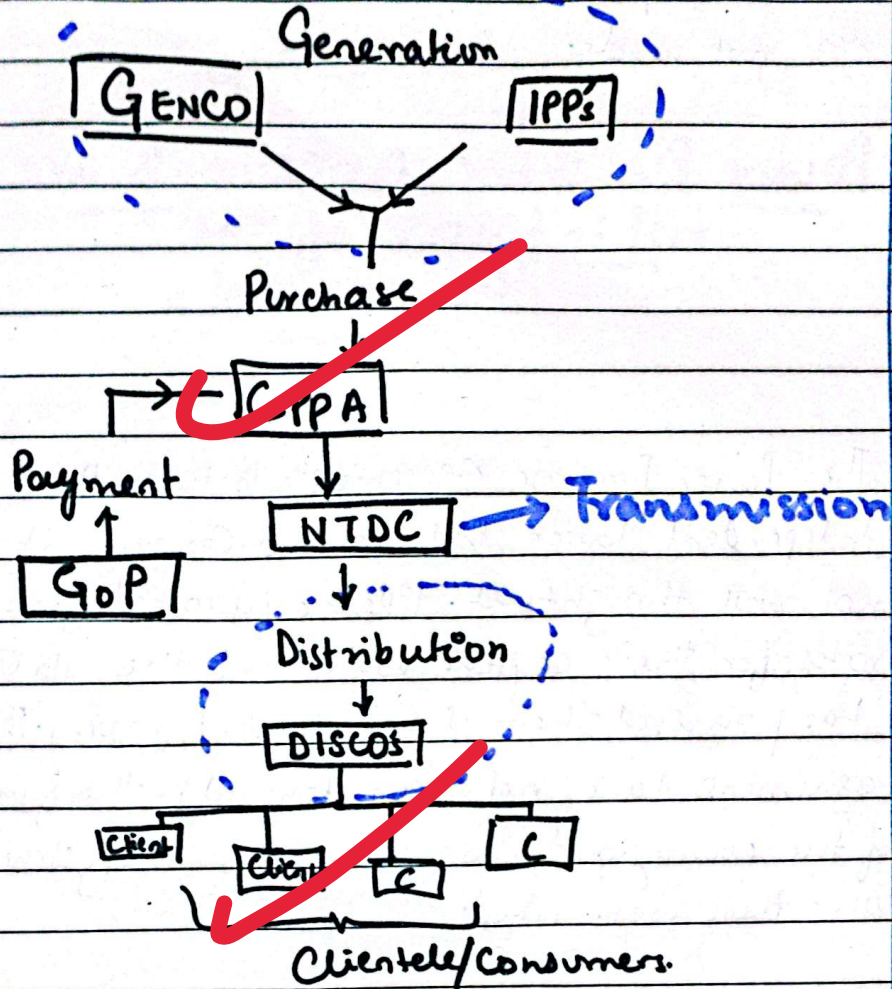
The Power Purchase Agreements between the Independent Power Producers and Government are not well thoughtout. IPPs are favoured fixed rates for their captive power and the State has promised them dollar-backed returns. These agreements have not been designed in the favour of the country and show a clear lack of strategy when these were inked.

### d) Global Volatility in Energy Markets affected the Country's LNG Supply.

When the Russia-Ukraine war happened, global supply of LNG was diverted to Europe. During this time, no strategy was in place to acquire and hedge the country's storage of LNG. Later on, the country had to face an energy crisis at the hands of LNG/Natural Gas shortage.



## d) Single Buyer Markets Impedes Growth



### Diagrammatic View of Electricity Market in Pakistan

The Single Buyer Market is the epitome of lack of direction in the power sector. This model enables poor lack of efficient service delivery, poor upkeep of system and lack of investment. Due to this system, consumers end up facing the brunt of DISCO's inefficiency.



# HOW THE LACK OF POLITICAL WILL FUELED THE CRISIS

## a) Lack of Political Will to Overhaul the Power Sector?

Every now and then, a political party in opposition will decry the treasury benches performance regarding the power sector. But come next term, they also are also indifferent to the crisis. The power sector needs reforms and that requires significant political capital. Something that the parties don't have. That's why they don't have the will to overhaul the energy sector.

## b) Lack of Political Priority by the Parties

The majority political entities come <sup>with</sup> one slogan that they will provide free electricity to the poor and unprivileged. However, there seems to be no attention to fixing the crisis that leads them to this slogan.

Short-term arrangements and firefighting measures are prioritized over long-term reforms.



### c) Lack of Capacity of the Political Parties to Tackle this Crisis

A political party does not possess the capacity and capability to overcome this crisis. Similarly, due to the complexity of the Power/Energy sector these entities prefer to employ measures that lead to short-term relief rather than long-term reforms.

Add and highlight

### d) The Road to Reform is Inherently Costly

The road to reforms requires a party spend its capital (political) and that by many analysts can lead to political martyrdom. The fallout of the consequences are far greater politically. As it would mean losing precious constituencies.

### e) Vested Interests halt Privatization Efforts

Every political party has one goal - Re-election. Privatization entails laying off many scores of employees. This again is politically risky and therefore demotivates the treasury to begin the process. Moreover, these groups constitute



# Good structure and arguments

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a significant portion of the workforce and as mentioned above. It is considered political martyrdom to venture down this path.

## CONCLUSION

← Lack of clarity and strategy coupled with meaning political will have compounded the issues that Pakistan's energy sector faces. Both are dependent on each other and without one the other is meaningless. Political will and strategy are a rare find today. As every political entity has embodied the phrase 'Every man for himself.'